PROJECT SUMMARY

Overview

The controls over tuition and fee revenues at Texas A&M University provide reasonable assurance that tuition and fees are accurately assessed and collected in compliance with laws and policies. A significant opportunity exists to simplify the process for managing the thousands of different course fees being assessed by the University. The current process creates operational inefficiencies and additional compliance risks. In addition, improvements are needed in the course fee revenue information provided to the colleges and in the record retention of course fee information.

The University’s net tuition and fee revenues totaled $436 million for fiscal year 2012. Course fee revenues totaled $28 million which was seven percent of the University’s overall tuition and fee revenues.

Summary of Significant Results

Management of Course Fees

Operational inefficiencies and additional risks are created by the large number of course fees being managed by the University. Currently, there are approximately 9,300 applied course fees in addition to state tuition, designated tuition and designated differential tuition. The overall management of these course fees creates inefficiencies in the processing and reconciling of the fees; increases the risk of non-compliance with fee-related statutory requirements, and increases the complexity and understandability of student fee statements. Alternative funding methods, such as those allowed by Section 55.16 of the Texas Education Code, should be established to provide for a more effective and efficient process for generating needed revenues.
Summary of Management's Response

Texas A&M agrees with the auditors’ assessment that there is an opportunity to simplify the course fee management process. We are committed to creating a more efficient course fee process that reduces the complexity for departments and increases the understandability for students. We will review alternative funding methods to ensure the university is utilizing the most effective and efficient processes for generating needed revenues.

Scope

The review of tuition and fee revenue management at Texas A&M University focused on tuition and fee charges, waivers and exemptions, tuition and fee reconciliations and course fee documentation. The audit period focused primarily on activities in fiscal year 2012. Fieldwork was conducted from July to October, 2012.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Management of Course Fees

Observation

Operational inefficiencies and additional risks are created by the large number of course fees being managed by the University. Currently, there are approximately 9,300 applied course fees in addition to state tuition, designated tuition and designated differential tuition. The management of these course fees creates inefficiencies in the processing and reconciling of the fees; increases the risk of non-compliance with fee-related statutory requirements; and increases the complexity and understandability of student fee statements. These course fees include approximately 7,200 instructional enhancement fees, 1,400 distance education fees, 600 laboratory fees, and 100 field trip fees. There were approximately 7,000 courses offered at the University in fiscal year 2012 and some courses have more than one course fee (for the same course). Collectively, course fee revenues in fiscal year 2012 totaled seven percent ($28 million) of overall tuition and fee revenues ($436 million) for the University, the majority of which are instructional enhancement fees ($24 million).

The University has created a separate software application, the Course Fee Revision (CFR) system, to manage the annual course fee approvals. Although the CFR system is automated, the annual course fee approval process still has a significant manual component. Manual course fee request forms must be reconciled to the fee information in the system. The number of course fees continues to increase each year as the number of course offerings increase. For example, the number of instructional enhancement course fees increased nine percent in the last year from approximately 6,600 in fiscal year 2012 to 7,200 in fiscal year 2013. Since 2007, the number of instructional enhancement fees has increased 31 percent, from 5,500 to 7,200.

Instructional enhancement course fees were originally established as incidental fees governed by Section 54.504 of the Texas Education Code which states that the rate of the incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected. As a result, the University is required to keep detailed accounting records to be able to
demonstrate that each course fee can be traced to the actual costs of the materials or services used for that course.

Course fees at the University originated from the need to purchase equipment and materials for a course to support students enrolled in that specific course. It was intended to be a mechanism to collect direct course related costs from the students in that course.

Forty-eight of 58 (83%) course fees reviewed did not have the original course fee approval forms that provided the documentation to support why the fee was created and justified the rate being charged. As a result, the University was not able to provide information to support compliance with the statutory requirements that the rate of the course fee reasonably reflects the actual cost to the University of the materials or services for which the fee is collected. The original course fee approval documentation was not retained in compliance with the A&M System Records Retention policy.

The large number of course fees charged by the University has the following impacts:

- Increases the processing load on the student information system;
- Increases the need for programming changes every time a new course fee is added or modified;
- Increases the complexity of the reconciliation process between the fees charged in the student information system and the fees collected in the financial management system (This impact is further discussed in Observation 2);
- Increases the risk of customer dissatisfaction due to the complexity and lack of understandability of the student fee statements; and
- Increases the risk of non-compliance with the fee-related statutory requirements for both the rate-setting process and expenditure of course fee revenues.

More flexible alternatives exist for funding the costs associated with course enhancement fees. For example, fees may be created under Section 55.16 of the Texas Education Code, which provides more latitude in developing fees than Section 54.504 allows. The University recently eliminated several mandatory student fees created under Section 54.504 of the Texas Education Code and created a single University advancement fee. By doing something
similar for course enhancement fees, the University may not need to have individual course enhancement fees for each course, providing greater flexibility in managing these funds. This change could have a revenue neutral effect, while greatly reducing management costs associated with the current fee structure methodology. Another option would be to raise designated or differential tuition to cover the course enhancement fees that would be eliminated.

