Fees Management

Audit Report #13-15
August 29, 2014

Office of Auditing and Consulting Services

"Committed to Service, Independence and Quality"
August 29, 2014

Dr. Diana Natalicio
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited-scope audit of Fees Management. The objective of this audit was to determine whether the assessment, collection, and expenditure of student fees at The University of Texas at El Paso is in compliance with applicable policies, laws and regulations. The audit period reviewed includes Fiscal Years 2011-2012 and 2012-2013.

We appreciate the cooperation and assistance provided by the Office of the Provost, Student Business Services, the Vice President for Student Affairs, and the Budget Office.

Sincerely,

William A. Peters, CPA, CIA
Director

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services (OACS) has completed a limited-scope audit to determine whether the assessment, collection and expenditure of student fees at the University of El Paso is performed in a control-conscious environment which promotes the frugal, cost recovery nature of the process and is in compliance with all applicable policies, laws and regulations. The audit scope for detailed testing was limited to transaction analysis of course fee accounts and unexpended funds analysis of all fees from September 1, 2011 through August 31, 2013.

During the audit we noted:

- One course fee was assessed to students enrolled in certain MBA programs without appropriate approval, increasing the average academic cost by $1,125 per student per semester.
- Fee revenue and expenditures for specific courses could not be tested for most course fees because of the practice of commingling all departmental course fees into one departmental account. We tested expenditures to determine whether they satisfied the objective of a course fee in general by looking at expense categories by object code. We noted questionable expenditures of over $854,386 which represents 54% of total course fee expenditures of $1,584,434.
- A sample of 31 vouchers for individual course fee transactions was analyzed. Twenty of the transactions (65%) did not meet the stated fee objective. Examples of inappropriate transactions included, but were not limited to, employee moving expenses, faculty travel, office computers, telephone line installations and interior design services.
- Unexpended balances were reviewed for 9 mandatory, 2 incidental and 19 course fees. The unexpended balances for mandatory fees represented approximately 30% of revenues collected for fiscal year 2011-2012 and 18% of revenues collected for fiscal year 2012-2013. Auditors also noted discrepancies in the reporting of unexpended balances.
BACKGROUND

The Texas Education Code (TEC) grants higher education institutions the authority to charge student fees to cover the costs of privileges or services provided to students. Fees in Texas public universities are authorized by TEC Chapter 54.003 which states, "No institution of higher education may collect from students attending the institution any tuition, fee, or charge of any kind except as permitted by law."

The preparation of the Tuition and Fee Proposal is a biennial process during which designated tuition and mandatory fees are recommended and approved. The University of Texas at El Paso (UTEP) appoints a group of students and faculty to propose the tuition and fee rates for the upcoming two year period. The composition of this Tuition and Fees Committee is mandated by TEC to ensure student participation. The Tuition and Fee Proposal is governed by five operating assumptions:

1. **Consultative.** The campus community should be involved throughout the process. This includes students and parents.
2. **Open and transparent.** Interested parties should have access to the information used in determining tuition and fee rates.
3. **Comprehensive.** Proposals must take into account deregulated tuition and mandatory fees, including average course and program fees, so students can predict the cost of attendance.
4. **Strategic.** Proposals must be in alignment with strategic campus and system goals.
5. **Frugal.** Proposals should take into consideration cost saving initiatives to keep tuition and fee rates affordable.

Fees are classified into the following categories:

**Mandatory Fee** – A fee authorized by statute or the governing board of an institution that is charged to a student upon enrollment, such as the Student Union Fee and the International Education Fee. Mandatory fees require approval by the U. T. System Board of Regents.

**Incidental Fee** – A fee authorized by the governing board of an institution and collected under TEC §54.504, for particular services provided to students, such as add/drop fees, course fees and late registration fees. Section 54.504 allows the board to consult with a student fee advisory committee prior to fixing incidental fees for services. TEC §54.504 also states that, "the rate of an incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected."

**Course Fee** – An incidental fee required of all students enrolled in a given course or a discretionary fee required of students in a given course who wish to participate in a special activity. A course fee should pay for the consumables that a student will use within the time period (e.g. semester) for which the fee is paid. Course fees are approved by the Incidental Fees Advisory Committee, a subset of the Tuition and Fees Committee.
AUDIT OBJECTIVES

Specific audit objectives were to determine whether:

- student fees are properly approved, assessed and expended in compliance with federal and state requirements, and institutional policies,
- large unexpended balances are justified,
- student fees are clearly communicated to students prior to assessment, and
- student fee revenues are properly classified in the financial statements.

