



**MONTANA UNIVERSITY SYSTEM**  
**Office of the Commissioner of Higher Education**

2500 Broadway ♦ PO Box 203101 ♦ Helena, Montana 59620-3101 ♦ (406)444-6570 ♦ FAX (406)444-1469

**ITEM 127-125-R0505**

**TO:** Board of Regents  
**FROM:** Pamela Joehler, Director of Budget and Accounting  
**DATE:** May 2, 2005  
**RE:** Internal Audit on Course Fees

University of Montana and Montana State University Internal Audit (IA) reports submitted recently to the Office of the Commissioner of Higher Education present findings that indicate the fee policies of the Montana University System are unclear, not well understood, and not consistently applied. The auditors recommended Board policies be clarified and amended to reflect the Task Force on Student Fees recommendations accepted by the Board of Regents in March 2000. OCHE staff agrees with the IA recommendations. In addition, the question of accountability to ensure the appropriateness of the fee rates and fee expenditures is raised for Board consideration.

**Task Force on Student Fees**

The Task Force on Student Fees (Task Force) was formed in 1999 as a result of Board of Regent concern that there was significantly increasing reliance on course fees and no system policy to guide the establishment and use of course fees. In addition, the Board was concerned that the level of course fees, together with mandatory fees, produced an unacceptable level of "sticker shock" for students when they find out what the actual cost of their education is going to be at the time they must pay their fees.<sup>1</sup>

**Task Force Recommendations** - The Task Force was charged with developing recommendations that addressed these concerns. The Task Force, which was comprised of members representing a wide array of system perspectives, produced the following recommendations (summarized from original report attached):

1. Fee Category Definitions
  - a. Tuition and Mandatory Fees should include faculty salaries, including teaching assistants; all expenditures relating to providing instruction; equipment; repair and maintenance of equipment; software, except that purchased and retained by students; general supplies; and general operating expenses.
  - b. Course and Laboratory Fees may include specialized activities or equipment fees; field trips; pass-through fees; laboratory consumables, except computer supplies and paper products; and materials used by students to create a product that becomes students' property after use in a specific course.

<sup>1</sup> Memo to Task Force on Fees, Charge of Committee, from Richard A Crofts, Commissioner of Higher Education, September 29, 1999

- c. Program Fees may be assessed to all students enrolled in a given program by two-year programs as the equivalent of course fees.
2. Review and Audit Processes
  - a. A biennial internal audit of course fees, program fees, and mandatory student fees by each University and forwarded to the Commissioner of Higher Education and the Board of Regents
  - b. Establish a campus review structure, including representatives from student government and instructional departments, to review proposed new or revised fees. The campus CEO also needs to be part of this review process.
3. Other Recommendations
  - a. Change name of “incidental fee” to “tuition”
  - b. Adjust tuition to compensate for course fee reductions
  - c. Change the format of the Inventory and Validation of Fees so fee categories are grouped
  - d. Post tuition and fee schedules to the Regents website
  - e. Campuses should work to communicate their course fees to students, for example, include course fees in campus catalogs and posting course fee information on campus financial aid web sites.
  - f. Expand the Computer Fee and Equipment Fee Policies to allow expenditures for operations and maintenance.

***Board of Regents Action and Recommendations Implemented*** – The Board of Regents accepted the Task Force report in March 2000. Following the March 2000 meeting, the Task Force evaluated existing course fees in light of the definitions contained in the Task Force report and recommended tuition adjustments and concurrent course fee reductions/eliminations for academic year 2002. Other recommendations that have been implemented include renaming “incidental fee” to “tuition”, changing the format of the Inventory and Validation of Fees report, and posting tuition and fee information on the Regents and Campuses’ websites.

***What has happened since 2000?*** Course fee revenue has grown from approximately \$1.9 million in fiscal 1999 to approximately \$2.4 million in fiscal 2005. In addition, the Board has approved the initiation of several new fees since the Task Force presented its 2000 report. The IA departments at each University conducted audits on each of its campuses for fiscal 2004 fee activity. The findings and recommendations of these internal audits are the subject of the next section of this memo.

### **Internal Audit of Course Fees**

The audits recently completed by the University IA departments are the first audits conducted on fees since the Board accepted the Task Force report. The purpose of the audits was to evaluate policy compliance and accountability of fee revenue and expenditures.

***Audit Findings*** - The internal audits included the following findings:

1. The Task Force recommendations on fee expenditures are not well known, understood, or followed.

2. The campuses have generally made a good-faith attempt to communicate with students in regard to the total fees students can expect to pay to attend a campus of the Montana University System.
3. The Task Force recommendation to amend the mandatory Computer and Equipment fee to allow for operations has not been implemented
4. Varying interpretations of acceptable expenditures for course/lab fees
5. Guidelines for the expenditure of course/lab fees, program fees are unclear
6. Inappropriate expenditures from course and program fees
7. Fees were assessed that were not approved
8. There is a contradiction between the Task Force's recommendations on program fees and approved program fees in the Inventory and Validation of Fees
9. Inventory fee descriptions were too vague to judge compliance
10. Co-mingling of course fee revenue and expenditures with other types of revenue and expenditures rendered financial information unauditable for Board of Regents purposes.

The internal audits did not include a financial analysis that would address the adequacy and appropriateness of each fee assessed to students in the Montana University System.

***Audit Recommendations*** - The internal audits recommended the following actions to address the audit findings:

1. The Board should develop a fee policy that defines various categories of fees and provides clear guidelines and criteria for expenditure by fee category.
2. The Board should either modify Computer and Equipment Fee policies as recommended by the Task Force or modify its response to Task Force recommendations.
3. The Board should provide policy and guidelines that can be used as a standard of performance upon which future decisions, processes, and audit may rely.

OCHE staff agrees with the recommendations. Staff recommends the Board direct the Office of the Commissioner of Higher Education to reactivate the Task Force on Student Fees for the purpose of drafting proposed Board of Regent policy revisions or new policy to implement the Task Force recommendations accepted by the Board in March 2000. These proposed policy revisions or new policy would be presented at the November 2005 Board meeting.

In addition, staff recommends the Board request the internal auditors include a financial analysis of all fees in its biennial audit that will allow the Board to evaluate the appropriateness of each fee. Due to the volume of fees in the Montana University System, it may be more manageable to review one half of the fees in each biennial audit.