

PERFORMANCE AUDIT REPORT

Fees Charged at NDSU and UND
Report No. 3032

June 5, 2012

STATE AUDITOR
ROBERT R. PETERSON



Phone (701)328-2241
Fax (701)328-1406

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE – DEPT 117
BISMARCK, NORTH DAKOTA 58505

June 5, 2012

Honorable Jack Dalrymple, Governor

Members of the North Dakota Legislative Assembly

We are pleased to submit this performance audit report on aspects of fees charged at North Dakota State University and the University of North Dakota. This report contains the results of our review of whether North Dakota State University and the University of North Dakota have established and used fees appropriately.

We conducted this audit under the authority granted within North Dakota Century Code Chapter 54-10. Included in the report are the objective and scope, findings and recommendations, and management responses. State Board of Higher Education (SBHE) policy requires responses to audit reports be approved by the Board. The management responses included in this report have yet to be approved by the Board as no meeting was held during the two week time period the University System was provided to respond to the report. The management responses are expected to be finalized and approved during the September SBHE meeting. The management responses included in the report were provided by the Chancellor's Office.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

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Executive Summary

Results and Findings Recommendations addressed in this report are listed in Appendix A. Discussions relating to individual recommendations are included in Chapters 1 through 6.

Fee Accountability We conclude North Dakota State University (NDSU) and the University of North Dakota (UND) have inappropriately used fee moneys. Improvements are also needed with the establishment of fees. The State Board of Higher Education (SBHE) needs to ensure an effective process for fee establishment, monitoring, and use of fee moneys exists to enhance consistency and the accountability of fees. Improvements are needed with monitoring cash balances of fee moneys as significant cash balances were identified with certain fees. Due to the comingling of moneys, there is a lack of accountability and transparency regarding fee moneys being used by NDSU and UND.

NDSU and UND Fees We identified improvements were needed with how NDSU and UND used program, course, and other fee moneys. Improvements are needed at NDSU and UND related to course fee establishment. Also, improvements are needed with SBHE requirements related to program and course fees.

Additional Areas Requiring Improvement Our review of expenditure transactions identified improvements were needed regarding the use of public funds. NDSU should ensure compliance with procurement requirements and make improvements related to the use of personal vehicles. UND should ensure reimbursement of employee meals are in compliance with requirements and establish adequate safeguards for use of University property.

Fee Accountability

Introduction

The objective of this performance audit was to answer the following question:

“Are fees appropriately established and used by North Dakota State University and the University of North Dakota?”

We determined North Dakota State University (NDSU) and the University of North Dakota (UND) have inappropriately used fee moneys. Improvements were also needed with the establishment of fees. Significant improvements needed by NDSU and UND are included in this chapter. Also included in this chapter are changes needed by the State Board of Higher Education (SBHE) to enhance consistency and improve accountability of fees. Additional significant improvements are addressed in Chapters 2 through 6. To conduct a review of fees, we:

- Reviewed applicable laws and policies;
- Reviewed applications, memos, and other information related to the establishment of certain fees;
- Reviewed a selection of transactions related to the use of certain fees;
- Reviewed the cash balances of funds in which fees were maintained; and
- Interviewed selected personnel.

Background Information

Within the University System, a number of fees exist. Some of the fees are charged to all students, others are charged to specific students, and others exist for various purposes and services. Fees are established through a variety of means and require different approvals depending upon the type of fee. For the purposes of this audit, we identify the following categories of fees:

- **Mandatory fees:** these fees are charged to all students on a per credit basis with a maximum amount. Mandatory fees are further described in Chapter 2.
- **Program fees:** these fees are charged to students who are in a particular program/field of study. Program fees are further described in Chapter 3.
- **Course fees:** these fees are charged to students who are in a particular course. Course fees are further described in Chapter 4.
- **Other fees:** these are fees which are charged by institutions which are not categorized as one of the above three fees. Other fees are further described in Chapter 5.

The types of fees charged a student as well as the fee amounts to be paid will be dependent upon a number of conditions including the student’s grade level, field of study, classes selected, etc.

Improving Fee Processes

Fee moneys are not being used for intended purposes.

In review of information related to fees at NDSU and UND, we identified a number of improvements were needed to enhance consistency and improve accountability. Examples include:

- We identified large cash balances in certain fee funds. For example, the UND College of Business and Public Administration (CoBPA) program fee fund cash balance was approximately \$9,000 July 1, 2007 and \$370,000 June 30, 2010. The CoBPA Program Fee was increased from \$100 per semester to \$150 per semester starting the Fall 2007 semester.
- In review of the use of program fees, we identified instances at both universities in which fees collected did not appear to be used for intended purposes. Examples of expenditures using program fees which appear inappropriate include:
 - NDSU paying an employee an agreed upon amount included in a separation agreement (over \$20,000)
 - Both universities paying expenses of students who had not paid the program fee
 - UND providing 12 scholarships as part of the Norwegian law exchange program (\$16,200)
- In review of the use of certain other fees, we identified instances at both universities in which fees collected did not appear to be used for intended purposes. Examples of expenditures using such fees which appear inappropriate include:
 - NDSU paying for a first class airfare ticket to India for the Dean of the Graduate School's recruiting trip (over \$11,000 of graduate application fee moneys used)
 - UND purchasing blinds and furniture (over \$7,600 of transcript fee moneys used)
 - UND purchasing 5 iPads for the Dean of the Graduate School and other employees (approximately \$3,000 of graduate application fee moneys used)
- In review of the use of mandatory fees, we identified instances at both universities in which fees collected did not appear to be used for intended purposes. Examples of expenditures using mandatory fees which appear inappropriate include:
 - UND paying lunch expenses for multiple registration/advising events (approximately \$1,600 of student fee moneys used)
 - NDSU paying cooperative internship tuition and a portion of mandatory fees for two students (approximately \$1,200 of technology fee moneys used)
 - NDSU purchasing pet supplies using technology fee moneys (approximately \$150)
- Due to fee moneys being commingled with other revenue sources, there is a lack of accountability regarding the use of moneys collected from the students. For certain expenditures, the universities claimed the revenue source was not from fee moneys. We could neither confirm nor disprove this statement using information on PeopleSoft/ConnectND. This area is further addressed in the section entitled *Improving the Accounting Procedures for Fees* of this chapter.

Chapter 1

Fee Accountability

- In review of the use of fees, we identified very broad to limited criteria being established regarding the use of certain fee moneys. For example, SBHE Policy 805.2 states institutions may collect from each student a “fee to support activities for the benefit of the student body, including, but not limited to, debt retirement, student union operations, athletics and placement services.” While we initially questioned the use of fees for certain expenditures, ultimately the broad criteria or lack of criteria provided the universities the opportunity to expend the fee moneys. Examples of expenditures in which fee moneys appeared to be used inappropriately are below. Due to commingling of moneys, other revenue sources may have paid these expenses. However, the universities believe mandatory fees may be used for such expenditures.
 - NDSU purchasing homecoming hankies (approximately \$5,500)
 - UND purchasing Greek Life t-shirts for Greek Life students and Memorial Union student staff (approximately \$1,500)
 - UND paying for a consultant to facilitate discussion on how the University community can better support Greek Life and how Greek Life can work better with the University (\$3,000)
- We identified a number of instances in which differences exist between NDSU and UND regarding the establishment, monitoring, and use of fees. Examples of such differences include:
 - UND utilizes a fee committee comprised of three vice-presidents to approve the establishment of course fees. NDSU required only the Provost to approve course fee requests.
 - NDSU charges all new incoming students a New Student Fee. The revenues from this fee are used to pay various expenses including tutoring and drug and alcohol abuse programs. UND charges all students a mandatory student fee. The revenues from this fee are used to pay various expenses including tutoring and drug and alcohol abuse programs. Thus, NDSU charges new incoming students a fee for similar expenses which UND charges all students for.
 - While both universities charge students a mandatory technology fee, differences exist related to the amount charged and use of the fee moneys. For the Fall 2010 semester, NDSU charged a maximum amount of \$82.50 per semester and UND charged a maximum amount of \$50 per semester. In review of expenditures and based on discussions with university personnel, NDSU appears to use technology fee moneys for residence hall expenses and UND does not. While UND uses technology fee moneys to support certain program specific computer labs, NDSU does not.
 - Certain similar fees are accounted for differently at the two universities. For example, the Late Payment and Course Challenge fees are accounted for in the 30000 “tuition & appropriated funds” level at NDSU and in the 20000 “local funds” level at UND.