SCOPE AND METHODOLOGY

The audit scope included a review and analysis of the assessment, allocation, expenditure and reporting of fees at the University of Texas at El Paso from September 1, 2011, through August 31, 2013. The analysis of fee account transactions included income, expenditures, transfers and unexpended balances.

Audit methodology included interviewing key personnel, reviewing policies and procedures, and performing analysis of selected fee transactions for compliance with applicable policies, laws and regulations.

The Audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

AUDIT RESULTS

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”. Priority audit findings/recommendations are submitted to and tracked by the UT System Audit Office. UTEP’s Office of Auditing and Consulting Services (OACS) tracks all other findings/recommendations. We identified three findings, one of which is considered a priority.

A. COURSE FEE APPROVALS AND ASSESSMENTS

Requests for new course fees or fee changes are reviewed annually. After preliminary review, the fee requests are forwarded from the Provost’s Office to the Incidental Fee Advisory Committee. According to TEC Section 54.503, “the committee is composed of the following nine members: (1) five student members who are enrolled for not less than six semester credit hours at the institution and who are representative of all students enrolled at the institution, selected
under Subsection (c) of this section; and (2) four members who are representative of the entire institution, appointed by the president of the institution.” The purpose of the Incidental Fees Advisory Committee voting process is to ensure consideration of student, faculty, and administrative input for new or increased course fees.

All new and increased course fee requests for fiscal years 2011-2012 and 2012-2013 were reviewed for appropriate approval by the Incidental Fees Advisory Committee, the University President and UT System. No exceptions were noted.

Approval for course fee assessments (Priority)
The Graduate Student Service Fee (GSSF) was officially approved as a course fee for each class offered in the Accelerated Masters of Business Administration (AMBA) Program, limiting its utilization for individual AMBA course expenses. The $125 per credit hour fee resulted in an additional $6,000 cost per AMBA student for the two year, 48 credit hour program.

The course fee is currently applied to all courses held at the Downtown UTEP Business Center, even though it was approved for AMBA courses only. At least $601,288 (58% of total revenue) has been erroneously assessed to non-AMBA students attending classes at the Downtown Business Center since Fall 2011. We were informed by COBA management and the Vice President for Business Affairs that the intention of the Graduate Student Service Fee (GSSF) was to establish an all-encompassing incidental fee to cover the downtown business center operations.

The GSSF was charged to non-AMBA students:

- without the submission of the Fee Request Form, and
- outside of the established voting process of the Incidental Fees Advisory Committee.

In addition to the AMBA students, other graduate business students taking nine credit hours at the downtown location are assessed an additional $1,125 per semester ($125 per semester credit hour) as shown below.

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>FEE REVENUE FY 12 AND FY 13</th>
<th>APPROVED FEE REVENUE</th>
<th>% TOTAL REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMBA</td>
<td>$482,552</td>
<td>$482,552</td>
<td>45%</td>
</tr>
<tr>
<td>NON AMBA</td>
<td>601,288</td>
<td>-</td>
<td>55%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,083,840</td>
<td>$482,552</td>
<td>100%</td>
</tr>
</tbody>
</table>
Fee objectives on Fee Request Forms
The 2008-2010 Incidental Fee Request Form submitted by the College of Business provided the following explanation of the GSSF and the reason for the proposed change (from $60 to $75 per credit hour for every course):

"We currently provide meal service for each student during each class session, classroom supplies, and support equipment required for an off campus course location. We also deliver the text books required for the course at the first class session as an additional service for the off campus students. Starting in the Fall of 2007 we will be required to pay a rental fee for two different locations to be used for offsite course delivery. Until the fall 2007 semester we did not have additional costs for the facilities. This additional fee will not be in place until Fall 2008 and the rental expense will start Fall 2007."

