



UNIVERSITY OF
TEXAS
ARLINGTON

EMPLOYEE TUITION ASSISTANCE PLAN AUDIT

JULY 25, 2014

OFFICE OF INTERNAL AUDIT
BOX 19112
ARLINGTON, TX 76019-0112
817-272-0150
www.uta.edu/internalaudit

MEMORANDUM

TO: Dr. Vistasp Karbhari
President

FROM: Ken Schroeder
Director, Office of Internal Audit

DATE: September 15, 2014

SUBJECT: Employee Tuition Assistance Plan Audit Report Dated July 25, 2014

Executive Summary

We have completed the Employee Tuition Assistance Plan (ETAP) audit as included in our FY 2014 annual audit plan. The objectives of this audit were to determine that employees and their dependents receiving tuition discounts are eligible, that the University has received the proper documentation to support granting the tuition discounts as described in Procedure 3-66, *Employee Tuition Assistance Plan*, and to assess the efficacy of the plan.

Based on the results of the audit procedures performed, controls were generally not in place to govern and determine the eligibility of employees and their dependents receiving tuition discounts, as described in Procedure 3-66. Also, we were not provided sufficient data during the audit to assess the efficacy of the plan. Our testing resulted in nine recommendations to the Office of Human Resources (HR) management related to the following areas:

- Participant Eligibility Verification
- Dependent Eligibility Documentation
- Monitoring Participant Grade Standing
- Appropriate Grade Standing Definition
- Accuracy of ETAP Recordkeeping
- Monitoring ETAP Results and Efficacy

The reportable findings and recommendations in this audit were deemed significant to the department or process. None of the findings are deemed as a “priority finding” to the University. A priority finding is defined as “*an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.* Standard factors for determining a Priority Finding have been established in three

MEMORANDUM: September 15, 2014

SUBJECT: Employee Tuition Assistance Plan Audit Report Dated July 25, 2014

categories: namely, Organizational Controls, Quantitative Risks, and Qualitative Risks.”

Subsequent to fieldwork completion and the exit conference on this audit, additional items were discussed with senior management that warrant attention or additional commentary. Refer to the attached addendum for these items.

We appreciate the courtesy and cooperation we received from the HR staff throughout this audit. If you have any questions, please contact me at extension 2-2018.

cc: Dr. Ronald Elsenbaumer, UT Arlington, Provost and Vice President for Academic Affairs
Ms. Kelly Davis, UT Arlington, Vice President for Business Affairs and Controller
Mr. John Hall, UT Arlington, Vice President for Administration and Campus Operations
Ms. Jean Hood, UT Arlington, Vice President for Human Resources
Ms. Eunice Currie, Assistant Vice President, Human Resources Management and Development
Dr. Pedro Reyes, UT System, Executive Vice Chancellor for Academic Affairs
Mr. Alan Marks, UT System, Attorney – General Law Section
Mr. J. Michael Peppers, UT System, Chief Audit Executive
Ms. Moshmee Kalamkar, UT System, Audit Manager
Mr. Ed Osner, Legislative Budget Board
Mr. Jonathan Hurst, Governor’s Office of Budget, Planning and Policy
Internal Audit Coordinator, State Auditor’s Office
Mr. Ken Levine, Sunset Advisory Commission
Report File

Background Information

The purpose of the Employee Tuition Assistance Plan (ETAP) is to provide tuition assistance to eligible employees of the University of Texas at Arlington (UT Arlington), their spouses and eligible dependent children following provisions pursuant to a qualified educational assistance plan sponsored by UT Arlington. The Office of Human Resources (HR) is responsible for confirming eligibility of participants in the plan.

For eligible employees, spouses, and dependents, tuition assistance of 50% of the University's Texas resident flat rate tuition is provided for undergraduate, graduate or doctoral courses (excluding any thesis cost), in accordance with total enrolled session hours.

University Procedure 3-66, *Employee Tuition Assistance Plan*, notes that an employee becomes eligible for tuition assistance once he/she has completed one year of continuous employment with the University. The employee must also be benefits eligible (i.e. not a temporary employee), be appointed at not less than 50% time, paid from any source of UT Arlington funds, and not employed in a position requiring student status as a condition of employment as of the census date of the term for which the tuition assistance is received. The employee must apply and be admitted to UT Arlington and maintain an appropriate grade standing as defined by the University. The tuition assistance benefit is granted on a term basis.