There is a lack of consistency between NDSU and UND related to fee establishment, monitoring, and use.

Chapter 1 Fee Accountability

Prior to establishing a fee, the purpose and use of the fee should be clearly stated and documented to ensure students are aware of how moneys collected will be spent. This would clearly identify expectations from both the institution and the students. Fees should not be established to create cash reserves or used for various discretionary purposes. If the amount of moneys collected exceeds the use of such fees, appropriate action should be taken to either issue refunds, reduce the fee charged, and/or determine whether the criteria for use of the moneys is in need of change.

North Dakota Century Code Section 15-10-01.2 states institutions under the control of the State Board of Higher Education are a unified system of higher education. We conclude there is not a unified system of higher education related to fee establishment, monitoring, and use. We also identify a lack of accountability regarding fee moneys collected from students.

Recommendation 1-1

We recommend the State Board of Higher Education ensure an effective process for fee establishment, monitoring, and use of fee moneys collected from students exists to enhance consistency and the accountability of these fees.

Management's Response

Agree. The NDUS understands the issues surrounding campus fees and is currently working on a plan to respond to the issues. In order to ensure the recommended levels of policy development, compliance and monitoring, as outlined in this report, we have to develop a comprehensive set of polices based on in-depth research and analysis.

Making Improvements with Cash Balances

In review of mandatory fees, program fees, course fees, and other fees at NDSU and UND, concerns regarding the cash balances of certain funds in which fee moneys are maintained were identified. Examples for both universities follow.

NDSU

- The pharmacy program fee fund had a fiscal year-end balance in excess of \$400,000 for fiscal years 2007 through 2011 (over \$915,000 at the end of fiscal year 2009). Certain program fee moneys are transferred to other funds for startup costs of new faculty. These transferred amounts are not included in the program fee fund cash balance and in certain cases, the startup funds maintain significant cash balances. For example, while the pharmacy program fee fund cash balance was approximately \$740,000 at the end of fiscal year 2008, there was \$350,000 in a startup fund (transferred to the startup fund in October 2007 and no moneys were expended by the end of the fiscal year). Thus, a cash balance in excess of \$1 million existed. For the Fall 2010 semester, the pharmacy program fee was \$2,820.

Chapter 1 Fee Accountability

Significant cash balances exist with certain funds in which fee moneys are maintained.

- The transcript fee fund cash balance increased from just over \$25,000 at the beginning of fiscal year 2008 to over \$145,000 by the end of fiscal year 2011. The transcript fee is \$5 per transcript.
- The Graduate School application fee fund cash balance increased from approximately \$61,000 at the beginning of fiscal year 2008 to over \$124,000 at the end of fiscal year 2011. The Graduate School application fee is \$35.

UND

- The College of Business and Public Administration (CoBPA) program fee was increased from \$100 per semester to \$150 per semester beginning the Fall 2007 semester. The program fee fund cash balance was approximately \$9,000 at the beginning of fiscal year 2008 and approximately \$290,000 at the end of fiscal year 2011.
- The transcript fee fund cash balance increased from over \$123,000 at the beginning of fiscal year 2008 to over \$385,000 at the end of fiscal year 2011. Based on discussions with UND personnel, certain proposals have been discussed regarding the use of the moneys in the fund. Based on the information provided by UND, the proposed use of the fee moneys would not appear to relate to the processing of transcript requests. The transcript fee is \$5 per transcript.
- The Graduate School application fee fund cash balance increased from approximately \$36,000 at the beginning of fiscal year 2008 to over \$116,000 at the end of fiscal year 2011. The Graduate School application fee is \$35.

Adequate monitoring of funds should occur to identify areas where improvements are needed and to ensure fee amounts are appropriate and not excessive. When fee fund cash balances significantly increase, there is an increased risk fee moneys may not be used for the benefit of students who paid the fees. If the amount of moneys collected exceeds the use of fees, appropriate action should be taken to either issue refunds, reduce the fee charged, and/or determine whether the criteria for use of the moneys is in need of change.

Recommendation 1-2

We recommend North Dakota State University establish monitoring guidelines related to fund cash balances of fee moneys and take appropriate action when significant amounts are identified.

Management's Response

Disagree. NDSU believes we have effective monitoring practices in place and the fees are utilized to benefit students. Additionally, NDSU believes the fees charged are reasonable in comparison to our peers. The use of fees in each respective program mirrors common practices at similar universities nationwide. Cash balances in Pharmacy's program fee fund, and other funds noted by the auditors, are maintained at a fiscally prudent level in order to cover future obligations without running deficits. NDSU is and will continue to review its practices in these areas to determine if enhancements could be made and is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

Chapter 1 Fee Accountability

State Auditor's Concluding Remarks

While the recommendation addresses establishing monitoring guidelines, NDSU states it believes it has effective monitoring practices. We are unsure how NDSU can claim to have effective monitoring practices in place when they have failed to even establish written monitoring guidelines. Having a cash balance of a program fee in excess of \$1 million would indicate a lack of effective monitoring. NDSU states this cash balance is maintained at a fiscally prudent level. However, NDSU has no established monitoring guidelines or specific nationwide statistics or criteria regarding a fiscally prudent level. We do not agree with NDSU collecting fees and not expending them for extended periods of time. The students who would have paid the fees would not have received a benefit when NDSU does not spend the money collected.

Recommendation 1-3

We recommend the University of North Dakota establish monitoring guidelines related to fund cash balances of fee moneys and take appropriate action when significant amounts are identified.

Management's Response

Agree. UND will establish written guidelines requiring departments to file reports annually with the Budget Office on program and course fee cash balances exceeding a defined percentage of the annual fee revenue. The guidelines will address carry forward, use of the fee revenue and if the fee should be adjusted. These written guidelines will be in addition to the following current practices:

- Centralized monthly reporting to the VP's on cash balances
- Annual budgets required for all fee funds
- Monthly negative cash and negative fund balance reporting to departments with required responses
- Departmental monitoring of budgets and cash balance

We will also review our current process for monitoring other remaining fee categories to determine where enhancements may be appropriate.

Improving the Accounting Procedures for Fees

In review of mandatory fees, program fees, course fees, and other fees at NDSU and UND, we identified certain fee moneys collected were commingled with other revenue sources in the same fund. NDSU and UND did not specifically account for the receipt of the fee moneys and/or use of the fee moneys on PeopleSoft/ConnectND. One example from each institution follows.