An increase to the fee (from $75 to $125 per credit hour for every course) was requested and approved in 2011 to help support the operational costs of the AMBA Program in the Downtown Business Center as follows:

"The motive of this proposed fee increase is to support operations and maintenance of the College of Business Administration’s (COBA) downtown expansion—the Graduate Business Center. The Graduate Business operating cost will be approximately $250,000. Each AMBA cohort conducted in the facility should contribute up to $50,000 annually toward these operating costs. At steady state, the college will be conducting for AMBA cohorts simultaneously for a total contribution of $200,000. The $50 dollar per credit fee is expected to generate $336,000 over a two-year period for the 16-course program with 4 cohorts of 35 students each; or $168,000 annually for the two-year AMBA. Although this increase will not fully cover the AMBA required contribution to the Center annual operating cost, we expect to move towards full recovery over time. A full-cost allocation would be too large a burden for the AMBA students, who are midway through their program of study."

Classification of course fee revenue
The $125 per credit hour Graduate Student Services Fee, a course fee, is incorrectly classified as a graduate application fee instead of a course fee in the UTEP business information system, resulting in potential financial reporting errors. The objective of this course fee is to provide support for AMBA downtown classrooms and other AMBA program expenses, not to cover graduate application expenses. The Budget Office corrected the fee misclassification during the course of the audit. GSSF is now properly classified as a course fee.

Recommendation: More rigorous oversight should be introduced to ensure that no fee is ever assessed without the approval of the Incidental Fees Advisory Committee. A periodic review process should be established to ensure that only appropriate fees are assessed, that funds received from course fees are expended in accordance with federal and state regulations and institutional policies and that course fees are appropriately classified. In addition, consideration should be given to legal review prior to submission for final approval by the President.
Management Response: We concur. Our office will work closely with the Incidental Fees Advisory Committee to ensure that the appropriate approvals are obtained. We will create a periodic review process to better monitor course fee expenditures once we are able to obtain reliable and accurate data from PeopleSoft. A Task Force has been appointed by the President to do a review of process, policies, and procedures related to fees and will begin its work in fall semester 2014.

Responsible Party: Office of the Provost

Implementation Date: Spring 2015

B. COURSE FEE EXPENDITURES
The objective of a course fee is to pay for the consumables that a student will use within the time period (e.g. semester) for which the fee is paid. To request a new fee or a change to an existing fee, departments must submit a Fee Request Form which includes reasoning for the fee and its impact on students. All fees must be approved by the Incidental Fee Advisory Committee which includes student representatives.

Commingling of course fee accounts
Revenues and expenditures of most individual course and lab fees are not auditable because the fees are commingled with other revenue accounts, making it impossible to determine whether individual fees were spent in accordance with the actual fee objectives. As such, all fee expenditures were reviewed by object code classification to determine whether the expenditures were in compliance with TEC §54.504 Incidental Fees which stipulates that a course fee must "reasonably reflect the actual cost to the University of the materials or services for which the fee is collected."

Course fee expenditures tested for fiscal years 2011-2012 and 2012-2013 totaled $1,582,434, of which $854,386 (54%) were identified as questionable expenditures. Since course fees were commingled, we could not identify the exact expenditures related to the specific fees for which they were collected. We could only attempt to determine whether the expenditures met the stated objectives of the course fees in general. There is currently not a process to ensure specific lab/course fees are expended only for the specific labs/courses for which they are intended.

The table below shows inappropriate expenditure classifications for course/lab fees.
<table>
<thead>
<tr>
<th>UNALLOWABLE EXPENSES</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYEE PAYROLL</td>
<td>$553,706</td>
</tr>
<tr>
<td>COMPUTER EQUIPMENT</td>
<td>165,924</td>
</tr>
<tr>
<td>MAINTENANCE</td>
<td>93,216</td>
</tr>
<tr>
<td>OTHER UNALLOWABLE</td>
<td>25,240</td>
</tr>
<tr>
<td>EMPLOYEE TRAVEL/MOVING</td>
<td>16,300</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$854,386</strong></td>
</tr>
</tbody>
</table>

**Course fee expenditures**

In 20 of 31 individual transactions tested course fees were not spent in accordance with the stated fee objectives.

Examples of course fee expenditures that do not meet fee objectives include:

- Moving expenses for a new professor
- Individual Student Scholarships
- Testing and Test Preparation Expenses for Incoming Students
- Full page advertisements in newspapers and magazines to recruit new students
- Faculty and staff salaries, wages and benefits
- Phone installations for academic departments
- Computer purchases and printers for departmental use
- Promotional items for College Career Fairs
- Faculty travel and continuing education for faculty members

In addition, two purchases for $4,000 and $4,600, respectively, were made without a purchase order, in violation of TEC Section 51.9335. The employee never submitted original receipts or copies of receipts as supporting documentation for the purchase. The employee was fully reimbursed even though he violated procedures outlined in state regulations and institutional policies outlined in the University compliance module which employees must read and sign annually.