Spouses and/or dependent children of the benefits eligible employee may also apply, and if admitted to the University, request tuition assistance. Eligible dependents are defined by the IRS in 26 USC § 152 and must be claimed as a dependent for IRS income tax purposes. The spouse/dependent(s) must maintain an appropriate grade standing.

Objectives

The objectives of this audit were to determine that employees and their dependents receiving tuition discounts are eligible, that the University has received the proper documentation to support granting the tuition discounts as described in Procedure 3-66, *Employee Tuition Assistance Plan*, and to assess the efficacy of the plan. To assist in determining this, we focused on the following sub-objectives:

- Determine employee eligibility including employment verification
- Determine eligibility of spouse and dependent children including evidence of supporting documentation
- Determine whether the requirements of plan participation are being followed
- Validate the metrics provided by HR to conclude on the efficacy of the program

Scope and Methodology

Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. These *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UT System policy UTS 129 titled "Internal Audit Activities" requires that we adhere to the *Standards*.

To achieve the audit objectives, we reviewed the eligibility-related documentation and metrics for ETAP participants that included employees and eligible dependents for the fall 2012 through the fall 2013 semesters, and interviewed key personnel.

The audit findings and recommendations were discussed with the client, and management responses were obtained and have been incorporated in this audit report.

Audit Results

To achieve the audit objectives, we physically reviewed the ETAP eligibility documentation for a sample of plan participants. We also verified their plan status based on the eligibility criteria noted above. We judgmentally selected ten employee participants and ten dependent participants from the fall 2012 semester to review. Additionally, we judgmentally selected two employee participants and two dependent participants from each of the spring, summer and fall 2013 semesters to review. In total, we reviewed a sample of 32 ETAP participants.

Eligibility Verification

We obtained the Employee Tuition Certification forms (Form 3-77) from HR for the sampled participants. We reviewed the forms by checking the term/year for enrollment and verifying that the employee signed the form. We noted that the forms were approved for processing in MyMav. During this review, we identified an employee participant who was granted an ETAP tuition waiver after only six months of continuous employment with the University. According to Procedure 3-66, *Employee Tuition Assistance Plan, Section II: Eligibility Defined*, "An employee hired on or after August 1, 2008 becomes eligible for tuition assistance once he/she has completed one year of continuous employment with the University." Also, procedure does not clearly define what is meant by "completed one year of continuous employment with the University." One employee participant had less than one year of continuous employment at the beginning of a semester, but had over a year of continuous employment by the census date for the semester. Ineligible employees and their dependents receiving tuition waivers needlessly increase the cost of ETAP to the University.

1. Recommendation:

We recommend that HR staff be more diligent when verifying the eligibility of prospective ETAP participants to ensure they have completed one year of continuous

employment with the University, as per Procedure 3-66, prior to receiving tuition assistance benefits.

Management Response:

The Office of Human Resources concurs with the recommendation. HR will utilize UTShare and MyMav to ensure the one-year of continuous employment criteria has been applied to each tuition request and make notation of that verification on the wavier application.

Target Implementation Date:

Implemented as of August 20, 2014

Responsible Party:

Assistant Vice President for Human Resources

2. Recommendation:

HR management should revise Procedure 3-66: *Employee Tuition Assistance Plan, Section II: Eligibility Defined*, to define what is meant by "completed one year of continuous employment with the University" as there is a misunderstanding whether the first day of class or the census date is to be used for determining this.

Management Response:

The Office of Human Resources concurs with the recommendation. HR will revise Procedure 3-66 to clearly define the criteria that for determining "completed one year of continuous employment with the University" is based on the first class day of the academic term/semester.

Target Implementation Date:

Procedure 3-66 will be revised by September 30, 2014

Responsible Party:

Assistant Vice President for Human Resources

Dependent Eligibility Documentation

HR uses the Employee Tuition Certification Form 3-77 and the sponsoring employee's IRS Form 1040 to validate the eligibility of dependent participants. During testing of a sample of dependent participant eligibility documentation, we identified the following:

- Forty two percent of IRS Form 1040s reviewed did not have the financial information redacted.
- A participant's eligibility documentation was missing and could not be located during the audit. We verified that the participant was a dependent of the sponsoring employee by reviewing benefit records.

- There is no independent method of verifying that dependents meet the dependent definition noted in IRS Code 26 USC 152. HR relies solely on a copy of the IRS Form 1040 provided by the sponsoring employee, which could be altered prior to providing to HR.

