



Student Fees

Audit Report No. R2302 | *September 22, 2022*



Executive Summary

Audit Objective

To provide assurance as to the effectiveness of fee controls, including determining if fees are being spent in accordance with applicable policies, procedures, and regulations.

Controls and Strengths

- The Office of Budget and Financial Planning created a [Use of Funds Guide](#) that provides a summary of the purpose and limitations of student fees.
- The [Student Fee Advisory Committee](#) (UTDPP1037) considers budget requests and makes recommendations for the allocation of funds from various student fees.
- The Office of Budget and Finance assists in deciding how student fees are distributed based upon revenue.

Overall Conclusion

Overall, opportunities for improvement exist to ensure that fees are being spent in accordance with applicable policies, procedures, and regulations.

Observations by Risk Level

Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.

Recommendation	Risk Level	Management's Implementation Date
1. Student Fee Revenues Used for Cell Phone Charges for Employees	Medium	January 31, 2023
2. Student Fee Revenues Used for Employee Parking	Medium	May 31, 2023
3. Athletic Fees Cost Center Should Not Be Commingled with Student Services Fees	Medium	September 30, 2023
4. Training and Education Needed for Cost Center Owners, Reconcilers, and Approvers	Low	November 30, 2022
5. Advising Fee Cost Centers Set Up Incorrectly	Low	December 31, 2022

For details about the audit and methodology, explanation of risk levels, and report distribution, please see Appendices A, B, and C, respectively, in the attached report.



Detailed Audit Results

Observation	Risk Level/Effect	Recommendation ¹
1. Student Fee Revenues Used for Cell Phone Charges for Employees		Medium
<p>UTD discontinued paying for individual employee cell phone allowances in October 2019; however, some employees are getting cell phone services directly billed via the Office of Information Technology (OIT).</p> <p>The University does not provide cellular communications equipment or service plans for an individual’s routine use. Cell phone charges should not be paid from university funds without a legitimate business or research need (UTDBP3008, Cellular Communications Equipment Policy).</p> <p>Internal Audit tested student fee cost center expenses for compliance with fee restrictions. Cell phone charges for employees were paid from the Library Services Fee and Advising Fee. Advising Fees are to be used to provide assessment to students on academic and career issues, and improve retention and</p>	<p>Paying for employee cell phone charges from student fee accounts results not only in noncompliance with student fee restrictions but also can affect client (student) satisfaction. In addition, employees may be receiving benefits that are not being properly taxed.</p>	<p>Management should review existing procedures and enforce the telecommunications policies that state that cell phone charges should not be paid from university funds without a legitimate business or research need.</p>

¹ See Appendix B on page 12 for definitions of observation risk rankings. Minimal risk observations were communicated to management separately.



Observation	Risk Level/Effect	Recommendation ¹
<p>graduation rates. While Library Services Fees allow for benefits for library staff, cell phone charges are not allowable based on the telecommunications policy unless there is a legitimate business need.</p> <p>The total from student fees was:</p> <ul style="list-style-type: none"> • FY22 to date: \$6,935.89 • FY21: \$9,448.01 <p>On further review on a university-wide basis, the total of cell phone charges paid from all university funds was:</p> <ul style="list-style-type: none"> • FY22 to date: \$35,696.62 • FY21: \$46,794.57 <p>Internal Audit provided a list of employees to the appropriate vice presidents for their review and disposition.</p>		
<p>Management’s Action Plan: In accordance with UTD Cellular Communications Equipment Policy (UTDBP3008), the Office of Budget and Finance will notify employees currently receiving university-paid cellular services and equipment for individual use that these services will be terminated by January 1, 2023.</p> <p>The Office of Information Technology will update their guidelines, knowledgebase, and business practices to align with the approved guidance included in UTDBP3008.</p>		



