MEMORANDUM

TO: Danny O. Jacobs, MD  
Executive Vice President & Provost, Dean School of Medicine

FROM: Kimberly K. Hagara, CPA, CIA, CISA, CRMA  
Associate Vice President, Audit Services

DATE: December 3, 2014

SUBJECT: Tuition Exemptions, Waivers, and Set-Asides 
Engagement Number 2014-012

Attached is the final report regarding the Tuition Exemptions, Waivers, and Set-Asides audit. This audit will be presented at the next Institutional Audit Committee meeting.

Additionally, please find attached Audit Services audit recommendation follow up policy. Each of the recommendations is classified by type at the end of its identifying number: Significant (S), Risk Mitigation (R), or Process Improvement (P). As you will note in the policy, the classification of the recommendation determines the frequency of our follow up. All follow up results are reported quarterly to the Institutional Audit Committee.

Thank you for your cooperation and assistance during the course of this review. If you have any questions or comments regarding the audit or the follow-up process, please feel free to contact me at (409) 747-3277.

Attachments

c: David O. Anderson  
W. Scott Boeh  
James L. Mahon
The University of Texas Medical Branch
Audit Services

Audit Report
Tuition Exemptions, Waivers, and Set-Asides

Engagement Number 2014-012
December 2014

The University of Texas Medical Branch
Audit Services
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Galveston, Texas 77555-0150
Tuition Exemptions, Waivers, and Set-Asides  
Engagement Number: 2014-012

Background  
Attending an institution of higher education typically requires a significant financial commitment for educational related expenses including tuition, fees, room and board, books and supplies. UTMB Health offers various types of student financial aid to assist in funding the educational expenses of its students. In addition to grants, loans and scholarships, UTMB Health offers eligible prospective and current students including tuition exemptions and waivers. Chapter 54 of the Texas Education Code Subchapter D Waivers, Exemptions and other Tuition and Fee benefits defines the numerous types of waivers and exemptions awarded by educational institutions in the State of Texas.

Waivers and Exemptions  
The Texas Higher Education Coordinating Board (THECB) defines an “exemption” as a program allowing special groups of Texas residents or nonresidents to enroll and pay a reduced amount of tuition and/or fees. A “waiver” allows special groups of nonresidents to enroll and pay a reduced nonresident tuition rate. Nonresident students awarded competitive academic scholarships, graduate or research assistantships, or who are students in the MD/PhD combined degree program represent the most common recipients of waivers at the University of Texas Medical Branch (UTMB Health). Veterans or their dependents enrolled at UTMB Health represent the most common group of recipients receiving exemptions.

During the 2012-2013 academic year, UTMB Health awarded 216 waivers and 69 exemptions totaling approximately $2.6 million. During the 2013-2014 academic year, 208 waivers and 70 exemptions totaling approximately $2.5 million were awarded. The graphs below depict the number and total dollar value of waivers awarded by each school.

![Number of Waivers Awarded by School for Academic Years 2013-2014](image1)

![Total Dollar Value of Waivers Awarded by School for Academic Years 2013-2014](image2)
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These graphs depict the number and total dollar value of exemptions awarded.

Appendix A contains additional graphs of waivers and exemptions by School.

**Set-Asides**
Texas public higher education institutions charge two types of tuition, "statutory" and "designated". Under provisions within the Texas Education Code (TEC), the Legislature prescribes statutory tuition rates whereas governing boards of public universities to set designated tuition rates. The TEC requires universities to set-aside a certain percentage of tuition collected to provide financial assistance for financially needy undergraduate or graduate students.

The waivers, exemptions, and set-aside programs are governed by a complex set of statutory requirements that help to ensure State-funded financial assistance is available and appropriately awarded to eligible students. Non-compliance with these requirements represents both a reputational and financial risk to the university.

**Audit Objective**
The primary objective of this audit is to ensure the Office of the Provost and Student Services are administering and providing oversight of tuition exemptions, waivers and set-asides in accordance with applicable rules and regulations.

**Scope of Work and Methodology**
The scope of this audit focused on tuition set-aside amounts as well as waivers and exemptions granted to students from all schools (School of Medicine, School of Nursing, School of Health Professions and the Graduate School of Biomedical Sciences) during the academic years 2012-2013 and 2013-2014. Additionally, preliminary data from academic year 2014-2015 was used to perform data analytics. Audit methodology included interviews with key personnel, review of pertinent documentation, and data analysis and testing.

