



An Audit Report on

# Accounts Receivable Management Processes at the University of North Texas and Texas A&M University-Corpus Christi

- UNT System accounted for student receivables appropriately.
- UNT collected student receivables as required; however, it should improve its review of queries used to find delinquent balances.
- TAMU-CC accounted for and collected student receivables appropriately; however, it should ensure that all required journal entries are recorded.

Lisa R. Collier, CPA, CFE, CIDA  
State Auditor

The University of North Texas (UNT) and Texas A&M University-Corpus Christi (TAMU-CC) had processes and controls to help ensure that accounts receivable related to student tuition and fees were managed and collected in compliance with applicable requirements. In addition, UNT and TAMU-CC complied with applicable student services fees requirements in Texas Education Code, Section 54.503. The University of North Texas System (UNT System) performs certain accounting functions on behalf of UNT.

- [Background](#) | p. 4
- [Audit Objectives](#) | p. 16

*This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321.0132.*

## LOW

### STUDENT RECEIVABLES AT UNT SYSTEM

UNT System accounted for UNT's student receivables and related allowances for doubtful accounts appropriately.

[Chapter 1-A | p. 9](#)

## MEDIUM

### STUDENT RECEIVABLES COLLECTIONS AT UNT

UNT collected student receivables appropriately; however, it should strengthen its review over queries used to identify students with delinquent balances.

[Chapter 1-B | p. 10](#)

For more information about this audit, contact Audit Manager Cesar Saldivar or State Auditor Lisa Collier at 512-936-9500.

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**MEDIUM****STUDENT RECEIVABLES AT  
TAMU-CC**

TAMU-CC accounted for student receivables and related allowances for doubtful accounts appropriately; however, it should ensure that it records all journal entries related to its allowances for doubtful accounts.

[Chapter 2-A | p. 12](#)

**LOW****STUDENT RECEIVABLES  
COLLECTIONS  
AT TAMU-CC**

TAMU-CC collected student receivables appropriately.

[Chapter 2-B | p. 14](#)

**LOW****STUDENT SERVICES FEES AT UNT  
AND TAMU-CC**

UNT and TAMU-CC complied with requirements for student services fees in Texas Education Code, Section 54.503.

[Chapter 3 | p. 15](#)

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## Summary of Managements' Responses

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Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. UNT and TAMU-CC agreed with the recommendations.

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## Ratings Definitions

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Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

**PRIORITY:** Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

**HIGH:** Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

**MEDIUM:** Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

**LOW:** The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

# Background Information

## Student Receivables

Student accounts receivables (student receivables) represent tuition, fees, and other university charges due from students. The University of North Texas (UNT) and Texas A&M University-Corpus Christi (TAMU-CC) track and record student receivables in their student information systems and then enter the student receivables in their financial accounting systems. The universities calculate amounts of student receivables that they expect will not be paid and enter those amounts in their financial accounting systems as allowances for doubtful accounts.

Figure 1 shows how student receivables are tracked and recorded by UNT and TAMU-CC, including the processes that the University of North Texas System (UNT System) performs on behalf of UNT.