**Recommendation:** Fee owners should ensure that expenditures paid for with fee revenues directly relate to the intended purpose of the fee. Receipts must accompany all reimbursable expenses. We recommend that this individual submit adequate support documentation for the two transactions for $4,000 and $4,600 mentioned above. A process to provide periodic oversight of course fee expenditures should be developed, documented, approved and implemented.

Additionally, fee revenues and expenditures should be adequately segregated to enable proper matching of expenses with fee revenues; however, we recognize the difficulty caused by creating
several small accounts. We recommend that management consider alternative methods for managing fees such as the consolidation of all departmental course fees into one Major Fee account as done by the UTEP College of Engineering, which discontinued the use of course fees. The College of Engineering now charges a Major Fee to all Engineering students, a practice that eliminates the high risk of noncompliance associated with course fee expenditures and provides a more predictable and flexible source of fee revenue to the department.

**Management Response:** We concur. We will work closely with the Student Fees Task Force to ensure a more robust and reliable process is implemented to better manage/oversee student fees. We will create a periodic review process to better monitor course fee expenditures once we are able to obtain reliable and accurate data from PeopleSoft.

**Responsible Party:** Office of the Provost

**Implementation Date:** Spring 2015

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C. **UNEXPENDED FUND BALANCES**

Auditors reviewed unexpended balances for all 9 mandatory fees, 2 incidental fees, and 19 departmental course fees in Fiscal Year 2011-2012 to determine whether significant balances exist and whether the balances are justified. The purpose of this review was to determine whether student fee rates are set consistent with the cost recovery nature of the fees. Large unexpended balances could signify that student fees may be too high and should be revised or eliminated.

**Unexpended Balances: Course Fees**

Course fees are classified as incidental fees according to the Texas Board of Regents' Rule 40401 and should be assessed to “reasonably reflect the actual cost to the University of the materials or services for which the fee is collected.” Otherwise, students may be paying for future services and activities that will occur after they have left the University.

The UTEP Provost’s Office provides the following additional guidance for course fees:

"The projected income and expenditures normally should sum to zero. That is, there should be no net income. Any exceptions should be carefully justified."

Fourteen of 19 course fees in fiscal year 2011-2012, and 15 of 19 course fees in fiscal year 2012-2013 had unexpended balances greater than 10% of annual revenues including 12 and 14 exceeding 20% in fiscal years 2012 and 2013 respectively.
<table>
<thead>
<tr>
<th>Departmental Course Fee Description</th>
<th>FY 2011-2012</th>
<th>FY 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Income</td>
<td>Free Balance</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>End of Year</td>
</tr>
<tr>
<td>GRADUATE STUDENT SERVICE - AMBA</td>
<td>$471,898</td>
<td>$156,752</td>
</tr>
<tr>
<td>THEATER DANCE FLEX</td>
<td>24,838</td>
<td>38,987</td>
</tr>
<tr>
<td>KINESIOLOGY</td>
<td>24,187</td>
<td>7,838</td>
</tr>
<tr>
<td>CHICANO STUDIES</td>
<td>5,590</td>
<td>16,757</td>
</tr>
<tr>
<td>COLLEGE OF BUSINESS - MANAGEMENT</td>
<td>98,996</td>
<td>52,569</td>
</tr>
<tr>
<td>LANGUAGE AND LING</td>
<td>7,369</td>
<td>26,004</td>
</tr>
<tr>
<td>ENVIRONMENTAL SCIENCE</td>
<td>6,750</td>
<td>5,425</td>
</tr>
<tr>
<td>GEOLOGICAL SCIENCES</td>
<td>24,912</td>
<td>16,604</td>
</tr>
<tr>
<td>PSYCHOLOGY</td>
<td>8,295</td>
<td>11,980</td>
</tr>
<tr>
<td>CHEMISTRY</td>
<td>31,039</td>
<td>2,363</td>
</tr>
<tr>
<td>SPEECH LANGUAGE PATHOLOGY</td>
<td>1,149</td>
<td>3,523</td>
</tr>
<tr>
<td>COLLEGE OF BUSINESS - PHD</td>
<td>9,410</td>
<td>9,537</td>
</tr>
<tr>
<td>EDUC PSYCH SPECIAL SVCS</td>
<td>1,590</td>
<td>1,416</td>
</tr>
<tr>
<td>COMMUNICATIONS</td>
<td>2,069</td>
<td>238</td>
</tr>
<tr>
<td>GEOLOGY FIELD TRIP FEE</td>
<td>19,634</td>
<td>-</td>
</tr>
<tr>
<td>ART COURSE FEE</td>
<td>50,842</td>
<td>-</td>
</tr>
<tr>
<td>BIOLOGY COURSE FEES</td>
<td>83,478</td>
<td>-</td>
</tr>
<tr>
<td>MUSIC</td>
<td>67,236</td>
<td>12,860</td>
</tr>
<tr>
<td>PHYSICS</td>
<td>19,346</td>
<td>1,628</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$957,728</strong></td>
<td><strong>$364,481</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$611,942</strong></td>
<td><strong>$212,286</strong></td>
</tr>
</tbody>
</table>