Observation	Risk Level/Effect	Recommendation ¹
<p>Responsible Party Name and Title: Terry Pankratz, Vice President for Budget and Finance, Frank Feagans, Vice President for Information Technology.</p> <p>Estimated Date of Implementation: January 31, 2023</p>		
<p>2. Student Fee Revenues Used for Employee Parking</p>		<p>Medium</p>
<p>One department approved using student fees cost center (Advising Fee) to purchase FY21 summer parking passes (green), totaling \$2,016, for 42 staff members. Advising Fees are to be used to provide assessment to students on academic and career issues, and improve retention and graduation rates.</p> <p>Internal Audit discussed the issue with Payroll and noted that these expenses were not submitted to them for inclusion in the staff members' taxable benefits. Also, the Office of Parking and Transportation stated that decisions for the use of university funds are left up to the fiscal officers.</p>	<p>Paying for employee parking from student fee cost centers results not only in noncompliance with student fee restrictions but can also affect client (student) satisfaction. In addition, employees may be receiving benefits that are not being properly taxed.</p>	<p>A university-wide policy should be developed to clarify the use of university funds for employee parking.</p>
<p>Management's Action Plan: The Office of Budget and Finance will work with Parking and Transportation Services to develop a university policy or documented business practice outlining the use of departmental funds to pay parking fees. The policy will clarify that use of departmental funds to pay employee parking is prohibited.</p>		



Observation	Risk Level/Effect	Recommendation ¹
<p>Responsible Party Name and Title: Leigh Hausman, Policy and Process Manager</p> <p>Estimated Date of Implementation: May 31, 2023</p>		
<p>3. Athletic Fees Cost Center Should Not Be Commingled with Student Services Fees</p>		<p>Medium</p>
<p>Internal Audit reviewed the budgetary allocations for various Student Affairs mandatory student fee cost centers and found that some fees were not sustainable. However, budget reductions resulting from COVID-19 brought these cost centers more in balance.</p> <p>The Athletics Program fee is currently set at \$45 per student per semester. Although the FY22-23 fund balances are estimated to be sufficient, the budget forecasts for FY24 and FY25 are estimated to be at a deficit.</p> <p>Currently, the Athletics Program Fee cost center requires additional funding from the Student Services Fee to pay for core athletic operations. This approach does not comply with Texas Education Code 54.503, Student Services Fees. In addition, it contradicts UT System Legal guidance that “an institution should not</p>	<p>Comingling student fee funds does not comply with the Texas Education Code and could affect client (student) satisfaction.</p>	<p>Management should ensure compliance with the Texas Education Code and ensure that the Athletics Fees budget is sustainable and not supplemented by Student Services Fees.</p>



Observation	Risk Level/Effect	Recommendation ¹
<p>be co-mingling athletics and student services fees to pay for core operations.”</p>		
<p>Management’s Action Plan: The student service fee subsidy is the result of UT Dallas’s inability to increase the student athletic fee to coincide with the growth the student body and the demand for more athletic programs. The Vice President for Student Affairs and the Vice President for Budget and Finance are working collaboratively to conduct a student referendum seeking student approval to increase the athletic fee in the fall of 2022. In addition, language amending the current governing statute has been submitted to the legislative review process for legislative approval in the 2023 legislative session.</p> <p>Once both approvals are received, it will no longer be necessary to subsidize athletics with student service fees. In the event student and legislative approval are not secured, the university will need to address the athletic budget shortfall through other means.</p> <p>Responsible Party Name and Title: Gene Fitch, Vice President for Student Affairs, Terry Pankratz, Vice President for Budget and Finance</p> <p>Estimated Date of Implementation: September 30, 2023</p>		
<p>4. Training and Education Needed for Cost Center Owners, Reconcilers, and Approvers</p>		<p>Low</p>
<p>Expenses from student fee cost centers are made by various departments, and cost center reconcilers and approvers are responsible for ensuring that the expenses comply with the terms of the student fee restrictions.</p> <p>However, training does not exist to ensure the users and approvers of the student fee cost centers are aware of the</p>	<p>Without education, purchases may be made and subsequently approved that do not comply with the student fee restrictions.</p>	<p>Periodic education should be given to employees who make purchases from, reconcile, own, and approve university cost centers, including those funded from student fees.</p>