Figure 1

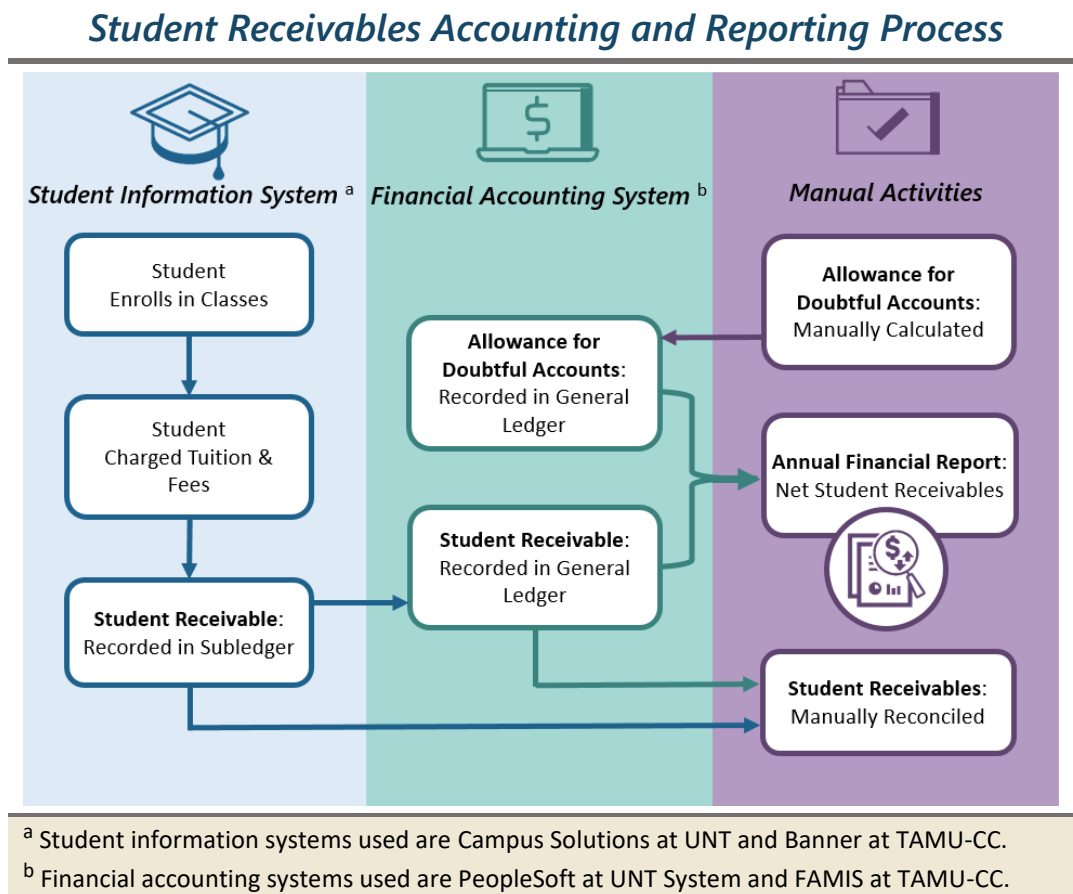


Figure 2 and Figure 3, respectively, show financial information for UNT and TAMU-CC student receivables for fiscal years 2019 through 2021.

Figure 2

**UNT Student Receivables Financial Information<sup>a</sup>**

Fiscal Year	Total Current Assets	Student Receivables (Net)	% Receivables of Total Current Assets	Student Receivables	Allowance for Doubtful Accounts	% Allowance of Student Receivables
2021	\$431,565,834	\$94,326,321	22%	\$140,588,930	\$46,262,609	33%
2020	\$356,048,075	\$90,060,831	25%	\$133,601,987	\$43,541,156	33%
2019	\$361,179,777	\$84,254,079	23%	\$124,734,839	\$40,480,760	32%

<sup>a</sup> All amounts are rounded to the nearest whole number.

Source: UNT’s Fiscal Years 2019, 2020, and 2021 Annual Financial Reports and student receivables supporting documentation.

Figure 3

**TAMU-CC Student Receivables Financial Information<sup>a</sup>**

Fiscal Year	Total Current Assets	Student Receivables (Net)	% Receivables of Total Current Assets	Student Receivables	Allowance for Doubtful Accounts	% Allowance of Student Receivables
2021	\$74,080,710	\$1,048,788	1%	\$1,992,531	\$943,743	47%
2020	\$62,607,114	\$963,488	2%	\$1,585,650	\$622,162	39%
2019	\$60,359,235	\$1,037,234	2%	\$1,582,127	\$544,893	34%

<sup>a</sup> All amounts are rounded to the nearest whole number.

Source: TAMU-CC’s Fiscal Years 2019, 2020, and 2021 Annual Financial Reports and student receivables supporting documentation.






**Collections**

UNT and TAMU-CC consider accounts to be past due when students have outstanding balances after deadlines for payment. Student accounts become delinquent when a student has an outstanding balance at the end of the term. Failure to pay by deadlines may result in holds on registration, transcripts, or diplomas; state warrant holds; issuance of demand letters; or referral of debt to an external collection agency. UNT and TAMU-CC use their student information systems, Campus Solutions and Banner, respectively, to perform and record their collections activities on past-due and delinquent accounts.