Due to the commingling of certain fee moneys, there is a lack of accountability and transparency related to the moneys received from students.

- NDSU uses one fund to receipt revenue generated from a Business 413 course fee as well as registration fees and other business course fee moneys collected. On PeopleSoft/ConnectND, expenditures coded to this fund do not identify whether registration fee moneys were used or what specific course fee moneys were used. This is a lack of accountability and transparency related to the use of fee moneys collected from students.

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- UND allocates the mandatory student fee moneys collected to various departments/operations of the University. We identified student fee moneys were transferred to be used for the operations of the Memorial Union. In review of the fund receipting the allocation of student fee moneys, we identified other sources of revenue were receipted including rental space leases, vendor contracts, and general services and goods sold. While UND used the functions of PeopleSoft/ConnectND to specifically track the revenue and expenditures associated with certain rental moneys, it did not track the other revenue sources. This is a lack of accountability and transparency related to the use of fee moneys collected from students.

In certain instances, university departmental personnel stated they were using software outside of PeopleSoft/ConnectND (such as Excel or Quicken) in an attempt to specifically track revenues and expenses of fee moneys. These “shadow systems” do not provide sufficient and appropriate evidence to audit the use of fee moneys. The “shadow systems” do not have the same security and other controls PeopleSoft/ConnectND does. These additional systems also create a duplication of effort as information has to be entered twice – once on PeopleSoft/ConnectND and once on the “shadow system.”

Due to the commingling of certain fee moneys, we were unable to determine whether certain expenses used fee moneys collected from students or a different funding source. When commingled revenues are not appropriately tracked, adequate reviews are unable to be performed of fee cash balances using PeopleSoft/ConnectND. We conclude there is a lack of accountability and transparency for fee moneys received from the students. Revenue generated for specific purposes should be adequately tracked to ensure it was used for those purposes.

Recommendation 1-4

We recommend North Dakota State University make improvements with accounting procedures for fee moneys collected from students. At a minimum, the University should ensure:

- a) Revenues are adequately tracked using PeopleSoft/ConnectND; and
- b) Use of fee moneys is specifically tracked within PeopleSoft/ConnectND.

Management's Response

Disagree. NDSU disagrees that there is a lack of accountability and transparency for fee revenue received. All revenue and all expenditures are currently tracked in PeopleSoft, and departments and individuals are held accountable for recording and use of fees in compliance with policy and good stewardship. NDSU will review the possible effects of establishing additional funds for the individualized monitoring of fees. NDSU will continue to review PeopleSoft's functionality to determine if additional reporting capabilities or efficiencies can be realized for complex instructional environments such as mathematics labs shared by multiple mathematics courses. NDSU is and will continue to review its

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practices in these areas to determine if enhancements could be made and; is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

State Auditor's Concluding Remarks

NDSU disagrees there is a lack of accountability and transparency for fee revenue received. We are concerned with NDSU's inability to recognize the importance of properly tracking the revenue of all fee moneys. NDSU did commingle revenue received related to certain fees. NDSU stated all revenue and expenditures are tracked in PeopleSoft. We would disagree with this assertion. While all revenue and expenditures are recorded in PeopleSoft, NDSU is unable to specifically track the source of revenue used for certain expenditures.

NDSU states it will review the possible effects of establishing additional funds. We informed NDSU representatives on at least two separate occasions the capabilities within PeopleSoft may not require additional funds being established to monitor fees. While NDSU disagrees with this recommendation, the University apparently will be conducting reviews in this area.

Recommendation 1-5

We recommend the University of North Dakota make improvements with accounting procedures for fee moneys collected from students. At a minimum, the University should ensure:

- a) Revenues are adequately tracked using PeopleSoft/ConnectND; and
- b) Use of fee moneys is specifically tracked within PeopleSoft/ConnectND.

Management's Response

Disagree (a). All revenue is recorded using the PeopleSoft/ConnectND system. Student mandatory fees are charged and recorded in several specific revenue funds. This enables efficient tracking of revenue compared to budget/revenue projections on a monthly basis within PeopleSoft to ensure business decisions are made in a timely basis if actual revenue varies from projections. See Appendix F for the remainder of UND's response.

Agree (b). A comprehensive review of all course and program fees will be performed over the next year to identify areas where improvements can be made to ensure appropriate tracking of the use of fee moneys.

State Auditor's Concluding Remarks

The response to part a) of the recommendation is irrelevant. We do not claim UND is not using PeopleSoft to record revenue. See Appendix F for the remainder of the State Auditor's concluding remarks related to part a) of the recommendation.

UND's response to this recommendation appears to be contradictory as they disagree with part of the recommendation and agree with another part. In each of these responses, UND makes the same statement – the University will take corrective actions regarding course and program fees. It appears UND will not make changes with mandatory fees or

Chapter 1 Fee Accountability

with other fees. UND should consistently track the use of fee moneys regardless of whether the moneys were from a mandatory fee, program fee, course fee, etc.

Legislative Changes

Chapter 120 of the 2011 Session Laws established new requirements related to fees within Higher Education. The term “fee” was defined as “any monetary charge, other than tuition, that a student is assessed for a specific purpose or supplemental service.” The new requirements in state law effective for fiscal year 2012 included:

- Publishing information on SBHE’s website related to fees including:
 - The amount of mandatory fees each institution will charge including a breakdown of the fees by purpose or service;
 - The amount of program specific fees each institution will charge; and
 - The amount of fees for optional purposes or services each institution will charge including a breakdown of the fees by purpose or service.
- Limiting the total amount of annual mandatory fee increases to no more than one percent of the latest available average full-time, resident, on-campus, undergraduate tuition rate at the applicable institution. If the amount is to be higher, the law requires SBHE to determine an exemption is necessary as a result of documented extraordinary circumstances or student demand.
- Prior to SBHE approving an institution’s request to increase a mandatory fee, the institution is required to provide information on six areas including estimated revenue to be collected by the proposed increase, the specific purpose which the revenue will be allocated, and the approximate number of students to be assessed the fee.

Due to the newness of the above requirements, we performed no tests of compliance. The recommendations for improvement and changes to fees included in this report are consistent with the new requirements established by the Legislature.

Mandatory Fees

Introduction

In review of information related to mandatory fees, we identified certain improvements were needed. Significant improvements were addressed in Chapter 1 and an additional improvement is included in this chapter. Improvements of less significance were communicated in a separate letter to management of North Dakota State University (NDSU) and the University of North Dakota (UND). To conduct a review of mandatory fees, we:

- Reviewed applicable laws and policies;
- Identified mandatory fees at both universities;
- Reviewed the establishment of selected mandatory fees;
- Reviewed the use of moneys from funds in which selected mandatory fees were maintained;
- Reviewed the cash balances of funds in which selected mandatory fees were maintained; and
- Interviewed selected personnel.

Mandatory Fee Background Information

Institutions of higher education have established multiple, different mandatory fees under the authority granted to them through State Board of Higher Education (SBHE) policies. According to NDSU information, all NDSU students are required to pay mandatory fees regardless of the personal benefit gained from the corresponding service. According to UND information, mandatory fees are to support costs associated with services, activities, facilities and infrastructure that support students outside the classroom. The mandatory fees are charged to all traditional students.

Mandatory fees are charged on a per credit basis and are capped at 12 credits per semester or an amount not to exceed a rate which is approximately the equivalent of 12 credits. We identified each campus has established certain mandatory fees which are similar in nature and certain mandatory fees which are unique to the particular campus. The ConnectND fee and North Dakota Student Association (NDSA) fee rates are established/approved by SBHE. The remaining mandatory fees are established at the campus level. Thus, certain mandatory fees which are established for similar purposes will have different rates.