**Recommendation:** A monitoring system should be developed requiring justification of significant unexpended balances at the end of each fiscal year to provide assurance that student fee rates are set in accordance with the cost recovery nature of the fee-setting process, and that future years’ course fees are adjusted accordingly so that end-of-year balances are as close to zero as possible.

**Management Response:** We concur. We will create a monitoring system to review unexpended course fee balances at the end of each fiscal year once we are able to obtain reliable and accurate data from PeopleSoft.

**Responsible Party:** Office of the Provost

**Implementation Date:** September 2015

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Unexpended Balances: Mandatory Fees
Unexpended balances were $6.8 million in fiscal year 2011-2012 and $4.6 million in fiscal year 2012-2013. These represent approximately 48% and 18%, respectively, of revenues collected for the fiscal years.

In the Incidental Fee Balances Report dated June 2, 2012, the reported balances of five mandatory fees for fiscal year 2011-2012 did not match the actual balances shown in the UT Direct System. Per the Assistant Director of Budget, estimates instead of actual balances were used for reporting to UT System, resulting in $3,996,436 (59%) underreported fee balances in 2012 and $1,925,450 (41%) underreported fee balances in 2013.

<table>
<thead>
<tr>
<th>MANDATORY FEE</th>
<th>BUDGET OFFICE ESTIMATED BALANCE REPORTED TO UT SYSTEM AS OF 08/31/2012</th>
<th>UT DIRECT ACTUAL AS OF 08/31/2012</th>
<th>DIFFERENCE 08/31/2012 REPORTED (UNDER-REPORTED)</th>
<th>% DIFFERENCE 08/31/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTL STUDIES FEE</td>
<td>$200,000</td>
<td>$136,807</td>
<td>$63,193</td>
<td>32%</td>
</tr>
<tr>
<td>LIBRARY FINE FEES</td>
<td>1,000,000</td>
<td>1,501,862</td>
<td>(501,862)</td>
<td>-50%</td>
</tr>
<tr>
<td>RECREATION FEE</td>
<td>556,285</td>
<td>2,067,741</td>
<td>(1,511,456)</td>
<td>-272%</td>
</tr>
<tr>
<td>STUDENT SERVICES FEE</td>
<td>900,000</td>
<td>907,789</td>
<td>(7,789)</td>
<td>-1%</td>
</tr>
<tr>
<td>TECHNOLOGY FEE</td>
<td>170,000</td>
<td>1,836,328</td>
<td>(1,666,328)</td>
<td>-98%</td>
</tr>
<tr>
<td>HEALTH CENTER Fee</td>
<td>Not Reported</td>
<td>268,808</td>
<td>(268,808)</td>
<td>-100%</td>
</tr>
<tr>
<td>GREEN FEE</td>
<td>Not Reported</td>
<td>103,386</td>
<td>(103,386)</td>
<td>-100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,826,285</strong></td>
<td><strong>$6,822,721</strong></td>
<td><strong>($3,996,436)</strong></td>
<td><strong>69%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BUDGET OFFICE ESTIMATED BALANCE REPORTED TO UT SYSTEM AS OF 08/31/2013</th>
<th>UT DIRECT ACTUAL AS OF 08/31/2013</th>
<th>DIFFERENCE 08/31/2012 REPORTED (UNDER-REPORTED)</th>
<th>% DIFFERENCE 08/31/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200,000</td>
<td>$62,669</td>
<td>$137,331</td>
<td>69%</td>
</tr>
<tr>
<td>850,429</td>
<td>957,397</td>
<td>(106,968)</td>
<td>-13%</td>
</tr>
<tr>
<td>556,285</td>
<td>1,777,816</td>
<td>(1,221,531)</td>
<td>-220%</td>
</tr>
<tr>
<td>1,080,594</td>
<td>907,789</td>
<td>172,805</td>
<td>16%</td>
</tr>
<tr>
<td>62,856</td>
<td>423,174</td>
<td>(360,318)</td>
<td>-573%</td>
</tr>
<tr>
<td>Not Reported</td>
<td>431,357</td>
<td>(431,357)</td>
<td>-100%</td>
</tr>
<tr>
<td>Not Reported</td>
<td>115,412</td>
<td>(115,412)</td>
<td>-100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,750,164</strong></td>
<td><strong>$4,675,614</strong></td>
<td><strong>($1,925,450)</strong></td>
</tr>
</tbody>
</table>