Figure 4 describes key elements of the universities’ collection activities.

Figure 4

### *Universities’ Collection Activities*

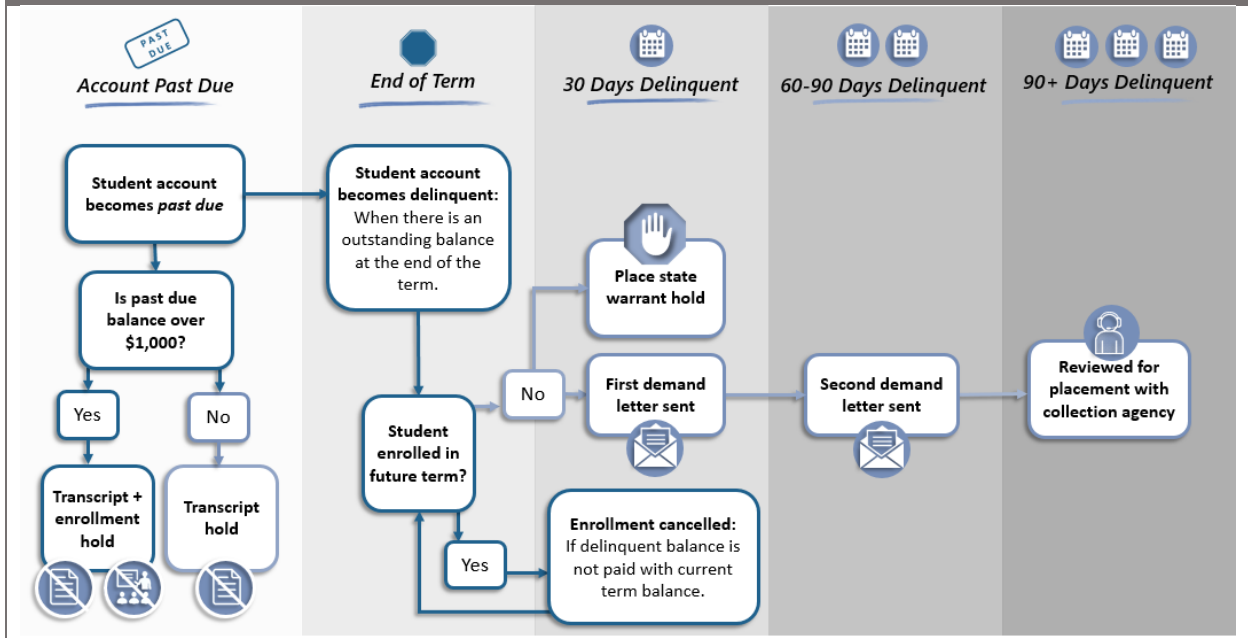
Activity	Description
	<p><b>Transcript/Diploma Hold</b></p> <p>A type of hold that is placed on a student’s account in Banner or Campus Solutions to prevent the student from being able to receive transcripts and/or diplomas.</p>
	<p><b>Enrollment Hold</b></p> <p>A type of hold that is placed on a student’s account in Banner or Campus Solutions to prevent the student from being able to enroll in classes.</p>
	<p><b>State Warrant Hold</b></p> <p>UNT and TAMU-CC are required to notify the Comptroller’s Office if a student owes a debt to the state. UNT and TAMU-CC are also required by their internal policies and procedures to record student accounts placed on state warrant hold in their student information systems. In general, Texas Government Code, Sections 403.055 and 403.0551, prohibit the issuance of payments to debtors and authorize the Comptroller’s Office to withhold payments to state payees and apply the payments to their debt. This prohibition is known as a “warrant hold.”</p>
	<p><b>Demand Letter</b></p> <p>A notice sent to a student who is in debt to the university demanding that payment be made. Texas Administrative Code, Rule 59.2, specifies that universities may send no more than two demand letters. The first demand letter is to be sent no more than 30 days after the debt becomes delinquent; if necessary, a second demand letter should be sent 30 to 60 days after the first demand letter.</p>
	<p><b>Referral to Collection Agency</b></p> <p>Per Texas Government Code, Section 2107.003, UNT and TAMU-CC are required to report any delinquent obligations older than 90 days to the state attorney general. However, the statute also grants the state attorney general authority to authorize UNT and TAMU-CC to report and place delinquent student accounts with authorized collection agencies, rather than directly with the state attorney general. The universities were authorized to send delinquent student accounts to authorized collection agencies.</p>

Sources: UNT; TAMU-CC; Texas Government Code, Sections 403.055 and 403.0551; Office of the Comptroller of Public Accounts; Texas Administrative Code, Rule 59.2; and Texas Government Code, Section 2107.003.