The mandatory fees charged to students at NDSU and UND are identified on the following page. The information identified is the per semester maximum charges for the Fall 2010 semester.

Chapter 2
Mandatory Fees

Table 1 NDSU & UND Mandatory Fees for Fall 2010 Semester		
Type of Fee	NDSU	UND
Student/Activity Fee	\$130.80	\$91.44
Technology Fee	\$82.50	\$50.00
ConnectND Fee	\$81.00	\$81.00
Wellness Center Fee	\$80.00	\$68.04
Health Fee	\$57.00	\$111.84
Memorial Union Bond Fee	\$46.20	\$14.52
NDSA Fee	\$0.36	\$0.36
Library Fee	\$19.92	NA
Career Services Fee	\$13.00	NA
Athletics Fee ¹	NA	\$129.72
Wellness Center Bond Fee	NA	\$54.72
Student Government Fee ¹	NA	\$24.36
McCannel Renovation Fee	NA	\$15.00
Total	\$510.78	\$641.00

¹ For purposes of this table, the two athletics fees were combined and the two student government fees were combined.

Using tuition information identified in NDSU and UND documents, we compiled tuition and mandatory fee information since the Fall 2007 semester. The tables below identify resident undergraduate tuition and mandatory fees for a full-time student (12 credits or more).

Table 2 NDSU Resident Undergraduate Tuition and Mandatory Fees				
	Fall 2007	Fall 2008	Fall 2009	Fall 2010
Tuition	\$2,506.50	\$2,632	\$2,724	\$2,819.50
Mandatory Fees	\$481.06	\$481.06	\$481.06	\$510.78
Total	\$2,987.56	\$3,113.06	\$3,205.06	\$3,330.28
Fees as a % of Total Cost	16%	15%	15%	15%

Table 3 UND Resident Undergraduate Tuition and Mandatory Fees				
	Fall 2007	Fall 2008	Fall 2009	Fall 2010
Tuition	\$2,512.50	\$2,638	\$2,730.50	\$2,826
Mandatory Fees	\$552.61	\$618.56	\$632.83	\$641
Total	\$3,065.11	\$3,256.56	\$3,363.33	\$3,467
Fees as a % of Total Cost	18%	19%	19%	18%

Chapter 2 Mandatory Fees

See Appendix B for additional information related to mandatory fees at NDSU and UND.

NDSU Mandatory Fees

As part of this performance audit, we made a selection of mandatory fees charged by NDSU and conducted a review of applicable information. Of the nine mandatory fees charged by NDSU, we selected and reviewed certain information related to the following four fees:

- Activity Fee
- Health Fee
- Technology Fee
- Wellness Center Fee

We identified certain fee moneys collected would be receipted into one fund and transferred to various other funds. Due to this, we made selections of various funds which had transfers of mandatory fee moneys. See Appendix B for information related to funds and transactions selected for review.

We reviewed selected transactions to determine whether the expenditure met the intent of the fee and whether the expenditure was reasonable (compliance with policies, appropriate payment amount, etc.). In addition, we also performed a review of information related to establishment of mandatory fees and cash balances. While it appears NDSU has adhered to established policies regarding the increasing of mandatory fees, we identified other improvements were needed. Examples include:

- In review of expenditures, we identified instances in which fees collected did not appear to be used for intended purposes. While the number of instances identified was not considered significant, we did identify areas where improvements could be made. For example, NDSU used over \$1,200 of technology fee moneys to pay the cooperative internship tuition and fees for two students. One of these students was enrolled for 12 other credits, had been charged the maximum amount of mandatory fees, and had paid the fees charged. NDSU waived half of the cooperative internship tuition, paid the remaining half of the tuition (\$329), and paid the fee amount associated with the three credits (\$120). There were no additional fees charged the student for the cooperative internship as they were already at the maximum amount. Thus, the student received a refund for the fees paid by NDSU (since the fees had already been paid). We identified other expenses coded to funds receiving mandatory fees which appeared to not meet the intent of the fee. Examples include a purchase of Bison deco tiles (\$3,625) to be handed out to individuals attending the Memorial Union re-dedication, a purchase of an iPod shuffle used as a door prize at a staff appreciation event, and gift cards. These funds also received revenue from sources other than mandatory fees and NDSU did not track specific revenue sources used for expenditures.

Chapter 2 Mandatory Fees

NDSU does not require certain departments receiving transfers of student activity fee moneys to specifically track how the moneys are used.

- The criteria or guidelines regarding how certain mandatory fees are to be used is broad. For example, while institutions are given authority through SBHE policy to collect a fee from each student to support activities of the student body, very limited to no guidance has been established by NDSU regarding specific uses of such fees. We originally questioned NDSU representatives regarding the use of mandatory fees for a number of expenditures reviewed. Due to the lack of criteria and/or broad interpretation of the use of fees, it appears a wide range of uses would be allowable. We conclude changes are necessary to ensure students are aware of how moneys collected will be spent. NDSU has made certain changes with the establishment/approval and usage of fees to include additional student involvement. A recommendation was made in Chapter 1 to implement changes (see section entitled *Improving Fee Processes*).
- We identified instances in which mandatory fee moneys were transferred to various funds. The funds receiving these moneys could have other revenue sources included. When moneys were commingled in the same fund, NDSU did not use PeopleSoft/ConnectND to track which moneys were used for expenditures. For example, student fee moneys are transferred to athletics and athletics transfers the moneys to a number of athletic funds (football, women's basketball, etc.). One of the funds receiving student fee moneys is the athletic training room. A NDSU representative stated the following:
 - "The audit questions, where Athletics is asked to explain why student fee moneys were used to pay for specific expenses in the Athletic Training Room Fund, are not applicable because of the Student Government funding model for NDSU Athletics. In this funding model, there is no requirement to separate the student fee revenues for Athletics from other Athletic Department revenues and separately track the student fees expended as if the monies were a grant from an external agency."

Thus, NDSU does not track the student fee moneys allocated to athletics. There is a lack of accountability and transparency regarding the use of the moneys collected from students. A recommendation was made in Chapter 1 to improve accountability and transparency of fees (see section entitled *Improving the Accounting Procedures for Fees*).

Improving Monitoring of Technology Funds

While technology fee moneys are receipted into one fund, NDSU transfers the moneys to other funds for various purposes. As part of the process to allocate technology fee moneys, departments may submit proposals to receive funding for certain projects. In review of technology fee moneys transferred for eight projects, we identified improvements were needed with how such moneys were used.

- On March 18, 2010, approximately \$22,500 was transferred for a project with an estimated project duration of five months. Due to apparent turnover and employees being unaware these moneys

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were available, the moneys were not expended until August 2011. Thus, technology fees collected from students were not used for an extended period of time.

- On September 30, 2008, \$3,000 was transferred to fund a proposal for a portable computer lab for the Veterinary Technology Program. Over 95% of the moneys were expended within 5 months of the transfer. For the next 10 months, the moneys were not used. NDSU then used the remaining amount to purchase pet supplies in an apparent attempt to use all of the technology fee moneys remaining in the fund and have a zero fund balance. Rather than transfer the remaining moneys back to the technology fee fund, NDSU used the moneys to purchase items which were not meeting the intent of the technology fee.