Unexpended Balances: Incidental Fees
During testing of incidental fees, we noted approximately $1.9 million of unexpended balances in fiscal years 2011-2012 and 2012-2013. These represented approximately 74% of revenues collected for the year.

As shown in the table below, the Budget Office Incidental Fee Balance Report sent to UT System underestimated 2011-2012 year end balances by $721,502 (38%). In 2012-2013, year end balances were underreported by $647,382 (33%).
<table>
<thead>
<tr>
<th>INCIDENTAL FEE</th>
<th>BUDGET OFFICE ESTIMATED BALANCE REPORTED TO UT SYSTEM AS OF 08/31/2012</th>
<th>UT DIRECT ACTUAL AS OF 08/31/2012</th>
<th>DIFFERENCE 08/31/2012 OVER-REPORTED (UNDER-REPORTED)</th>
<th>BUDGET OFFICE ESTIMATED BALANCE REPORTED TO UT SYSTEM AS OF 08/31/2013</th>
<th>UT DIRECT ACTUAL AS OF 08/31/2013</th>
<th>DIFFERENCE 08/31/2013 OVER-REPORTED (UNDER-REPORTED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISTANCE LEARNING</td>
<td>$1,000,000</td>
<td>$1,700,833</td>
<td>($700,833)</td>
<td>$1,075,359</td>
<td>$1,702,685</td>
<td>($627,326)</td>
</tr>
<tr>
<td>GRADUATE APPLICATION LATE FEE</td>
<td>185,000</td>
<td>205,669</td>
<td>(20,669)</td>
<td>222,500</td>
<td>242,557</td>
<td>(20,057)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,185,000</td>
<td>$1,906,502</td>
<td>$ (721,502)</td>
<td>$1,297,859</td>
<td>$1,945,241</td>
<td>$ (647,382)</td>
</tr>
</tbody>
</table>

**Recommendation:** When actual unexpended balances are available, estimates should not be reported to UT System. A system should be implemented to identify and to ensure accurate reporting of all mandatory and incidental fees with unexpended balances in excess of the $50,000. All fees should be evaluated and adjusted yearly to reflect the actual costs to the University of materials and services for which they are collected.

**Management Response:** The Budget Office will modify the report submitted to include the prior year actual balances as well as estimates for the current year to comply with the instructions provided by U.T. System.

**Responsible Party:** Charlie Martinez, Manager, Budget Office

**Implementation Date:** Immediately

**D. FINANCIAL REPORTING OF FEE REVENUE**
The Office of Auditing and Consulting Services reviewed tuition and fee revenue amounts reported in the Fiscal Year 2011-2012 Annual Financial Report (AFR) and Fall and Spring amounts for the Fiscal Year 2012-2013 AFR. Results of reasonableness tests performed show that, in total, tuition and fee revenue appeared to be appropriately stated.
CONCLUSION

In our opinion, a comprehensive evaluation of fee purposes, processes and administration should be undertaken, and procedures should be updated to ensure that there is a rational documented methodology for managing fees. The updated procedures should address:

- allocation of fee revenues,
- fee changes and adjustments,
- appropriate budget considerations,
- review and explanation of large unexpended balances, and
- maintenance of appropriate records to ensure auditability as to specific identity, purpose and use.

We believe that implementing our recommendations will support the above and will strengthen the controls and administration of tuition and fees.

We thank the staff in the Office of the Provost, Student Business Services, Vice President for Student Affairs, and the Budget Office for their assistance during the audit.