Figure 5 and Figure 6 show collections processes for student accounts.

Figure 5

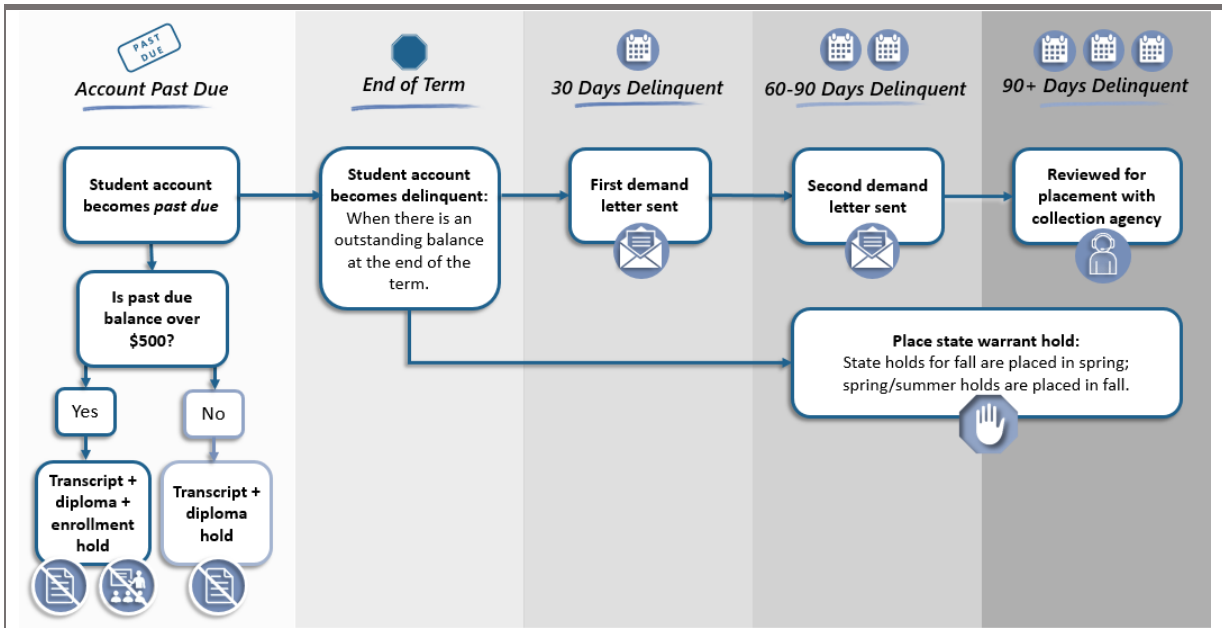
### UNT Collections Processes



Source: UNT.

Figure 6

### TAMU-CC Collections Processes



Source: TAMU-CC.

**Collection Activities Paused Due to COVID-19.** UNT paused sending 30-day and 60-day demand letters to students with delinquent balances and paused sending delinquent student accounts to collection agencies in March 2020 due to the COVID-19 pandemic. UNT resumed its collection activities in May 2022. UNT's 60-day demand letter and collection agency process did not resume within the scope of this audit. Therefore, auditors did not test UNT's 60-day demand letter or collection agency activities.

TAMU-CC paused sending delinquent student accounts to collection agencies in May 2020 due to the COVID-19 pandemic. This pause remained in effect as of September 2022.





**LOW**

## Chapter 1-A Student Receivables at UNT System

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UNT System had processes and controls to ensure that it accounted for UNT's student receivables and related allowances for doubtful accounts appropriately.