Recommendation 2-1

We recommend North Dakota State University Technology Department make improvements with the monitoring of technology fee moneys collected from students which are transferred for projects.

Management's Response

NDSU Technology Department did monitor the use of revenues by the department awarded the funds. Documentation provided by the office of the Vice President for Information Technology confirms their inquiry into the status of each project and expectations in proper use of the fees. The project timelines are in line with common practices nationwide at similar universities over complex project lifecycles beginning with award application through project implementation and completion. In addition, in May, 2011, NDSU established a Student Fee Advisory Board chaired by the President of NDSU Student Government which provides for oversight of fee usage and required reporting.

NDSU Student Government – Official Guidelines of the Finance Commission Sec 2-01-02.2, outlines the requirement for Tier 1 organizations to provide detailed reporting on an annual basis. The athletic department and other Tier I organizations have been and will continue to provide the detailed information to meet Student Government's reporting requirements. Therefore, in the case of student activity fees allocated to Tier I organizations by Student Government, NDSU does not believe it is necessary to establish separate funds in PeopleSoft for tracking these allocations. NDSU is and will continue to review its practices in these areas to determine if enhancements could be made and; is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

This issue (purchase of laboratory animal food by the Vet Tech program) was addressed with the appropriate department (see also NDSU response to 6-1). The employee who executed this transaction is no longer with the university.

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State Auditor's Concluding Remarks

NDSU states it did monitor the use of revenues by departments. We conclude monitoring of the use of fee moneys was not performed adequately or in a timely fashion. Approximately \$22,500 was transferred for a project with an estimated project duration of five months. Over 14 months elapsed before NDSU even realized the moneys had not been expended.

NDSU states project timelines are in line with common practices nationwide at similar universities over complex project lifecycles. We are puzzled by NDSU inferring the two projects we identified had complex project lifecycles. The project with the \$22,500 transfer was to be completed in five months and the \$3,000 transfer was for the purchase of four items (a computer, a projector, a screen, and a computer cart). We do not consider either of these projects as having complex project lifecycles.

NDSU states it provides detailed information to Student Government. We are unsure how NDSU can make such a statement considering the fact the University admits it does not track how fee moneys transferred to Tier I organizations are expended.

NDSU states it does not believe it is necessary to establish separate funds in PeopleSoft for tracking allocations to Tier I organizations. We do not state NDSU needs to establish separate funds. We discussed this very fact with representatives of NDSU on at least two separate occasions and discussed other possibilities using the capabilities within PeopleSoft. We conclude there is a lack of transparency and NDSU is not accountable to the students when the University is unable to identify the expenditures related to the use of fee moneys.

UND Mandatory Fees

As part of this performance audit, we made a selection of mandatory fees charged by UND and conducted a review of applicable information. Of the 13 mandatory fees charged by UND, we selected and reviewed certain information related to the following four fees:

- Health Fee
- Student Fee
- Technology Fee
- Wellness Center Fee

We identified certain fee moneys collected would be receipted into one fund and transferred to various other funds. Due to this, we made selections of various funds which had transfers of mandatory fee moneys. See Appendix B for information related to funds and transactions selected for review.

We reviewed selected transactions to determine whether the expenditure met the intent of the fee and whether the expenditure was reasonable (compliance with policies, appropriate payment amount, etc.). In addition, we also performed a review of information related to

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establishment and cash balances. It appears UND has adhered to established policies regarding the increasing of mandatory fees due, in part, to an agreement with students from 1990 (allows fees to be raised at the increased tuition rate percentage, not to exceed 5%). We did identify improvements which could be made in other areas related to mandatory fees. Examples include:

- In review of expenditures, we identified instances in which fees collected did not appear to be used for intended purposes. While the number of instances identified was not considered significant, we did identify improvements were necessary. For example, UND used mandatory fees to pay certain lunch and coffee expenses which we conclude were inappropriate. We identified other expenses coded to funds receiving mandatory fees which appeared to not meet the intent of the fee. Examples include the payment of catering costs for two leadership award receptions (over \$2,100). The fund used to pay these catering expenses also received revenue from sources other than mandatory fees and UND did not track specific revenue sources used for expenditures.
- The criteria or guidelines regarding how certain mandatory fees are to be used is broad and may not be specific. For example, while institutions are given authority through SBHE policy to collect a fee from each student to support activities of the student body, very limited to no guidance has been established by UND regarding specific uses of such fees. We originally questioned UND representatives regarding the use of mandatory fees for a number of expenditures reviewed. Due to the lack of criteria and/or broad interpretation of the use of fees, it appears a wide range of uses would be allowable. We conclude changes are necessary to ensure students are aware of how moneys collected will be spent. A recommendation was made in Chapter 1 to implement changes (see section entitled *Improving Fee Processes*).
- We identified instances in which mandatory fee moneys were transferred to various funds. The funds receiving these moneys could have other revenue sources included. When moneys were commingled in the same fund, UND did not use PeopleSoft/ConnectND to track which moneys were used for expenditures. There is a lack of accountability and transparency regarding the use of the moneys collected from students. A recommendation was made in Chapter 1 to improve accountability and transparency of fees (see section entitled *Improving the Accounting Procedures for Fees*).

Program Fees

Introduction

In review of information related to program fees, we identified certain improvements were needed. Significant improvements were addressed in Chapter 1 and additional improvements are included in this chapter. Improvements of less significance were communicated in separate letters to management of North Dakota State University (NDSU) and the University of North Dakota (UND). To conduct a review of program fees at NDSU and UND, we:

- Reviewed applicable laws and policies;
- Identified program fees at both universities;
- Reviewed the establishment of selected program fees;
- Reviewed the use of moneys from funds in which selected program fees were maintained;
- Reviewed the cash balances of funds in which selected program fees were maintained; and
- Interviewed selected personnel.

Program Fee Background Information

Program fees at NDSU and UND are charged to students for certain areas of study. If a student is enrolled in and/or has declared a certain major, the student is assessed a certain amount each semester in addition to tuition. While an institution identifies the areas of study which a program fee is needed, program fees require approval of the State Board of Higher Education (SBHE) for both the establishment and to increase the fee amount. According to SBHE Policy 805.3 (before the policy changed in November 2011) institutions may charge:

“Program fees, restricted to students enrolled in a particular program to support programs that have exceptional and critical needs that are not adequately funded through other sources. Program fee revenue must be allocated for the primary benefit of students enrolled in that program. Such benefits may include, but are not limited to, instructional and support staff, library, equipment, supplies and student stipends. Program fees are intended to meet exceptional and unique needs in a program and not those common to all programs; they are not intended as an extension to course fees or other fees that are generally charged all students.”

In addition to the requirements established by SBHE for program fee use, institutions identify the intended uses of moneys in the requests submitted to SBHE for approval.

NDSU Program Fees

Based on a review of information, the table on the following page identifies the program fees charged to students for the Fall 2010 semester.

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Table 4 NDSU Program Fees for Fall 2010 Semester	
Program	Amount
Architecture/Landscape Architecture/Environmental Design	33% of the Resident Tuition Rate (\$930 Fall 2010 semester)
Athletic Training – Undergraduate ¹	\$250/semester
Athletic Training – Masters ¹	\$114/credit (capped at \$1,368)
Business Masters	\$105/per required course
Dietetics – Coordinated Program in Dietetics ²	\$750/semester
Dietetics – Didactic Program in Dietetics ²	\$300/semester
Education	\$875 one-time initial program fee
Engineering	\$27.33/credit (capped at \$328)
Health, Nutrition & Exercise Sciences	\$285/semester
Interior Design	\$250/semester
Marriage & Family Therapy	\$250/semester
Nursing	\$300/semester
Pharmacy	100% of the Resident Tuition Rate (\$2,820 Fall 2010 semester)
¹ Both athletic training fees are receipted into one fund.	
² Both dietetics fees are receipted into one fund.	

