

UNIVERSITY OF NEVADA, RENO
DIFFERENTIAL PROGRAM AND SPECIAL COURSE FEES
Internal Audit Report
July 1, 2011 through June 30, 2012

GENERAL OVERVIEW

Board of Regents policy allows institutions to charge Differential Program and Special Course Fees to students in addition to the standard per credit registration fees. Differential Program Fees are limited to high cost and/or high demand programs and were approved for use at the University of Nevada, Reno (UNR) beginning in the Fall 2011 semester. The Differential Program Fees assessed by UNR are applied to upper division and graduate level courses in the College of Engineering and graduate level courses in the College of Business. In the Fall 2011 semester, Differential Program Fees were assessed at the rate of \$100 per credit hour for graduate level business courses, \$21 per credit hour for upper division engineering courses and \$25 per credit hour for graduate level engineering courses. The engineering fees are scheduled to increase to \$85 per credit hour for upper division and \$100 per credit hour for graduate level courses by the Fall 2013 semester. Differential Program Fees require Board of Regents' approval.

Special Course Fees were initiated years ago and are authorized for courses with extraordinary instructional costs due to individual instruction, class supplies, specialized equipment and software, third party charges for use of facilities, special transportation requirements, intensive supervision or technical requirements, or some combination of these reasons. The university has delegated responsibility for approving Special Course Fees up to \$50 per course to the Provost's Office. Fees in excess of \$50 require Board of Regents approval

and are listed in the Nevada System of Higher Education (NSHE) Procedures and Guideline Manual.

During this review, we were informed that in fiscal year 2010-11 the university began the process of reevaluating its Special Course Fees. Departments were asked to provide a budget and justification for Special Course Fees charged. As a result of this process, the number of Special Course Fees charged by the university was significantly reduced. As of the Fall 2012 semester, there were 158 Special Course Fees assessed by UNR.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of Differential Program Fees and Special Course Fees at UNR for the period of July 1, 2011 through June 30, 2012.

The scope of our review included tests of the accounting records and other procedures as we considered necessary. The tests included, but were not necessarily limited to, these areas.

1. Testing Special Course Fees and Differential Program Fees to determine whether the fees were properly approved and that students were assessed the correct fees.
2. Reviewing the balance of funds maintained in Special Course Fee and Differential Program fee accounts to determine whether fees collected were adequately expended and there is not an unreasonable balance in the accounts.
3. Reviewing expenditures paid with Special Course Fee and Differential Program Fee funds for reasonableness, supporting documentation, and proper signature approvals.

In our opinion, we can be reasonably assured that the university is managing Differential Program and Special Course Fees in a satisfactory manner. However, implementation of the following recommendations would further improve this process.

SPECIAL COURSE FEES OVER \$50

We obtained a list from the UNR Office of Planning, Budget, and Analysis (PBA), of all Special Course Fees that are assessed by the university and compared the fees over \$50 to those that have been approved by the Board of Regents and are documented in the NSHE Procedures and Guidelines Manual. The following exceptions were noted.

1. On two occasions, Special Course Fees documented on the university list were not included in the Procedures and Guidelines Manual, as described below.
 - The Special Course Fee for one course (Art 494) is \$75 on the university's list. We were informed the correct fee is \$40.

We recommend the university's Special Course Fee list be updated to reflect the correct fee.

Institution Response

Correction: The University's Special Course Fee list has been updated to reflect the correct course fee for Art 494.

Prevention and Monitoring: Procedures are in place to identify discrepancies between university records and the Procedures and Guidelines Manual. Staff assigned to monitor special course fees conduct a semi-annual validation of the University Course Fee master list and the fees reported in the Procedures and Guidelines Manual.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

- The Special Course Fee for one course (Biology 322) is \$100 on the university's list. We were informed the fee is included in the Procedures and Guidelines Manual but under a different course (Biology 320) due to a course change that occurred in 2006.

We recommend the university submit documentation to the System Administration Office to support the course change and request that the Procedures and Guidelines Manual be updated with the correct information.

Institution Response

Correction: Documentation has been submitted to the System Administration Office identifying the course change and requesting the appropriate adjustment to the Procedures and Guidelines Manual.

Prevention and Monitoring: Procedures are in place to identify discrepancies between university records and the Procedures and Guidelines Manual. Staff assigned to monitor special course fees conduct a semi-annual validation of the University Course Fee master list and the fees reported in the Procedures and Guidelines Manual.