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**Reconciliations.** The University of North Texas System (UNT System) performs certain accounting functions on behalf of the University of North Texas (UNT). UNT System reconciled UNT's student information system, Campus Solutions, to UNT System's financial accounting system, PeopleSoft, monthly, as required by its policies and procedures. Generally, UNT System appropriately reconciled and approved all four monthly reconciliations tested.

**Allowance for Doubtful Accounts.** The allowance for doubtful accounts calculation related to UNT's student receivables for fiscal year 2021 was reasonable, accurate, and calculated in accordance with UNT System's policy. In addition, the related allowance for doubtful accounts entries into PeopleSoft were supported and appropriately approved.

**MEDIUM**

## Chapter 1-B

# Student Receivables Collections at UNT

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UNT had processes and controls to help ensure that it collected student receivables appropriately; however, it should strengthen its review over queries used to identify students with delinquent balances.

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**Collection Activities.** UNT appropriately placed transcript and enrollment holds on all 25 past-due student accounts tested, as required by its internal policies and procedures.

However, UNT did not send 30-day demand letters, as required by Texas Administrative Code, Rule 59.2, for 10 (43 percent) of 23 students tested whose accounts were at least 30 days delinquent. UNT asserted that the letters for those 10 students were not sent when required because of an error in a query created to identify students with 30-day delinquent balances. UNT stated that the query inadvertently left off various types of charges and that it has since added criteria to the query to include all applicable charges.

Consistent use of 30-day demand letters may provide greater opportunities and lessen delays for collection of delinquent balances.

**State Warrant Holds.** In April 2018, UNT stopped placing state warrant holds on delinquent student accounts. It resumed use of warrant holds in May 2022. From May 2022 through July 2022, UNT placed 1,887 students on state warrant holds with a total accounts receivable balance of \$5,471,115. UNT appropriately placed state warrant holds on all 11 delinquent accounts tested, as required by its internal policies and procedures and Texas Government Code, Section 403.055.

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## Recommendation

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UNT should develop, document, and implement a review process to ensure that queries used to identify students with delinquent balances work as intended.

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## Management's Response

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UNT agrees with the recommendation set forth for item 1-B in the audit report. As referenced in the audit report, UNT resumed several collection activities in May 2022 (following the Spring 2022 semester) as the COVID-19 pandemic continued to subside. In order to resume overall collection activities following the Spring 2022 semester, several actions were taken beginning in September 2021 and continuing through February 2022.

UNT Student Accounting collaborated with the State Auditors Office to review the 30-day demand letters during the scope of the audit. UNT identified an error in the query used to produce a portion of the letters during this timeframe. As referenced in the audit report, UNT immediately adjusted the query and subjected it to an additional series of population controls to ensure that all students who met criteria for the letter received the letter. These adjustments and additional controls are complete and have been included as part of ongoing collections efforts.

Responsible Party: Assistant Vice President for Student Accounting

**MEDIUM**

## Chapter 2-A Student Receivables at TAMU-CC

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TAMU-CC generally had processes and controls to ensure that it accounted for student receivables and related allowances for doubtful accounts appropriately; however, it should strengthen its processes to ensure that it records all journal entries related to its allowance for doubtful accounts.

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**Reconciliations.** Texas A&M University-Corpus Christi (TAMU-CC) reconciled its student information system, Banner, to its financial accounting system, FAMIS, monthly, as required by its policies and procedures. TAMU-CC appropriately reconciled and approved the two monthly reconciliations tested.

**Allowance for Doubtful Accounts.** TAMU-CC's allowance for doubtful accounts calculation related to student receivables for fiscal year 2021 was reasonable, accurate, and calculated in accordance with its policies and procedures. In addition, the related allowance for doubtful accounts entries into FAMIS were supported and appropriately approved.

However, TAMU-CC did not enter one allowance for doubtful accounts journal entry of \$68,781 into FAMIS. TAMU-CC's process for calculating and entering the allowance for doubtful accounts did not detect this oversight. TAMU-CC did not have a process to verify that all journal entries related to allowance for doubtful accounts were entered into FAMIS. As a result, the balance for student receivables was \$1,048,788, when it should have been \$980,007. This caused an overstatement on TAMU-CC's fiscal year 2021 annual financial report (AFR) of \$68,781, or 7 percent. See Figure 7 on the next page for details.

