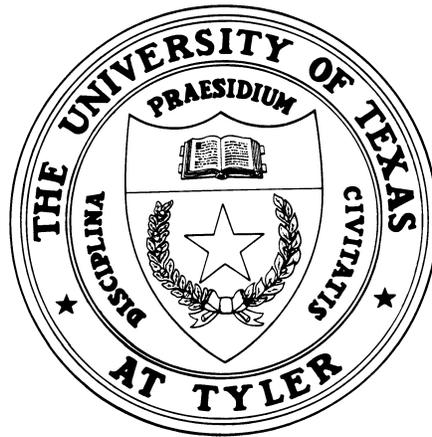


**The University of Texas  
at Tyler**

**The Office of the Provost and Vice President for Academic Affairs  
Change in Management Audit**

**For Fiscal Year Ended August 31, 2012**



**May 2013**

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

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### **Background**

A review of accounts in the Office of the Provost/Vice President for Academic Affairs (VPAA) has been conducted at the request of the University of Texas at Tyler (UT Tyler) Institutional Audit Committee (IAC) due to a change in management. The former Provost/VPAA resigned effective March 31, 2011; an Interim Provost/VPAA served through June 30, 2012; and Dr. Alisa White was appointed Provost/Senior VPAA effective July 1, 2012. The results of the review revealed a weakness in internal controls that allowed student fees to be waived without documented approval, programming errors resulting in erroneous student fee billing, inappropriate fee transfers, and faculty appointments made without following institutional policies. Current management responsible for operations of the affected areas has agreed to implement recommendations related to the observations.

### **Engagement Objectives**

The objectives of the audit were to review the account transactions specific to the Provost/VPAA Office for compliance with State of Texas, University of Texas System, and UT Tyler rules and regulations.

### **Scope and Methodology**

The scope of this audit included a review of accounts in all unit codes under the Provost/VPAA Office in Fiscal Year 2012 as follows:

- Office of the Vice President for Academic Affairs
- VPAA Processing Office
- Instruction – Unallocated
- Sciences and Mathematics – Unallocated
- Faculty Senate
- Faculty Stars
- Faculty – Student Summer Research Program
- Excellence in Academics
- SACS Self Study
- Co-Curricular Fund
- Provost Excellence in Teaching Award
- Ben R. Fisch Endowed Professorship
- Jack & Dorothy Fay White Fellowship
- D. Braithwaite Professorship in Nursing
- McNally Civil Engineering Fund

The Compliance Office conducted a Quality Assurance Review (QAR) in August 2012 which included departmental accounts for salaries, travel, maintenance and operations as well as account reconciliation and monitoring, capital asset management, human resource management, information technology security, and effective operations. No weaknesses were noted in these areas; therefore they were excluded from the scope of this audit.

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### Standards

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

### Procedures

To accomplish the audit objectives, a judgmental sample of transactions based on amount, account, and vendor, including transfers, made during Fiscal Year 2012 was selected from the DEFINE accounting system and tested for compliance with rules and regulations including validity, accuracy, approvals, and supporting documentation.

### Engagement Results

#### Fee Waivers

Texas Administrative Code Section 54.5035 states the following: Distance Learning or Off-Campus Courses: Optional Waiver: *“The governing board of an institution of higher education may waive a fee it is authorized to charge if the board determines that:(1) a student is enrolled only in distance learning courses or other off-campus courses of the institution;(2) the student cannot reasonably be expected to use the activities, services, or facilities on which the fee is based; and(3) the waiver of the fee will not materially impair the ability of the institution either to service any debt on which the fee is based or to offer or operate the particular activity, service, or facility supported by the fee.”*

Regents Rule 40401, Section 2 states the following: *“Exemptions and Waivers. The authority of the Board of Regents to grant exemptions and waivers from tuition, fees, and other charges in accordance with statute, is delegated to the presidents of the institutions.”*

Inadequate internal controls allowed programming changes requested by the Provost/VPAA Office to be made that waived five different fees totaling \$1,175,948 during Fiscal Year 2012. The fees were waived without proper authority and without consideration of the ability to service debt or provide the operations supported by the fees.