Observation	Risk Level/Effect	Recommendation ¹
<p>restrictions, especially when new employees are hired. A use of funds guide was created by the Office of Budget and Financial Planning, and the guide was updated in March 2022; however, not all users and approvers are familiar with the guide.</p>		
<p>Management’s Action Plan: The Office of Budget and Finance will incorporate periodic training sessions and reminders in their monthly Fiscal Officers and Business Officers meeting and in account reconciliation training.</p> <p>Responsible Party Name and Title: Brian Bernoussi, Assistant Vice President for Budget and Finance</p> <p>Estimated Date of Implementation: November 30, 2022</p>		
<p>5. Advising Fee Cost Centers Set Up Incorrectly</p>		<p>Low</p>
<p>Advising fees are to be used to provide assessment to students on academic and career issues, and improve retention and graduation rates. In testing for compliance with student fee restrictions, Internal Audit noted instances where advising fees were being used for instructional purposes to pay stipends into cost centers set up for faculty who teach courses in the Honors College Collegium V (CV) Honors Program. Per the Assistant Dean and Director of the CV Program, these cost centers are used by the faculty to purchase course materials,</p>	<p>Paying for faculty salaries from advising fees results not only in noncompliance with fee restrictions but also can affect client (student) satisfaction.</p>	<p>Discontinue the use of paying for faculty salaries with advising fees and instead use designated tuition funds.</p>



Observation	Risk Level/Effect	Recommendation ¹
<p>or for summer salary. The following total amounts were paid into CV faculty cost centers from Advising Fee funds in FY21 and FY22:</p> <ul style="list-style-type: none"> • School of Natural Science and Mathematics - \$34,000 in FY21; \$13,861 in FY22. • While no expenses were made in the School of Brain and Behavior Sciences during FY21 and FY22, there are two CV faculty cost centers with prior year roll forward balances which indicate they were receiving funds prior to FY21. 		
<p>Management’s Action Plan: The Budget Office will periodically review all expense and transfer transactions on the advising fee funds, and work with the departments to move out transactions that don’t fit the fee’s intended purpose. The reviews will be conducted every quarter in FY 2023, and February and July thereafter.</p> <p>Responsible Party Name and Title: Orkun Toros, Assistant Vice President for Budget and Finance</p> <p>Estimated Date of Implementation: December 31, 2022</p>		

Overall Conclusion

Overall, opportunities for improvement exist to ensure that fees are being spent in accordance with applicable policies, procedures, and regulations.