Based on a review of data related to program fees, we selected the four program fee areas below. See Appendix C for additional information regarding program fees and transactions selected.

- Architecture/Landscape Architecture/Environmental Design
- Athletic Training (undergraduate and master's)
- Engineering
 - All engineering students are charged the same program fee amount. However, engineering program fee revenue is receipted into seven different funds for each of the engineering fields of study. We selected three of the seven for review:
 - Civil
 - Industrial
 - Mechanical.
- Pharmacy

Student Success Tuition Model

NDSU has taken action to implement a new tuition model. It appears NDSU reviewed a new tuition model as part of a study directed by SBHE. The result of NDSU's review was a tuition model known as the Student Success Tuition Model. This model encourages students to enroll in 15 credits and incorporates differential tuition. There are two phases to this new model:

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- Phase I: this phase was approved by SBHE on April 12, 2012 and is expected to be implemented in Fall 2012. According to information provided by NDSU, the phase consists of two areas:
 1. To restructure the definition of “full-time tuition” in an attempt to focus on the full-time standard credit load of 15 credits for undergraduate and professional students. The definition of “full-time tuition” will change to state “Full-time tuition is based on a standard credit load of 15 credits. This full-time tuition will be assessed at the same rate to all full-time students, 12 credits through 20+ credits.” This restructuring is to encourage students to take 15 credits (thus reducing the amount of time to complete a degree).
 2. To combine tuition and program fees into differential tuition rates for specific programs. The Engineering, Pharmacy, Architecture, and Nursing programs have program fees which will be incorporated into differential tuition rates for the applicable programs (thus, eliminating the program fee in these areas and creating a different tuition rate for the programs). This change is to provide more predictable costs to students and families.
- Phase II: this is still in a draft form and has yet to be submitted for approval. It is anticipated to be implemented in Fall 2013. According to information provided by NDSU, this phase consists of three areas.
 1. To review course fees with the possibility of integrating specific course fees into the base tuition rate.
 2. To review remaining program fees which were not integrated into differential tuition.
 3. To simplify the rate structure by eliminating the higher tier (267% non-resident tuition rate) and incorporate it into 150% non-resident tuition rate.

We identified concerns related to the use of certain program fees in this chapter of the report. We also identified concerns related to the use of certain course fees in Chapter 4 of this report. It appears NDSU's new tuition model would eliminate program fees and potentially certain course fees. If this were to occur, the new tuition model may alleviate certain concerns we identified.

Improving how NDSU Program Fees are Used

In review of the use of the program fee moneys collected from students at NDSU, we identified instances in which it appears program fee moneys were not being used in compliance with SBHE policy and/or their intended purposes. We identified improvements with the use of fee moneys were needed in all four program areas we selected for review. Information related to the program fee intent approved by SBHE can be seen in Appendix C. Following are examples by program fee area of expenditures we concluded did not appear to meet the intent of SBHE policy and/or the program fee intent approved by SBHE.

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NDSU program fee moneys were used for salary payments, food costs, travel costs, costs of students who did not pay the program fee, and other purposes which were inconsistent with the intent of the fee being collected.

Architecture/Landscape Architecture/Environmental Design

- Over \$20,000 of program fee moneys was used to pay an agreed upon amount included in a separation agreement (employee leaving NDSU received a payment in addition to payout of annual leave).
- Over \$1,000 of program fee moneys was used to pay the salary of an employee performing administrative type duties.
- In discussions with NDSU departmental personnel, they identified a former chair had used program fee moneys to give raises to multiple employees as there were not adequate appropriated funds to give the raises. NDSU personnel stated attempts have been made over the past four years to change funding sources for the raises and more changes are still needed. A salary payment we reviewed identified approximately \$300 of program fee moneys was being used to pay an employee's raise amount. For fiscal year 2010, we identified program fee moneys of approximately \$7,000 were used for salary payments for this employee.

Athletic Training

- Over \$250 of program fee moneys was used to pay food costs incurred at program meetings.

Engineering

- Over \$5,000 of program fee moneys was used for salary payments to various academic instructors.
- Approximately \$900 of program fee moneys was used to pay travel expenses for a student who did not appear to ever pay the program fee, to attend a conference.
- Over \$800 of program fee moneys was used to pay food costs incurred at advisory board meetings.
- Over \$1,500 of program fee moneys was used to pay for travel expenses for a faculty member to attend a conference.

Pharmacy

- Program fee moneys were used to pay multiple expenditures totaling over \$35,000 for the development of a strategic plan.
- Over \$5,500 of program fee moneys was used to pay for food provided for four social events: a pharmacy hooding ceremony, student orientation day, exam day and a white coat ceremony.

Recommendation 3-1

We recommend North Dakota State University ensure program fee moneys collected from students are used appropriately and for their intended purposes. If the new success tuition model is implemented, the University should ensure additional tuition is expended on reasonable and necessary costs specific to the program area.

Management's Response

Disagree. NDSU disagrees with the performance auditor's interpretation in many of the examples cited in the finding. NDSU agrees that it should ensure program fees are appropriately used; however, we believe reasonable and effective procedures are in place. Furthermore, NDSU's recent operational audit, for the 2010 & 2011 fiscal years, did not identify

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any formal recommendations. Even though the intent is stated in the SBHE Policy 805.3, it is open to interpretation when applied to individual business transactions. Therefore it is difficult to sufficiently document compliance with the intent of the program fee policy for the performance auditors. We believe the performance auditor's interpretation of the intent of the policy is narrower than the professional discretion commonly provided to higher education professionals nationwide when examining individual transactions. See Appendix G for the remainder of NDSU's response.

State Auditor's Concluding Remarks

NDSU states the recent operational audit did not identify any formal recommendations. This statement is irrelevant and misleading. This performance audit had a different scope than the operational audit. The operational audit reviewed overall processing controls surrounding revenues and expenses and compliance with legislative intent. The operational audit would not have reviewed compliance with SBHE or institutional policy related to program fees and the controls related to these funds. NDSU accounting personnel should be knowledgeable enough to know citing the operational audit in this area in an attempt to justify their use of program fees is irrelevant and misleading.

NDSU states they disagree with our interpretation in many of the examples and states it is difficult to sufficiently document compliance for performance auditors. NDSU was given multiple opportunities to provide information to us regarding the concerns we had with how program fees were expended. We explained to NDSU representatives this recommendation had nothing to do with documentation. Yet, NDSU attempts to mislead users of this report with a claim it is a documentation issue. The inappropriate use of program fees is not a documentation issue. NDSU also states we used a narrower definition than what is applied to higher education professionals nationwide. We have no information supporting how NDSU is making such a claim or why they believe this is the case. This was never identified to us during the audit and appears to be an arbitrary statement based on one individual's past experience.

Eliminating the Retention of Program Fees

NDSU's College of Engineering and Architecture charges students a program fee for the areas of study. Program fees are receipted into funds controlled by the Dean. Transfers are then made to corresponding departments. In review of the transfers, we identified 5% of the cash balance is retained for the Dean's use. For example, the program fees for architecture are receipted into one fund. Near the end of the semester, 95% of the cash balance in the fund is transferred to the operating fund of the department.