Follow-up Response: Documentation was submitted to the System Administration Office and the Procedures and Guidelines Manual has been updated.

2. On one occasion, the Special Course Fee included on the university's list did not agree to the fees in the Procedures and Guidelines Manual, as described below.
 - The Special Course Fee for one course (Art 236) is \$125 on the university's list but \$75 in the Procedures and Guidelines Manual. We were informed the correct fee is \$75.

We recommend the university's Special Course Fee list be updated to reflect the correct fee.

Institution Response

Correction: The Special Course Fee list maintained by the University has been updated correcting the discrepancy with the Procedures and Guidelines Manual.

Prevention and Monitoring: Procedures are in place to identify discrepancies between university records and the Procedures and Guidelines Manual. Staff assigned to monitor special course fees conduct a semi-annual validation of the University Course Fee master list and the fees reported in the Procedures and Guidelines Manual.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

SPECIAL COURSE FEE APPROVAL

UNR policy requires proposals for new or modified Special Course Fees to be submitted to the Provost's Office for review and approval by the Student Fee Review Committee. Fees in excess of \$50 are submitted to the Board of Regents upon approval by the committee. A Special Course Fee Request Form has been developed to document the submission and approval of the proposals.

We selected a sample of twelve Special Course Fees that are currently charged by the campus to determine whether the fees were approved in accordance with these procedures. We noted a Special Course Fee Request Form was not completed for one of the Special Course Fees reviewed. We were informed the fee request was presented to and approved by the Student Fee Review Committee but that the approval was not documented on the Special Course Fee Request Form.

We recommend the form be completed to properly document Special Course Fee requests and approvals.

Institution Response

Correction: The finding relates to course fee requests relating to reconfiguration of the Simulation Laboratory in the Orvis School of Nursing. Extensive documentation for the fee in question was submitted to the Course Fee Committee; however, in this one instance a course fee request form was not completed. All requests for special course fees are required to include the Special Course Fee Request Form.

Prevention and Monitoring: All requests for Special Course Fees are submitted to the Office of the Executive Vice President and Provost. Colleges have been instructed to use the Special Course Fee Request Form. Any requests not submitted on the proper form will be returned to the originating office and will not be considered by the Course Fee Committee unless a Special Course Fee Request Form has been properly completed.

Follow-up Response: All requests for Special Course Fees have been submitted on the proper Special Course Fee Request Form.

ACCOUNT BALANCES

In general, Differential Program and Special Course Fees should be spent as they are collected so as to benefit the students that pay the fees. Fees should not accumulate unless there is a specific reason for doing so, such as to make a major purchase. We examined the balance of funds contained in the various Special Course Fee and Differential Program Fee accounts, within the university's financial accounting system, for reasonableness. The balances were reviewed as of June 30, 2012. The following exceptions were noted.

1. One Special Course Fee account had an excessive balance of \$21,546 as of June 30, 2012.
2. Each of the three Differential Program Fee accounts established for business courses had excessive balances. The balance of funds in the three accounts was \$276,275 as of June 30, 2012.
3. Five of eight Differential Program Fee accounts established for engineering courses had excessive balances. The balance of funds in the five accounts was \$250,805 as of June 30, 2012.

For items one through three above, we recommend the Special Course and Differential Program Fees associated with the accounts be reviewed to determine whether the fees are reasonable or need to be adjusted.

Institution Response

Correction: The course fees associated with items 1 – 3 above have been reviewed and have been determined to be appropriate.

The balance noted in item 1 above (\$21,546) relates to the repair and replacement of expensive musical instruments. The course fee was originally intended to be used, along with private funds, to purchase one new Steinway piano. The College/Department's fundraising efforts were more successful than expected so the funds collected in the course fee were not expended during FY 2012. The Music Department has committed the funds in this account to acquiring additional Steinways and making needed repairs to the University's Stradivarius violin, and will reduce the balance in this account to less than 10% of current year revenues by fiscal year end.

Items 2 and 3 above relate to balances in the Differential Fees for the College of Engineering (item 2) and College of Business (item 3). The large balances in these accounts are due primarily to efforts on the part of each college to fully engage its faculty and students in the allocation of these funds, and subsequently, the time required to initiate and complete faculty searches.