Figure 7

### *Student Receivables Overstatement*

	FY2021 AFR	Actual	Difference
Student Receivables	\$1,992,531	\$1,992,531	\$0
Allowance for Doubtful Accounts	\$(943,743)	\$(1,012,524)	\$68,781
<b>Student Receivables (Net)</b>	<b>\$1,048,788</b>	<b>\$980,007</b>	<b>\$68,781</b>

Source: TAMU-CC’s Fiscal Year 2021 Annual Financial Report and Allowance for Doubtful Accounts supporting documentation.

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### Recommendation

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TAMU-CC should develop, document, and implement a process to ensure that all required allowance for doubtful accounts journal entries are entered into FAMIS.

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### Management’s Response

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Texas A&M University-Corpus Christi acknowledges and agrees with the finding. The University has developed and will implement corrective action.

**Corrective Action Plan**

Year-end procedures will be updated to add the Allowance for Doubtful Accounts entry as a separate checklist item on the year end schedule. The checklist item will serve as a reminder to review and complete all allowance entries to ensure compliance moving forward.

Implementation Date: January 2023

Responsible Person: Controller

**LOW**

## Chapter 2-B Student Receivables Collections at TAMU-CC

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TAMU-CC had processes and controls to help ensure that it collected student receivables appropriately.

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**Collection Activities.** TAMU-CC appropriately placed transcript, diploma, and enrollment holds on all 25 past-due student accounts tested, as required by its internal policies and procedures.

In addition, TAMU-CC sent 30-day and 60-day demand letters, as required by Texas Administrative Code, Rule 59.2, for 24 (96 percent) of 25 delinquent student accounts tested.

**State Warrant Holds.** TAMU-CC appropriately placed state warrant holds on 26 (96 percent) of 27 delinquent accounts tested, as required by its internal policies and procedures and Texas Government Code, Section 403.055.

## Chapter 3

**LOW****Student Services Fees at UNT  
and TAMU-CC**

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UNT and TAMU-CC had processes and related controls to ensure that they complied with requirements for student services fees in Texas Education Code, Section 54.503.

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UNT's and TAMU-CC's student services fees transactions were correctly coded to designated accounts that fed into funds separated from educational and general funds. (See text box for details on requirements for managing student services fees.) In addition, UNT's and TAMU-CC's boards of regents approved the universities' fiscal year 2021 and fiscal year 2022 student services fees budgets.

**Texas Education Code, Section 54.503**

According to Texas Education Code, Section 54.503(b), the governing board of an institution of higher education may charge and collect from students fees to cover the cost of student services. As required by Section 54.503(d):

- All money collected as student services fees shall be reserved and accounted for in an account or accounts kept separate and apart from educational and general funds; and
- Each year the governing board shall approve for the institution a separate budget for student activities and services financed by fees authorized.

Source: Texas Education Code, Section 54.503

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## Appendix 1

# Objectives, Scope, and Methodology

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## Objectives

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The objectives of this audit were to determine whether the University of North Texas (UNT) and Texas A&M University-Corpus Christi (TAMU-CC) have established processes and related controls to help ensure that accounts receivable related to student tuition and services:

- Are managed and collected in accordance with internal goals and best practices.
- Comply with applicable requirements including institution of higher education's policies and state laws, including requirements in Texas Education Code, Section 54.503.

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## Scope

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The scope of this audit included accounts receivable management and collection processes and related controls in effect from September 1, 2020, through June 30, 2022.

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**The following members of the State Auditor's staff performed the audit:**



- Sarah Jane Puerto, CIA, CFE (Project Manager)
  - Lindsay Escalante, MPSA (Assistant Project Manager)
  - Rebecca Franklin, CISA, CFE, CGAP, CICA
  - Eric Ladejo, MPA, CFE, CIA
  - Gabrielle Magadia, MACy
  - Dana Musgrave, MBA, CFE (Quality Control Reviewer)
  - Cesar Saldivar, CIA, CFE, CGAP (Audit Manager)
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The scope also included a review of significant internal control components related to managing and collecting student receivables.