The audit was conducted in accordance with the *International Standards for the Professional* 
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Practice of Internal Auditing as promulgated by the Institute of Internal Auditors.

Audit Results
Responsibility for the granting of tuition exemptions and waivers and calculating set-aside amounts rests with various organizational areas within UTMB Health. Each School determines the number of waivers granted to their respective students. Students self-identify themselves for exemptions, which are granted after documented verification of eligibility by Enrollment Services. The Office of Finance – Accounting performs all set-aside calculations.

Policies and Procedures
Documented policies and procedures provide guidance to help ensure consistent compliance with program and management directives. Audit Services interviews with key personnel and review of available documentation indicated a lack of formal, documented policies and procedures describing the processes performed in awarding, processing or monitoring waivers, exemptions, and set-asides.

Recommendation 2014-012-01-R:
Office of the Provost, in conjunction with representatives from each school and Enrollment Services, should develop, implement, and distribute appropriate documented policies and procedures defining the types and criteria for awarding waivers and exemptions. Additionally, the policy should contain consistent guidelines for monitoring, reporting and managing the process of waivers and exemptions by each school.

Management’s Response:
The Office of Enrollment Services will work with the Office of the Provost and representatives from each school to develop policies and procedures governing the criteria for awarding non-resident tuition waivers at UTMB. It is expected that there will be separate criteria for waivers that are awarded to those with graduate assistantships and those eligible for a waiver as a result of receiving a competitive academic scholarship. Careful attention will be paid to the revenue impact of awarding non-resident tuition waivers.

Since UTMB does not control the exemptions that are awarded as a result of Texas Statute, we cannot change the policy or requirements but we will work to implement a webpage that will list the exemptions and the qualifications required for each exemption. Additionally, Enrollment Services will create a form that students must complete before being awarded an exemption. This form will collect all necessary information that is required qualify a student for an exemption and will be kept with the student’s file.

Implementation Date: April 30, 2015

Documentation Compliance and Retention
Chapter 54 of the Texas Education Code Subchapter D Waivers, Exemptions, and other Tuition and Fee Benefits defines the eligibility requirements for receiving the various types of waivers and exemptions. Audit Services selected a sample of 40 waivers and exemptions awarded during fiscal years 2013 and 2014, testing for compliance with these statutory requirements.
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Complete application packets were available for 28 of 40 awards (70%) tested and Audit Services review of these packets indicated no exceptions with statutory eligibility compliance requirements. Enrollment Services was unable to locate application documentation for four of the 40 awards (10%) tested and only partial documentation was available for eight awards (20%).

**Recommendation 2014-012-02-P:**
The Executive Director, Enrollment and University Student Services should ensure waiver and exemption application documentation is retained in accordance with institutional retention guidelines.

**Management’s Response:**
Effective immediately, no exemption or waiver will be processed until Enrollment Services is in receipt of all documentation verifying a student’s eligibility for the exemption or waiver.

**Implementation Date:** Immediately

**Set-Aside Calculation and Review**
Texas Education Code Chapters 56 and 61 specify the percentages of tuition and fee revenue collected that must be set-aside and remitted to the Texas State Comptroller’s Office to support various student financial aid programs. Each month, the Office of Finance – Accounting, staff calculate the amount to be remitted utilizing an Oracle Business Intelligence dashboard pulling data from the Campus Solutions student information system. Audit Services interviews and review of the processes involved resulted in the following observations:

- Campus Solutions has an ‘error in input’ glitch resulting in ‘unidentifiable’ data reporting on the dashboard. Staff interviewed indicated this glitch has existed since the system implementation almost four years ago and requires a time-consuming workaround to ensure accurate data calculations.
- Set-asides are being calculated for non-resident graduates; however, this group is not included in the TEC set-aside calculation criteria. Staff interviewed could not articulate the need to perform this set-aside. Although not part of the criteria contained within Chapter 56 of the TEC, past practice at UTMB has been to use these collected set-aside funds for non-resident tuition grants distributed by Financial Aid based on need.
- Only one individual in General Accounting has sufficient knowledge and training to perform the monthly calculations.
- Secondary/supervisory review of the results is not performed by General Accounting prior to the submission the Texas State Comptroller’s Office.