The College of Engineering has several active searches in process, or recently completed, to hire a web communications specialist, student advisor, and lecturers in Mechanical Engineering and Computer Science. The College of Business recently completed searches for two new accounting professors as well as a position to handle Graduate Student Career Services. All of the above positions are consistent with the plan submitted to the Board of Regents. The addition of these positions in the Colleges of Engineering and Business will draw down the balances in the Differential Fee accounts and bring expenditures in line with on-going revenues.

Prevention and Monitoring: Professional staff in the Office of Planning, Budget and Analysis (PBA) review balances in Special Course fees and Differential Fees on a monthly basis. PBA is actively engaged with the Colleges of Engineering and Business, to reduce the balances as quickly as possible.

Follow-up Response: Item 1 began Fiscal Year 2014 with a balance of \$10,950. The music department will purchase 4 Oboes which will expend the balance.

Items 2 and 3 pertain to the Differential Fees for the College of Engineering and the College of Business. We continue to review balances on a monthly basis and in addition have a staff member attending the differential committee meetings of both colleges to ensure approved proposals and plans are being executed on a timely basis and accumulated balances are decreasing to acceptable levels. The cumulative ending balance for the Engineering Differential accounts was \$179,398 at June 30, 2013. This compares to \$247,333 for fiscal year 2012, and represents a decrease of 27% in the ending account balance. The college expects to further reduce the ending balance below the targeted 10% of annual revenue collections (approximately \$120,000) by the close of fiscal 2014. Examples of new initiatives funded by differential fees that will enhance the program and draw down existing balances are the establishment of a college-wide Tutoring Center, additional student support for the College of Engineering Advising Center, and the development of an interactive teaching laboratory for structural analysis.

INACTIVE ACCOUNTS

During this review, we noted three Special Course Fee accounts had revenue but no expenditure activity during fiscal year 2011-12. One other Special Course Fee account had no revenue or expenditure activity during fiscal year 2011-12.

We recommend the Special Course Fees associated with these accounts be reviewed to determine whether the fees are still necessary and whether the accounts should be deactivated.

Institution Response

Correction: Each of the course fees identified was reviewed and the fees were deemed to be appropriate. In the first instance (1212-112-183A), testing packets are purchased on a two-year replacement cycle with revenues collected on an annual basis. The second account, Nursing Simulation Lab 1212-122-103G, fees were collected for a summer course but not transferred to UNSOM until after year-end close. The final account, (1212-150-523N), fees were collected for a field trip that was subsequently cancelled due to weather.

The auditor noted that one account, (1212-112-183B) appeared to be inactive because there was no revenue or expense activity in Fiscal 2012. The course in question was not offered during Fiscal 2012 but is expected to be offered in the future.

As a result of our review, none of these circumstances warranted modification or deactivation of the course fee.

Prevention and Monitoring: As a general rule, course fees are expended in the semester collected. Professional staff in Planning, Budget and Analysis, closely monitors the operations of all Special Course Fee accounts. Each account is reviewed on a monthly basis to assure expenditures closely approximate the amount of course fee revenue collected. In the future, we will assure that transfers from the Nursing account to UNSOM occur in a timely basis and should a field trip be cancelled for whatever reason, students will be reimbursed for the amount of the course fee.

Follow-up Response: Planning, Budget, and Analysis continues to closely monitor the operations of all Special Fee accounts. Transfers from Nursing to UNSOM continue to be monitored to be sure they are processed on a timely basis.

We also noted 18 accounts were noted as “no longer active” on the university’s Special Course Fees list. Five of these accounts, however, are still active in the financial accounting system.

We recommend the accounts be deactivated in the financial accounting system and that the remaining funds available be transferred to an appropriate campus account.

Institution Response

Correction: The five accounts identified in the audit have been deactivated in the financial system and the remaining funds transferred to an account maintained by the Provost.

Prevention and Monitoring: If a course fee is eliminated, the account will be deactivated in the financial system prior to the next semester.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

SELF-SUPPORTING BUDGETS

Board of Regents policy requires revisions of self-supporting budgets to be reported to the NSHE System Administration Office when the revisions exceed specified thresholds. We noted a budget revision made to one Differential Program Fee account was not reported in fiscal year 2011-12.