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## Methodology

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We conducted this performance audit from April 2022 through October 2022 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. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to TAMU-CC management for consideration.

### Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed management and key personnel at UNT, the University of North Texas System (UNT System), and TAMU-CC to identify accounts receivable processes related to student tuition and fees, internal controls, and the information that supports those processes.
- Determined UNT and TAMU-CC's compliance with Texas Education Code, Section 54.503, by:
  - Testing the entire population of student services fee transactions at UNT and TAMU-CC.
  - Verifying approval of student services fee budgets at UNT and TAMU-CC.
- Tested whether UNT and TAMU-CC placed holds on past-due student accounts and sent demand letters in compliance with their collections policies and procedures and Title 1, Texas Administrative Code, Chapter 59. Auditors selected nonstatistical stratified random samples of 25 accounts each from the populations of 7,143 and 2,098 past-due student accounts at UNT and TAMU-CC, respectively. This sample design was chosen to (1) ensure that the samples included a cross section of student accounts and (2) allow evaluation of the samples in

the context of the populations. The test results may be projected to the population, but the accuracy of the projection cannot be measured.

- Tested whether UNT and TAMU-CC placed state warrant holds in compliance with their collections policies and procedures and Texas Government Code, Section 403.055. Auditors selected nonstatistical samples of 26 accounts from a population of 1,858 placed on state warrant holds at UNT and 27 from a population of 665 at TAMU-CC, primarily through random selection. In some cases, auditors selected additional items for testing based on risk. This sample design was chosen to ensure that the sample included a cross section of delinquent student accounts and to address specific risk factors identified in the population. The test results as reported do not identify whether items were randomly selected or selected using professional judgment; therefore, it would not be appropriate to project the test results to the population.
- Reviewed and tested UNT System's and TAMU-CC's allowance for doubtful accounts calculations and journal entries to determine compliance with their policies and procedures.
- Assessed UNT System and TAMU-CC's reconciliation processes to determine compliance with their policies and procedures. Specifically:
  - From populations of 22 reconciliations from each of 2 student receivables accounts at UNT, auditors selected nonstatistical samples of 2 reconciliations, for a total of 4 reconciliations. Two reconciliations were chosen through random selection, and two were chosen based on risk.
  - From a population of 22 reconciliations from a student receivables account at TAMU-CC, auditors selected a nonstatistical sample of 2 reconciliations. One reconciliation was chosen through random selection, and the other was chosen based on risk.

This sample design was chosen to ensure that the samples would address specific risk factors identified in the population. The test results as reported do not identify which items were randomly selected or selected using professional judgment; therefore, it would not be appropriate to project the test results to the populations.

## Data Reliability and Completeness

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- **Campus Solutions and Banner data.** Auditors used student receivables data from UNT's and TAMU-CC's student information systems, Campus Solutions and Banner, to test their collections processes. To determine the reliability of the data, auditors (1) reviewed the parameters used to extract the data from the systems, (2) tested user access to both systems, and (3) reviewed record completeness.
- **PeopleSoft data.** Auditors used financial information from PeopleSoft, UNT System's financial accounting system, to verify the accuracy of certain financial information. To determine the reliability of financial information from PeopleSoft, auditors (1) reviewed the parameters used to extract the data from the system, (2) performed a high-level review of data fields and their contents for appropriateness, and (3) relied on previous State Auditor's Office audit work to determine that the PeopleSoft data was sufficiently reliable for the purposes of this audit.
- **FAMIS data.** Auditors used financial information from FAMIS, TAMU-CC's financial accounting system, to verify the accuracy of certain financial information. To determine the reliability of financial information from FAMIS, auditors (1) reviewed the parameters used to extract the data from the system, (2) performed a high-level review of data fields and their contents for appropriateness, and (3) tested user access.

## Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



Copies of this report have been distributed to the following:

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The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

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The Honorable Greg Abbott, Governor

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Members of the University of North Texas System Board of Regents

Dr. Michael Williams, Chancellor, University of North Texas System

Dr. Neal J. Smatresk, President

## **Texas A&M University-Corpus Christi**

Members of the Texas A&M University System Board of Regents

Mr. John Sharp, Chancellor, Texas A&M University System

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