Audit Services review of the calculations performed for the summer 2014 semester of the Graduate School of Biomedical Sciences indicated the Business Intelligence dashboard appeared to contain all applicable data necessary for calculating set aside amounts for statutory and designated tuitions as defined in Chapters 56 and 61. Additionally, the percentages of tuition amounts that are to be set aside appeared to be calculating accurately. Audit Services did not
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validate the interface between the Business Intelligence dashboard and Campus Solutions as it was outside the scope of this review.

**Recommendation 2014-012-03-R:**
The Office of Finance – Accounting, should ensure detailed procedures are developed and documented for performing the monthly set-aside calculation process. These procedures should include sufficient detail for performance and a secondary/supervisory review. Additionally, at least one additional individual should be cross-trained on performing the monthly set-aside calculations and remittances.

**Management’s Response:**
We concur with recommendation 2014-012-03-R.

**Implementation Date:** February 27, 2015

**Recommendation 2014-012-04-P:**
The Office of Finance – Accounting, working with Enrollment Services, Business and Academic Systems and Information Services, should resolve the Campus Solutions application glitch necessitating the current workaround solution.

**Management’s Response:**
We agree with recommendation 2012-012-04-P; however it should be noted that implementing such change will require capital commitments and dedicated resources from both Enrollment Services and Information Services. We will coordinate activities to analyze the issue, develop options for resolution, and develop a recommendation and a plan for implementation.

**Implementation Date:** The following timeline is in place to address this issue.

1. Meet with Enrollment Services to gain an understanding of the issue – By January 30, 2015
2. Meet with Information Services to discuss the issue and related causes – By February 27, 2015
3. Develop option(s) and scope effort for resolution, i.e. overall feasibility, effort, and resource requirements – By March 27, 2015
4. Make recommendation to appropriate leadership – By April 24, 2015
5. Begin Implementation process – Completion date TBD

**Recommendation 2014-012-05-P:**
The Office of Finance – Accounting, working with Enrollment Services, should confirm with the Texas Higher Education Coordinating Board the necessity of including non-resident graduate students in the calculation of set-aside amounts and revise existing processes as needed.

**Management’s Response:**
We concur with recommendation 2014-012-05-P.
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Implementation Date: February 27, 2015

Conclusion
Audit Services review of UTMB Health’s tuition waivers, exemptions, and set-asides processes indicated the Institution appears to be in compliance with statutory guidelines. Opportunities exist to improve operational activities related to policies and procedures, record retention, and oversight and monitoring.

We greatly appreciate the assistance provided by the Office of the Provost, University Student Services, and School personnel, and hope that the information presented in our report is beneficial.

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Appendix A

Graduate School of Biomedical Sciences

Number of Waivers and Exemptions

Dollar Value of Waivers and Exemptions

NOTE: During AY 2013, 39% of non-resident GSBS students received a waiver entitling them to pay resident/in-state tuition rates. In AY 2014, 44% of GSBS non-residents students received a waiver.
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Appendix A

School of Health Professions

Number of Waivers and Exemptions

![Bar chart showing the number of waivers and exemptions for AY 2013 and AY 2014.]

Dollar Value of Waivers and Exemptions

![Bar chart showing the dollar value of waivers and exemptions for AY 2013 and AY 2014.]

**NOTE:** During AY 2013, 25% of non-resident SHP students received a waiver entitling them to pay resident/in-state tuition rates. In AY 2014, 24% of SHP non-residents students received a waiver.
School of Medicine

Number of Waivers and Exemptions

Dollar Value of Waivers and Exemptions

NOTE: During AY 2013, 64% of non-resident SOM students received a waiver entitling them to pay resident/in-state tuition rates. In AY 2014, 52% of SOM non-residents students received a waiver.
School of Nursing

Number of Waivers and Exemptions

Dollar Value of Waivers and Exemptions

NOTE: During AY 2013, 4% of non-resident SON students received a waiver entitling them to pay resident/in-state tuition rates. In AY 2014, 3% of SON non-residents students received a waiver.