We recommend self-supporting budgets be reported in accordance with Board policy.

Institution Response

Correction: PBA staff monitor budget revisions for compliance with Board of Regents policy. Beginning Fiscal 2013 we have implemented a computer program that checks for revisions that meet the Board mandated reporting criteria. This program supplements analyst review at the time of processing.

Prevention and Monitoring: Monthly computer reports for reportable revisions are reviewed and validated prior to submitting revisions to the Chancellor's Office.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

EXPENDITURES

We reviewed a sample of 156 expenditures charged to Special Course Fee accounts and 49 expenditures that were charged to Differential Program Fee accounts. The expenditures were

reviewed for reasonableness and proper use of Differential Program and Special Course Fee revenue, proper supporting documentation and approval, and compliance with established purchasing procedures. No exceptions were noted with the Differential Program Fee expenditures. The following exceptions were noted with Special Course Fee expenditures.

1. Nevada sales tax was paid on two purchases.

We recommend employees be reminded that the university is exempt from paying Nevada sales tax. We recommend that if payment of Nevada sales tax cannot be avoided at the time a purchase is made or is not noticed until a later date, employees should request a credit from the vendor and provide an explanation on the supporting documentation.

Institution Response

Correction: The departments involved have been notified of university policy regarding payment of sales tax and to request a refund from the vendor.

Prevention & Monitoring: The purchasing card department is responsible for auditing all purchases to ensure sales tax has not been charged and to remind the department to request a refund from the vendor.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

2. One transaction involved payment to a local school district for services provided under a student teacher internship program. An initial review of the supporting documentation indicated that the purchase order completed for the transaction was done “after-the-fact”. We were subsequently informed that a contract of the arrangement was completed in 2010 in which the services and payment terms of the program are specified. We noted, however, that the department did not establish a blanket purchase order with the BCN Purchasing Department to properly encumber funds for the charges.

We recommend that blanket purchase orders be established when contracts for services are negotiated.

Institution Response

Correction: The department has been instructed to prepare a blanket purchase order.

Prevention & Monitoring: The department is responsible for working with BCN Purchasing when contracts for services are negotiated that require a blanket purchase order.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

3. Four purchasing card transactions, which occurred on the same day with the same vendors, were split into two separate transactions. The total of the transactions exceeded the \$2,000 threshold at which purchase orders are required to be completed.

We recommend compliance with purchasing policies.

Institution Response

Correction: The department has been notified of the violation and reminded that the purchasing card will be deactivated if any further violations occur.

Prevention & Monitoring: The purchasing card department is responsible for auditing all transactions and contacting the department regarding violations.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

4. On one occasion, a travel claim was not filed for three transactions tested that involved food and lodging expenses incurred by a student on an out-of-state trip. University policy requires the completion of a travel claim form for any travel in which the university incurs expense.

We recommend travel claims be filed, as required.

Institution Response

Correction: The employee was informed of the university's travel claim policy and instructed to complete a travel claim.

Prevention & Monitoring: The purchasing card department is responsible to ensure a travel claim has been completed when reviewing purchasing card statements.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

5. On two occasions, a team or group travel claim was not filed for four transactions tested that involved food and rental car expenses for class field trips. University policy requires a team or group travel claim form to be filed when such trips are directly affiliated with and sponsored by the university.

We recommend team or group travel claims be filed, as required.

Institution Response

Correction: The department has been instructed to follow travel claim policy and complete a travel claim.

Prevention & Monitoring: The purchasing card department is responsible to ensure a travel claim has been completed when reviewing purchasing card statements.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

6. For two transactions involving guest speakers, the "Guest Speaker Payment Request Form" was not completed until after the speaking event had concluded.

We recommend the guest speaker form be completed in advance of the speaking event, as required.

Institution Response

Correction: The department has been instructed to remind faculty of university policy for guest speakers.

Prevention & Monitoring: In the event of future violations the department will be reminded of the requirement to report guest speakers in advance.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

PRIOR AUDIT

The prior audit of Special Course Fees was conducted for the period of July 1, 1990 through June 30, 1991. All recommendations from the prior audit have either been implemented, are no longer applicable, or are addressed in the current audit.

OTHER

The following issue was noted during this review; however, it is the responsibility of the NSHE Budget and Finance Office.