In review of expenditure data, we identified the 5% retained is typically not being expended to benefit the students who paid the program fee. For the Fall 2010 semester, approximately \$50,000 was retained in the funds controlled by the Dean. Less than \$4,000 of expenditures was coded to these funds and the expenditures were waivers, collection

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expenses, and bad debt expenses. Based on discussions with College of Engineering and Architecture personnel, it appears the retaining of a certain percent of program fee moneys has been a long standing practice (previously the amount retained was 15%).

Recommendation 3-2

We recommend North Dakota State University College of Engineering and Architecture ensure program fee moneys collected from students are used to benefit those students and discontinue retaining 5% for the Dean's use. If the new student success tuition model is implemented, the University should ensure moneys collected from additional tuition are appropriately expended and not retained for potentially unnecessary purposes.

Management's Response

Disagree. The 5% represents a retained amount available for unanticipated expenses related to allowable program fee expenses and is not for discretionary use by the Dean. The Dean has the authority to make financial decisions for the benefit of the students for usage of the retained 5%. The waivers, collection expenses and bad debt expenses are valid expenses which reduce the available revenue due to uncollected program fees. NDSU is ensuring the program fee revenue collected is used to benefit the students. See Appendix G for the remainder of NDSU's response.

State Auditor's Concluding Remarks

NDSU states the 5% is not for discretionary use by the Dean. However, the very next sentence states the Dean has authority to make financial decisions on what the fees will be expended on. This appears to be contradictory. We do not state waivers, collection expenses, and bad debt expenses are invalid expenses. We identified the type of expenditures the 5% retained amount is being used for. Since less than 10% was even expended in Fall 2010, we question whether students who paid the fee received a benefit when their fee moneys were not expended.

We do not agree with program fees being established and/or used to provide a Dean or a department with a rainy day fund or a pot of money which basically sits unused. We identified relatively high cash balances with certain funds receiving the transfers of fee moneys (the 95% of the cash balance in the fund). For example, Mechanical Engineering's program fee fund maintained a monthly cash balance in excess of \$100,000 for all of fiscal year 2009 and 2010. It appears certain departments are already retaining moneys and the Dean's retaining of fee moneys only compounds this problem. See Appendix G for the remainder of the State Auditor's concluding remarks.

Ending Payments for Graduate Research Assistants

During our review of information related to the Engineering program fee, we identified program fee moneys collected from students were used to pay salaries of Graduate Research Assistants. NDSU representatives stated the program fee moneys were to be used to aid the teacher in the classroom, not conduct research. Based on information from representatives of the Engineering department, it appears program fee

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moneys have been used to pay graduate research assistants for several years and this has been a long standing practice. The current Dean stated attempts were being made to eliminate this practice. However, based on a limited review of information, it appears this practice is still continuing. Using information from PeopleSoft/ConnectND, we identified over \$83,000 of program fee moneys was coded to Graduate Research Assistants in fiscal year 2010. This amount may not reflect the actual amount paid to Graduate Research Assistants as it could be affected by miscoding (our review did identify apparent coding errors). Since the students do not complete time sheets or other documents identifying the job performed, we were unable to confirm the amount of program fee moneys used for Graduate Research Assistants.

Recommendation 3-3

We recommend North Dakota State University College of Engineering and Architecture no longer pay for Graduate Research Assistants with program fee moneys collected from students. If the new student success tuition model is implemented, the University should ensure additional tuition is expended appropriately.

Management's Response

Disagree. NDSU believes the use of GRAs (or for that matter, GTAs or GSAs) is an appropriate expenditure of program fees and aligns with national common practices at similar universities. One of many possible responsibilities of NDSU's GRA job description (http://www.ndsu.edu/fileadmin/hr/docs/JobCodes_GRA.pdf) includes the ability of GRA to provide instruction to students. The use of GRAs for instruction is within NDSU and SBHE policy and is an appropriate use of these fees. See Appendix G for the remainder of NDSU's response.

State Auditor's Concluding Remarks

NDSU's response is misleading and confusing. A GRA would not necessarily be required to provide instruction to students. If a graduate student was spending the majority of their time doing research, we would expect the individual to be identified as a GRA. If a graduate student was spending the majority of their time teaching or otherwise assisting academically, we would expect the individual to be identified as a GTA or GSA.

In our interviews with representatives of the College of Engineering and Architecture, it was clear to us the use of program fees for paying a GRA was not an acceptable practice. In fact, in an interview with the Dean of the college, he stated the program fee money is to be used to aid the teacher in the classroom, not conduct research. The Dean believed the practice of using program fee moneys for graduate research assistants would be taken care of in the near future. We are unsure why NDSU has changed their philosophy on the use of program fees for graduate research assistants.

UND Program Fees

Based on a review of information, the table on the following page identifies the program fees charged to students for the Fall 2010 semester.

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Table 5 UND Program Fee for Fall 2010 Semester	
Program	Amount
Clinical Lab Science	\$500/semester
College of Business and Public Administration	\$12.50/credit (capped at \$150)
Engineering – Undergraduate ¹	\$12.50/credit (capped at \$150)
Engineering – Graduate ¹	\$150/semester
Law School	\$53.33/credit (capped at \$800)
Nursing – Undergraduate	\$45/credit (capped at \$500)
Nursing – Graduate ²	\$41.67/credit (capped at \$500)
Nurse Anesthesia ²	\$2,000/semester
Recreation and Leisure Services	\$18.75/credit (capped at \$225)
Rehab and Human Services	\$18.75/credit (capped at \$225)
Social Work – Undergraduate ³	\$18.75/credit (capped at \$225)
Social Work – Graduate ³	\$25/credit (capped at \$300)
Teacher Education	\$100/semester
¹ Both engineering fees are receipted into one fund. Undergraduate students with less than 60 credits are assessed a reduced program fee of \$25 per semester. ² These two nursing program fees are receipted into one fund. ³ Both social work program fees are receipted into one fund.	

Based on a review of data related to program fees, we selected the four program fee areas below. See Appendix C for additional information regarding program fees and transactions selected.

- Nursing (undergraduate, graduate, and anesthesia)
- Law School
 - In review of the Law School program fee, all revenue was receipted into one fund. In further review it appeared a significant amount of the revenue was transferred to three additional funds for operating expenses. Expenses in these funds were also chosen for review. The three funds were:
 - Law School Career Services
 - Law Clinic
 - Law Library
- Engineering (undergraduate and graduate)
 - In review of the Engineering program fee, all revenue was receipted into one fund. In further review it appeared the program fee revenue was transferred to six operating funds based on student enrollment in the specific engineering area. Expenses in two of these funds were also chosen for review. The two funds were:
 - Electrical Engineering
 - Mechanical Engineering
- College of Business and Public Administration (CoBPA)

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Improving how UND Program Fees are Used

In review of the use of the program fee moneys collected from students at UND, we identified instances in which it appears program fee moneys were not being used in compliance with SBHE policy and/or for their intended purposes. We identified improvements with the use of fee moneys were needed in all four program areas we selected for review. Information related to the program fee intent approved by SBHE can be seen in Appendix C. Following are examples by program fee area of expenditures we concluded did not appear to meet the intent of SBHE policy and/or the program fee intent approved by SBHE.