According to Procedure 3-66: *Employee Tuition Assistance Plan, Section IX: Application Procedure*, “If requesting tuition assistance for an eligible spouse and/or dependent(s), employees should complete and deliver to the Office of Human Resources the Employee Tuition Certification Form (3-77) and a copy of page one (with financial information removed) of their most recent Form 1040 U.S. Individual Income Tax Return.”

3. Recommendation:

We recommend that HR staff begin redacting financial information as well as Social Security Numbers from IRS Form 1040s submitted by sponsoring employees, as necessary. Also, HR management should consider requiring the sponsoring employees to provide a Tax Return Transcript instead of the IRS Form 1040. This is a more independent source of spouse and dependent information than a copy of an IRS Form 1040. The employee can easily obtain their Tax Return Transcript from the IRS website. If adopted, Procedure 3-66 should also be updated accordingly.

Management Response:

The Office of Human Resources concurs with the recommendation.

- As part of the processing procedure, staff members will physically redact any financial information as well as Social Security Numbers from the IRS form 1040 submitted by employees prior to completing the employee file.*
- HR will revise Procedure 3-66 to include the requirement that the “Tax Return Transcript” be the official document for proof of dependent eligibility.*

Target Implementation Date:

Procedure 3-66 will be revised by September 30, 2014

Responsible Party:

Assistant Vice President for Human Resources

Appropriate Grade Standing Definition

Procedure 3-66: *Employee Tuition Assistance Plan, Section II: Eligibility Defined* states participants must “maintain an appropriate grade standing as defined by the University,” but the procedure does not define what is meant by “appropriate grade standing.” Also, Procedure 3-66 does not describe the ramifications for participants with inappropriate grade standing. Participants and HR staff may misinterpret the procedure and ineligible employees and/or dependents may continue to receive the tuition waivers.

4. Recommendation:

Procedure 3-66 should be updated by HR management to define the term "appropriate grade standing" using the University's Academic Regulations website as a guide. The procedure should also describe the ramifications for participants having inappropriate grade standing.

Management Response:

The Office of Human Resources concurs with the recommendation. Procedure 3-66 will be revised to reflect the University's Academic Regulations as a basis for determining appropriate grade standing.

Target Implementation Date:

Procedure 3-66 will be revised by September 30, 2014

Responsible Party:

Assistant Vice President for Human Resources

Monitoring Participant Grade Standing

As noted above, participants must "maintain an appropriate grade standing as defined by the University." During testing, we identified four dependent participants that had been on either academic probation or subject to University dismissal due to poor academic performance. We also determined that there is no process in place to actively monitor "grade standing" of participants.

5. Recommendation:

We recommend that HR management develop and implement a process to monitor participant grade standing. The process should include follow through of the ramifications for participants who do not maintain an appropriate grade standing, that was requested in the previous recommendation to include in Procedure 3-66: *Employee Tuition Assistance Plan, Section II: Eligibility Defined.*

Management Response:

The Office of Human Resources concurs with this recommendation. HR has been notified by Student Financials that newly passed Senate Bill 1210 states that effective September 1, 2014, a graduate or undergraduate student may only continue to receive a tuition waiver and/or exemption for a subsequent term only if they maintain a grade point average (GPA) that satisfies the institution's GPA requirement in accordance with the institution's policy regarding eligibility for financial aid. To comply with this law MyMav has been configured to prevent ETAP waivers being applied to students who are not meeting the GPA requirements. As a result of these changes, HR will revise Procedure 3-66 to include this loss of program eligibility as a ramification of not meeting the university academic standing requirements.

Target Implementation Date:

Procedure 3-66 will be revised by September 30, 2014

Responsible Party:

Assistant Vice President for Human Resources

Accuracy of ETAP Recordkeeping

To validate that ETAP participants are formally evaluated and approved by HR prior to receiving the ETAP tuition waiver, we used IDEA data analysis software to merge the HR ETAP provided data with ETAP data received from the Student Financials office that was derived from MyMav. This testing was in addition to the testing involving the 32 sampled participants as discussed above. The file received from MyMav contained 305 participant records, of which 78% contained no errors. Analysis of the remaining 22% identified the following discrepancies:

- There were 40 instances where MyMav indicated that ETAP tuition waivers had been processed for participants, but were not indicated in the HR records.
- In 29 instances, the HR processing dates noted on the Employee Tuition Certification forms differed from MyMav.
- In 18 instances, there was no processed date noted by HR on the certification forms.
- In eight instances, one certification form was used for multiple semesters.
- In eight instances, it appears that the ETAP tuition waiver had been processed by HR prior to receiving the certification form.
- In four instances, the ETAP certification forms and IRS Form 1040 could not be located to support the tuition waiver noted in MyMav.
- Three certification forms were visibly altered prior to processing.
- In two instances, HR's electronic records indicated a waiver had been processed, but there was no indication in MyMav, nor could we locate, the certification form in HR's physical records.
- In two instances, the participant's ID in the HR provided data was incorrect compared to MyMav.
- In two instances, participants as noted in the MyMav data did not appear in the HR provided data. The eligibility documentation for one of the participants was eventually located in the physical ETAP files by HR.
- One employee did not sign the certification form of their dependent.
- One participant noted that he was non-degree seeking on the certification form. A review of MyMav indicated the same. According to procedure 3-66, "Tuition assistance for employees, spouses, and dependents is limited to the number of hours required by the degree program in which they are enrolled."
- One certification form was received and processed after the semester had ended.
- One spouse participant and one dependent participant did not appear to have employee sponsors based on review of DEFINE and MyMav.

Inaccurate recordkeeping may increase the expense of ETAP to the University because tuition waivers maybe processed erroneously. Also, management reporting of ETAP results could be incorrect and misleading.

6. Recommendation:

We recommend that HR management develop and implement a reconciliation process to reconcile the ETAP records with MyMav each semester.

Management Response:

The Office of Human Resources concurs with this recommendation. Currently, program metrics and validation of enrollment records is conducted on a term basis. HR will enhance our analysis to provide a complete reconciliation between ETAP enrollment records and MyMav.

Target Implementation Date:

November 15, 2014

Responsible Party:

Assistant Vice President for Human Resources

7. Recommendation:

We recommend that HR staff not accept Employee Tuition Certification forms that have been altered, previously used, or not properly signed. HR should not process ETAP tuition waivers prior to receiving the participant eligibility documentation under any circumstances. HR staff should also be more diligent in confirming that participants are degree-seeking prior to processing the ETAP tuition waiver and have eligible employee sponsors as necessary.

Management Response:

The Office of Human Resources concurs with this recommendation.

- a) *HR will immediately modify our business processes to no longer accept Employee Tuition Certification forms that have been altered, previously used, or not properly signed.*
- b) *HR will also not process ETAP tuition waivers prior to receiving the participant eligibility documentation.*
- c) *We also agree, that we will ensure that participants are degree-seeking prior to processing the ETAP tuition waiver and that the employee sponsoring their dependents is eligible.*

Target Implementation Date:

Implemented as of August 20, 2014

Responsible Party:

Assistant Vice President for Human Resources

Our testing also revealed that one non-qualified person erroneously received the ETAP waiver on August 6, 2013 in the amount of \$2,219.50. Per HR personnel, this was due to a key punch error when entering information for a qualified participant. HR is contacting the Student Financials office to see what alternatives there are to reclaim the erroneous funds paid to the student.

8. Recommendation:

We recommend that HR work with the Student Financials office to determine how to obtain reimbursement for the \$2,219.50 in ETAP funds erroneously paid to student #1000777795.

Management Response:

The Office of Human Resources concurs with this recommendation. HR will continue to work with Bursar Services to obtain reimbursement for the \$2,219.50 in ETAP funds erroneously given to the student. The student has been notified and a repayment plan is being arranged with Bursar Services/Collections.

Target Implementation Date:

Implemented as of June 2, 2014

Responsible Party:

Assistant Vice President for Human Resources

Monitoring ETAP Results and Efficacy

As part of this audit, we were requested by the President to review and assess the efficacy of the plan. We attempted to evaluate metrics such as plan participation, top academic areas, courses taken annually, and degrees awarded, however, HR management was only able to provide FY 2013 plan metrics for our review during the audit, which is insufficient to assess the plan's efficacy to the University. We made requests for multiyear data that HR management was not able to provide at the time of the audit, as the information had to be obtained from another department. In order to not delay the completion of the audit, we determined we can evaluate the information once it is available, as a separate project, to fulfill the request of the President.

Based on our review, we determined that HR management does not have a formal process in place to extract plan data from MyMav, develop metrics, monitor, and evaluate results. Due to the general lack of plan metrics, management may not be fully aware of trends and changes in key metrics and the related effect on efficacy to the University.

9. Recommendation:

HR management should develop and implement a formal process to extract plan data from MyMav, develop metrics, monitor, and evaluate the results in order to effectively assess the efficacy of ETAP to the University.