SELF-SUPPORTING BUDGETS

Board of Regents policy requires self-supporting budgets that are projected to exceed \$25,000 in expenditure activity to be included in the annual budget process. We noted two UNR Special Course Fee accounts that were not reported to the NSHE System Administration Office in fiscal year 2011-12. We were informed by the UNR Office of Planning, Budget, and Analysis that the accounts were not reported because the university does not include the amount that is budgeted for transfers toward the \$25,000 reporting threshold. The university's position is that transfers do not represent expenditure activity and therefore, should not be counted in the \$25,000. If transfers are excluded from the budgets of the above accounts, the budgets were under \$25,000.

We recommend this issue be reviewed by the Vice Chancellor of Finance and the institutional Business Officers and that a determination be made as to the types of transactions that should be included in reporting self-supporting budgets. Based on the outcome of the

review, we recommend a revision to the system's self-supporting budget policy be developed that provides clarification and further guidance in this area. We recommend the language be submitted to the Board of Regents for approval and update of the policy in the Board of Regents Handbook.

Institution Response:

We have requested that this issue be put on the next Business Officers Committee meeting in June.

Follow-up Response: This item was referred to the Institutional Business Officers who recommended that transfers out not be viewed as expenditures. This recommendation was subsequently approved by the Board of Regents at its September meeting. The Board of Regents Handbook was updated with the new policy on October 11, 2013.

STATEMENT OF REVENUE AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of 337 self-supporting accounts that have been established for the administration of Differential Program and Special Course Fees. A number of Special Course Fee accounts were inactivated or had no activity during the audit period. The revenue and expenditure information was obtained from the financial accounting system.

As indicated below, we noted a significant amount of funding was transferred out of Special Course Fee accounts. Although the transfers appear to have been used to pay for costs that are appropriate for Special Course Fees, we noted the transfers are not allowed by university policy.

We recommend compliance with the policy or that the policy be revised to address the circumstances under which Special Course Fees can be transferred.

Institution Response

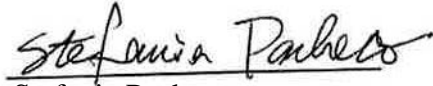
Correction: Language has been submitted to the University’s Administrative Manual Committee which revises existing policy. Transfers out would be permissible only in instances where the transfer was specifically identified in the proposal approved by the Course Fee Committee or necessary to correct a processing or allocation error.

Follow-up Response: No change, corrective action implemented as indicated in the original response.

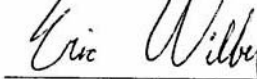
	Special	Differential Program Fees		Total
	Course Fees	Business	Engineering	
Balance July 1, 2011	\$ 102,050	\$ -	\$ -	\$ 102,050
Transfers In	10,971	55,000	154,226	220,197
Revenues				
Tuition and Fees Unrestricted	733,220	441,700	420,941	1,595,861
	-	-	-	-
Total Revenues	733,220	441,700	420,941	1,595,861
Transfers Out	111,375	55,000	208,659	375,034
Expenditures				
Salaries	167,795	90,107	36,130	294,032
Travel	7,332	-	-	7,332
Operations	438,954	54,019	55,118	548,091
Equipment	25,637	-	-	25,637
Tuition	-	21,299	-	21,299
	-	-	-	-
Total Expenditures	639,718	165,425	91,248	896,391
Balance June 30, 2012	\$ 95,148	\$ 276,275	\$ 275,261	\$ 646,684

The Internal Audit Department appreciates the cooperation and assistance received from university personnel during this review.

Reno, Nevada
February 4, 2013



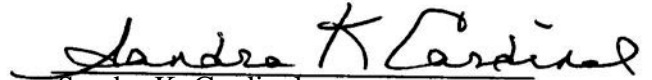
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Memorandum

To: Sandi Cardinal, Assistant Vice Chancellor for Internal Audit, Nevada System of Higher Education

From: Tom Judy

Date: October 24, 2013

Subject: Differential Program and Special Course Fees

The purpose of this memorandum is to transmit the follow-up response from the Planning, Budget and Analysis Office to the audit of Differential Program and Special Course Fees for the period July 1, 2011 through June 30, 2012.

I have reviewed and concur with all responses.

cc: Marc Johnson, President
Ronald Zurek, Vice President, Administration and Finance
Bruce Shively, Associate Vice President, Planning, Budget and Analysis