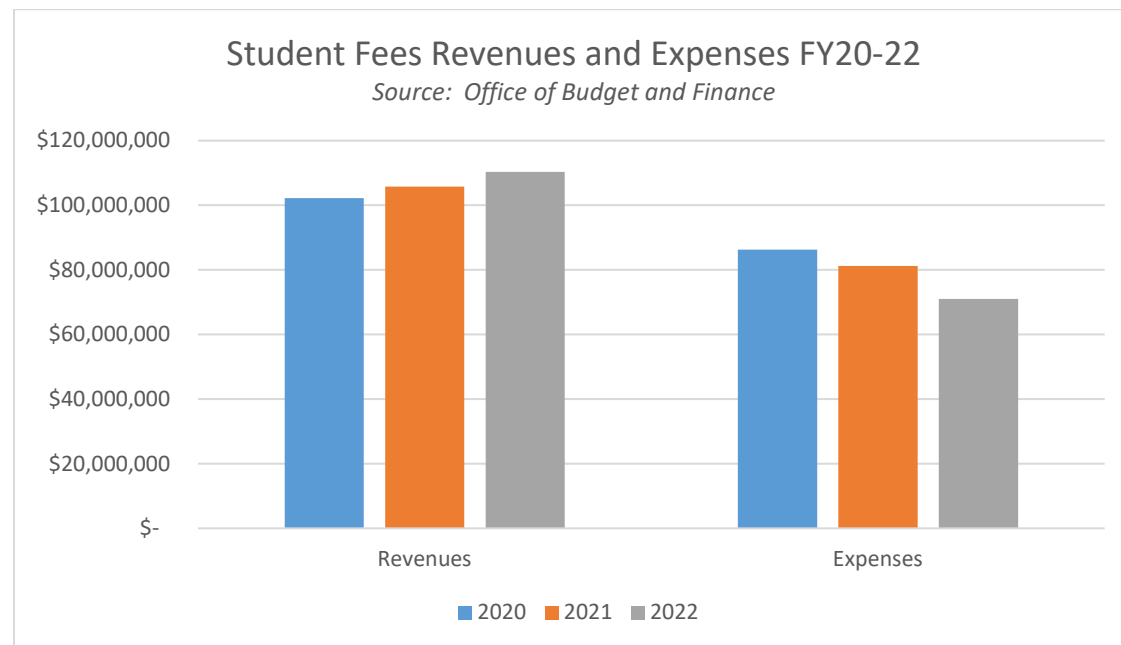


Appendix A: Information Related to the Audit

Background

Mandatory fees are a core component of revenue for multiple university departments and services. [Texas Education Code Chapter 54](#) governs Tuition and Fees, including outlining the established mandatory fees and purposes for The University of Texas at Dallas. Mandatory fees are approved by the UT System Board of Regents. There are currently 14 mandatory fees established for UT Dallas, supporting university operations including Information Technology, Intercollegiate Athletics, Recreational Facilities, Student Unions, and Medical Services. Rates for these student fees vary by resident and non-resident, and the number of hours.

Not using fees in accordance with applicable laws, policies, and procedures could result in reputational risks, loss of funding, student dissatisfaction, and operational inefficiencies.





Objective

To provide assurance as to the effectiveness of fee controls, including determining if fees are being spent in accordance with applicable policies, procedures, and regulations.

Scope

The scope of the audit was mandatory student fees FY21-22. Fieldwork began in November 2021, and the audit concluded on August 1, 2022.

Methodology

The 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 (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they 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. The Office of Audit and Consulting Services is independent per both standards for internal auditors.

GAGAS also requires that auditors assess internal control when it is significant to the audit objectives. We used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in assessing internal controls².

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing. The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

² <https://www.coso.org/Documents/990025P-Executive-Summary-final-may20.pdf>



Audit Area	Methodology	Observations Related to the Audit Area
Policies and Procedures	Gained an understanding of the processes, policies, and procedures related to student fee budgeting, allocations, and expenses. Reviewed and tested budget allocations for selected fees to ensure compliance with guidance from the Student Fee Advisory Committee.	Recommendation #3
Expenses from Student Fee Accounts	Tested a sample of expenses from student fee cost centers to ensure the expenses were made in accordance with student fee restrictions.	Recommendations 1, 2, 4, & 5

Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.



Appendix B: Observation Risk Rankings

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

Risk Level	Definition
Priority	If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC).
High	High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Medium	Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Low	Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Minimal	Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting.



Appendix C: Report Submission and Distribution

We thank the Offices of Budget and Finance and Student Affairs and their management and staff for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

Distribution List

Members and ex-officio members of the UT Dallas Institutional Audit Committee

Responsible Vice Presidents

- Mr. Terry Pankratz, Vice President for Budget and Finance
- Dr. Gene Fitch, Jr, Vice President for Student Affairs
- Mr. Frank Feagans, Chief Information Officer and Vice President for Information Technology
- Dr. Calvin Jamison, Vice President for Facilities and Economic Development

Responsible and Other Interested Parties

- Dr. Brian Bernoussi, Assistant Vice President for Budget and Finance
- Mr. Orkun Toros, Assistant Vice President for Budget and Finance
- Ms. Leigh Hausman, Policy and Procedure Manager
- Mr. Brian Dourty, Chief Technology Officer
- Ms. Cheryl Friesenhahn, Senior Director, Office of Budget and Finance
- Ms. Stephanie McCane, Senior Director, Office of Information Technology
- Ms. Eva Burnett, Director Budget and Resource Planning
- Mr. Cris Aquino, Director of Parking and Transportation
- Ms. Jennifer Mayes, Financial Compliance Manager

External Parties

- The University of Texas System Audit Office
- Legislative Budget Board



- Governor's Office
- State Auditor's Office

Engagement Team

- Project Lead: Chris Robinette, Internal Auditor III
- Staff: Caitlin Cummins, Internal Auditor III, Julia Lawshae, Internal Auditor II