Management Response:

The Office of Human Resources concurs with this recommendation. In March of 2014 we completed a detailed analysis of the program and have created a process of reporting program metrics to senior leadership.

Target Implementation Date:

Implemented this process in May 2014

Responsible Party:

Assistant Vice President for Human Resources

Conclusion

Based on the results of the audit procedures performed, controls were generally not in place to govern and determine the eligibility of employees and their dependents receiving tuition discounts, as described in Procedure 3-66. Also, we were not provided sufficient data during the audit to assess the efficacy of the plan. Our testing resulted in nine recommendations to the Office of Human Resources (HR) management related to the following areas:

- Participant Eligibility Verification
- Dependent Eligibility Documentation
- Monitoring Participant Grade Standing
- Appropriate Grade Standing Definition
- Accuracy of ETAP Recordkeeping
- Monitoring ETAP Results and Efficacy

The reportable findings and recommendations in this audit were deemed significant to the department or process. None of the findings are deemed as a “priority finding” to the University. A priority finding is defined as “*an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole. Standard factors for determining a Priority Finding have been established in three categories: namely, Organizational Controls, Quantitative Risks, and Qualitative Risks.*”

Subsequent to fieldwork completion and the exit conference on this audit, additional items were discussed with senior management that warrant attention or additional commentary. Refer to the attached addendum for these items.

We appreciate the courtesy and cooperation we received from the HR staff throughout this audit.

UT Arlington Office of Internal Audit
Addendum to the Employee Tuition Assistance Plan Audit Report Dated July 25, 2014

Subsequent to fieldwork completion and the exit conference for the Employee Tuition Assistance Plan (ETAP) Audit, additional items were discussed with senior management that warrant attention or additional commentary. These items are addressed below.

New items:

1. Per University Procedure 3-66, *Employee Tuition Assistance Plan*, “an employee becomes eligible for tuition assistance once he/she has completed one year of continuous employment with the University. The employee must have an appointment of 4 ½ months or more, be appointed at not less than 50% time, paid from any source of UT Arlington funds, and not employed in a position requiring student status as a condition of employment as of the census date of the term for which the tuition assistance is received. The employee must apply and be admitted to UT Arlington and maintain an appropriate grade standing as defined by the University. The tuition assistance benefit is granted on a term basis.”

It was determined that the inclusion of the phrase “an appointment of 4 ½ months or longer” does not add value or information to the policy as the meaning that it is trying to convey is that the employee be a “benefits eligible” employee. HR management has agreed to revise the policy.

2. As noted above, Procedure 3-66 states that an appropriate grade standing must be maintained. HR management stated they would revise the procedure to reflect the University’s Academic Regulations as a basis for determining appropriate grade standing. Since an appropriate grade standing can vary based on college (i.e. the College of Business would have a much different grade standing than the College of Liberal Arts), it was agreed that HR management should seek the assistance from the Vice Provost for Academic Analytics and Operations in determining how to assess this. It was also noted that the employee should be the one required to prove their eligibility as per Procedure 3-66 and may need to obtain documentation from the advisor of their respective college to validate this.
3. Another item that HR management should discuss with the Vice Provost for Academic Analytics and Operations is whether ETAP eligibility can be regained once it is determined a person is ineligible (i.e. if they were on academic probation, etc.). The ETAP may need to follow the same rules for eligibility as that of scholarships.

UT Arlington Office of Internal Audit
Addendum to the Employee Tuition Assistance Plan Audit Report Dated July 25, 2014

Recommendations with implementation dates that have passed prior to report release:

1. Concerning Recommendation #1 in the audit report related to HR staff being more diligent when verifying the eligibility of prospective ETAP participants, and Recommendation #7 concerning the acceptance and review of the Employee Tuition Certification forms, management noted an August 20, 2014 target implementation date for both. Although Internal Audit will conduct a formal follow up review as is customary, management has verbally affirmed that implementation has taken place and that ETAP participants for the current fall semester have been properly vetted and the required forms are being used and reviewed.
2. Recommendation #8 concerns HR working with Bursar Services to obtain reimbursement of funds paid to a non-qualified person. Although HR management stated a repayment plan is being arranged with Bursar Services/Collections, Internal Audit will conduct a formal follow up review as is customary to validate.
3. The monitoring of ETAP results and plan efficacy was the basis for Recommendation #9. Although management lists a May 2014 implementation date, Internal Audit received the requested data on Sept. 2, 2014. Internal Audit will assess the results of this information by September 30, 2014.