**Recommendation:** Internal controls should be strengthened so that fees are not waived and programming changes are not made without 1) proper approval from the president and 2) consideration of the impact on related fee accounts by the Provost/VPAA and the Vice President for Business Affairs (VPBA) responsible for the budgets of the fee accounts.

**Management Response:** Internal controls have been strengthened by communicating policies that fee waivers and programming changes will not be made without written approval from the President, the VPAA and the VPBA.

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### **Programming Errors**

Programming changes were made to waive certain fees for students that were enrolled in only distance education (on-line) classes. However, programming errors were made that resulted in incorrect fee waivers of \$380,304 for 1,373 students who also attended on-campus courses in Fall 2011. The error was then identified and corrected prior to processing the Spring 2012 student bills. The amount of erroneous waivers was transferred from Designated Tuition to the affected fee accounts to allow these programs to have adequate funding to meet obligations.

**Recommendation:** Programming code changes must be adequately tested to assure they are correctly written prior to the code being placed in production.

**Management Response:** Internal controls have been strengthened by communicating policies that programming code changes must be adequately tested by the Student Business Services department to assure they are correctly written prior to placing the code into production.

### **Fee Transfers**

Fees are assessed for specific purposes and should be used only for these purposes. Distance Education fee revenue in the amount of \$795,644 was inappropriately transferred by the VPBA Office to five fee accounts to replace the loss of revenue resulting from the waiver of those fees for on-line students. This transfer resulted in UT Tyler not following the fee guidelines.

**Recommendation:** The Distance Education fee account should be replenished by the \$795,644 that was transferred to other fee accounts and the funds should be used for appropriate expenses.

**Management Response:** A transfer entry has been made that replenished the distance education fee to the appropriate amount. The funds will be used for appropriate expenses.

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The following table summarizes the fee waivers and related accounts:

<b>Fee Waiver and Transfer Summary</b>			
<b>Fee Account</b>	<b>Fees Waived due to Programming Error (A)</b>	<b>Fees Waived for On-Line Only Students (B)</b>	<b>Total Fees Waived</b>
Fine and Performing Arts Fee	\$ 41,190	\$ 70,500	\$ 111,690
Recreational Facilities Fee	54,920	108,960	163,880
Medical Services Fee	48,055	95,955	144,010
Student Union Fee	144,165	289,505	433,670
Intercollegiate Athletic Fee	91,974	230,724	322,698
<b>Totals</b>	<b>\$ 380,304</b>	<b>\$ 795,644</b>	<b>\$ 1,175,948</b>

(A) Transfer made from Designated Tuition to five affected accounts.

(B) Transfer made from Distance Education Fee account to five affected accounts.

**Appointment of Faculty Positions**

UT Tyler maintains policies and procedures for the selection of recipients of endowed professorships and faculty chairs. These guidelines require a search or screening committee consisting of specific positions such as faculty and/or deans to review candidates and make recommendations for final approval by the Provost and/or President. Five endowed positions tested met the qualifications of the position; however a selection committee was not used as required by UT Tyler policies. The department awarding the position was not following guidelines which could result in qualified candidates not being considered and/or the appearance of favoritism or a possible conflict of interest.

**Recommendation:** Faculty selection for endowed positions should follow the UT Tyler guidelines.

**Management Response and Implementation Date:** Academic Affairs will comply with UT Tyler guidelines when appointing faculty to endowed positions by September 1, 2013.

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**Conclusion**

Based on the audit procedures performed on the Provost/VPAA accounts, internal controls should be strengthened related to fee waivers, programming changes, transfers, and the selection of faculty positions. Management has agreed to implement these recommendations.

*Lou Ann Viergever*

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Lou Ann Viergever, CPA, CIA, CRMA

Executive Director of Audit and Consulting Services