A prior internal audit of instructional enhancement fees, issued in December 2007, recommended that University management, “Review the costs and benefits of maintaining separate fee accounts and take advantage of any opportunities that provide more efficient administration of instructional enhancement funds. Additionally, consider replacing instructional enhancement access fees with other revenues to reduce the administrative burden of managing these fees.” While management considered this recommendation, instructional enhancement fees are essentially still being assessed the same way today as they were in 2007.

**Recommendation**

Alternative funding methods, such as those allowed by Section 55.16 of the Texas Education Code, should be established to provide for a more effective and efficient process for generating the needed revenues. Review costs and benefits related to alternative methods of funding to offset the elimination of the incidental course fees. The goal should be to significantly reduce the number of existing course fees in order to increase efficiencies and reduce overall costs related to managing these fees.

Review course fee procedures and include records retention requirements to ensure that documentation is maintained to justify the course fee charges as well as comply with A&M System records retention requirements.

**Management’s Response**

*Course fees have been in existence at Texas A&M since fall 2000. After the 2007 audit, the University developed procedures and standards for managing and monitoring course fees. The procedures implemented included requiring annual departmental reviews whereby departments reviewed revenue collections, appropriateness of expenditures, and certified that their balances are at appropriate levels.*

*The results of this audit make it apparent that additional work is needed. The Office of the Provost is working with colleges on a review of course fees, including improving efficiency in fee*
1. Management of Course Fees (cont.)

management and justifying those fees at the course level. If justification to the course level is not adequate, departments will be requested to propose alternative methods that will reduce the number of course fees. For any course fees retained, the justification documentation will be kept on file in the Office of the Provost in accordance with records retention requirements.

We will also review the statutory authority under which each fee is charged and evaluate alternative funding methods such as Education Code 55.16.

We anticipate a plan being developed by spring 2014 for implementing changes for the fall 2014 semester.

Target Implementation Date: August 31, 2014

2. Course Fee Reconciliations

Observation

Course fee revenues received by the colleges are not fully reconciled to ensure that fee revenues are accurately posted to fee accounts at the colleges. Difficulties in reconciling course fee revenue between the student information system (Banner) and the financial accounting system (FAMIS) are due to the large number of transactions and timing differences between the two systems. Data files of the individual course enrollment detail are provided to the colleges rather than formatted reports. In addition, timing of the data files does not always correspond to time periods needed for the reconciliation of the accounting records.

Each of the colleges has developed their own method of managing course fees which creates difficulties in requesting a standard report from Student Business Services for use in reconciling course fee information between Banner and FAMIS. Examples of inconsistencies in the allocation and accounting for these fees between the colleges include:

- Some colleges retain 10% of each course fee charged in the college at the dean’s office. The remaining 90% is allocated to academic departments in the college.

- Some colleges charge a single overarching course fee for all courses in that college. In addition, some courses in the college also have a course specific fee.
2. Course Fee Reconciliations (cont.)

- Some colleges post all course fee revenues from Banner to one FAMIS account. The funds are then allocated to the various course fee accounts in the departments within the college.

- Some colleges post course fee revenues from Banner directly to the various FAMIS accounts at the college and department level.

A consistent processing method to post course fee revenues from Banner to FAMIS at all colleges would provide for better efficiencies and standardized reports for all the colleges. Creating reports for the colleges and departments that include summary information as well as transaction details for fully reconciling course fee revenues also provides greater accountability and more useful information for managing fee revenues.

Recommendation

Review course fee management throughout the University and establish consistent processes to post revenues from Banner to FAMIS for each college’s accounts to the colleges. Create course fee reports from Banner to enable colleges to reconcile course fee revenues between Banner and FAMIS.

Management’s Response

A work group was created with representatives from Student Business Services (SBS), Enterprise Information Systems (EIS), and the Academic Business Officer Council (ABOC) to develop a common set of standards for reporting fees at the college level. SBS and EIS are in the process of creating two separate reports in Banner that will enable colleges to reconcile course fee revenues between Banner and FAMIS. These reports will be created and set up for monthly distribution to colleges by May 31, 2013.

Target Implementation Date: May 31, 2013
BASIS OF REVIEW

Objective

The objective of this audit was to review controls over tuition and fee revenues to determine if tuition and fees are accurately charged and collected in compliance with laws and policies, and determine if tuition and fee revenue information is available for decision-making purposes.

Criteria

Our audit was based upon standards as set forth in the Texas Education Code; the System Policy and Regulation Manual of the Texas A&M University System; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit 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.

Background

The University’s net tuition and fee revenues totaled $436 million for fiscal year 2012. Collectively, course fee revenues in fiscal year 2012 totaled seven percent ($28 million) of overall tuition and fee revenues ($436 million) for the University, the majority of which are instructional enhancement fees ($24 million).

Instructional enhancement fees are charged to students based upon the specific courses in which they are enrolled. The fee is used for salaries, the purchase and maintenance of equipment, visual aids, other supplemental materials and educational supplies to provide students with a rich learning environment. Instructional enhancement fees for non-distance education courses range from $0 to $200 per course and fees for distance education courses range from $0 to $1,500 per course.
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