Nursing

- Over \$300 of program fee moneys was used to purchase boutonnieres, corsages and flower arrangements for the 2008 Nursing Student Pinning Ceremony.
- Program fee moneys were used to purchase approximately \$26,000 of tables and chairs to be installed in a nursing classroom.
- Program fee moneys were used to purchase over \$750 of food at the College of Nursing Fall Picnic and over \$350 for lunches provided during the Nurse Anesthesia specialization student interviews.

Law

- \$16,200 of program fee moneys was used for 12 Norwegian Law Exchange Scholarships (\$1,350 each).
- \$245 of program fee moneys was used to pay for a faculty member's personal membership renewal to the Pennsylvania Bar Association.
- Over \$8,000 of program fee moneys was used for printing and shipping costs related to publishing the North Dakota Law Review.
- Approximately \$800 of program fee moneys was used for out-of-state meal reimbursement for a faculty member to attend multiple student recruitment fairs and a conference.
- Over \$400 of program fee moneys was used for catering costs for a Clinical Education Program informational meeting and an open house.

Engineering

- Approximately \$900 of program fee moneys was used to pay the travel of five students attending a student competition.
- Approximately \$550 of program fee moneys was used to pay the salary of a student employee performing administrative type duties (payment for a two week period).

CoBPA

- In discussions with UND departmental personnel, they identified \$56,000 of program fee moneys was used to cover various expenses originally paid from appropriated funds so moneys could be made available to cover a salary deficit. Examples of these expenses paid included over \$500 for ordinary office supplies; over \$1,000 for frames, clocks and pictures for the Dean's office remodeling; and over \$1,200 for 23 test forms and 750 test books.

UND program fee moneys were used for scholarships, salary payments, food costs, travel costs, costs of students who did not pay the program fee, and other purposes which were inconsistent with the intent of the fee being collected.

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- We identified two examples of program fee moneys (over \$400) being used to pay lodging costs for students who had not paid into the program fee at any time.
- \$550 of program fee moneys was used to purchase 50 honor cords for business graduates of the Beta Gamma Sigma Honor Society.

Recommendation 3-4

We recommend the University of North Dakota ensure program fee moneys collected from students are used appropriately and for their intended purposes.

Management's Response

Disagree. See Appendix G for the remainder of UND's response.

State Auditor's Concluding Remarks

See Appendix G for State Auditor's concluding remarks.

Improving SBHE Program Fee Requirements

SBHE Policy 805.3 states program fees are intended to meet exceptional and unique needs in a program and not those common to all programs. In our review of selected program fee information at NDSU and UND, we identified program fees were established which do not appear to meet exceptional and unique needs in a program. Program fees are approved by SBHE. Institutions provide information to SBHE related to how moneys collected are to be used. In certain instances, SBHE has approved program fees which appear to be contradictory to the intent of policy. For example, UND established a program fee to pay the salary of instructional support staff and to pay for instructional travel as well as communication expenses. We conclude these costs are not exceptional or unique and would be common to all programs.

In our review of selected program fees, we did identify NDSU and UND had received SBHE approval as required by Board policy. However, we did note once a program fee was established, no additional information related to the program fee was identified to SBHE unless the fee was to be increased. We identified certain program fees received approval a number of years ago and the institution's intended use of moneys may have changed and/or evolved over time. For example, the NDSU engineering program fee was approved by SBHE in 1994. Since then, NDSU has only been back to SBHE in 2005 for an increase to the program fee. While a number of changes related to the SBHE program fee policy were made effective November 2011, we identified there are still improvements needed.

Recommendation 3-5

We recommend the State Board of Higher Education make improvements related to program fees. At a minimum, the Board should:

- a) Ensure program fees exist for specific and intended purposes according to policy; and
- b) Identify requirements for changes in use of program fees previously approved.

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Management's Response

Agree. In November 2011, the SBHE made several changes to strengthen the program fee policy regarding uses, student input, and disclosure requirements. The additional recommendations noted above will be taken into account when completing the more comprehensive review of fees, as noted earlier in response 1-1.

Course Fees

Introduction

In review of information related to course fees, we identified certain improvements were needed. Significant improvements were addressed in Chapter 1 and additional improvements are included in this chapter. Improvements of less significance were communicated in separate letters to management of North Dakota State University (NDSU) and the University of North Dakota (UND). To conduct a review of course fees at NDSU and UND, we:

- Reviewed applicable laws and policies;
- Identified course fees at both universities;
- Reviewed the establishment of 12 course fees at NDSU and 12 course fees at UND;
- Reviewed the use of moneys from funds in which selected course fees were maintained;
- Reviewed the cash balances of funds in which selected course fees were maintained; and
- Interviewed selected personnel.

Course Fee Background Information

Course fees are charged to students enrolled in certain individual courses. State Board of Higher Education (SBHE) Policy 805.3 states institutions may charge “Special course fees to cover added and unique costs specifically related to a particular course.” The fee amount can vary by course, depending on the amount approved to cover the associated costs. SBHE is not involved in the approval of course fees, providing each individual institution the authority to establish course fees.

NDSU and UND use different processes for establishment and approval of course fees. In addition, we identified while one institution may have a course fee established for a particular course, the other institution does not have a course fee established for a similar course. For example:

- NDSU charges a \$10 course fee for Math 103 (College Algebra). Based on course description information, UND appears to have a similar course and does not charge a course fee.
- UND charges a \$30 Course fee for Computer Science 160 (Computer Science I). Based on course description information, NDSU appears to have a similar course and does not charge a course fee.

Making Improvements with NDSU Course Fees

In review of course fee information provided by NDSU, there were over 380 course/class fees in existence for Fall 2010. Course fee amounts ranged from \$5 to \$500. We selected 12 course fees charged during our audit time period and reviewed information regarding establishment of the fee and use of the fee moneys. See Appendix D for additional information related to course fees. Based on our review, we identified improvements were needed with establishment of course fees. We also identified improvements were needed with how course fee moneys were used.

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Establishing Appropriate Course Fees

NDSU course fees are to be approved by the Provost's Office and posted in the Campus Connection Schedule. An Application for Course Fee must be filled out and submitted to the NDSU Provost to establish a course fee. Once the course fee is approved by the Provost, a copy of the approved application is sent to Customer Account Services and a second copy is sent to the Registration and Records Department. Customer Account Services is responsible for ensuring students are charged the fee and the Registration and Records Department is responsible for documenting the fee on ConnectND. The fee is documented on ConnectND to notify students of fees associated with specific courses.

The Application for Course Fees used by NDSU includes a section to identify the purpose (intent) of the fee. In review of 12 approved NDSU course fee applications, we identified NDSU has established course fees which do not appear to be intended to be used for added and unique costs specifically related to a particular course as required by SBHE policy. For example:

NDSU has established course fees which do not appear to comply with SBHE policy.

- When the Art 130 (Drawing I) course fee was increased from \$25 to \$50, the intent of the increase was to "cover increased costs of materials and instruction." The increase in the fee amount was for Drawing I, II, III, and IV. The increase appears to be for similar costs for multiple courses and would not be specifically related to a particular course.
- The established intent of the Math 103 (College Algebra) course fee included the cost of office supplies and instructional supplies. Expenses related to office and instructional supplies do not appear to be unique costs of a course.
- The application for the Business 413 (Business Internship) course fee was submitted to establish course fees for several different College of Business courses. If multiple course fees are established using the same application, it would appear each of those course fees is not unique. The stated intent for the Business course fees was to "fund faculty involvement in College practicum-type courses. Faculty will visit sites, develop new sites, collect information on these courses, conduct pedagogical research on practicums, present results and undertake professional development in this system of study."

NDSU appears to be in noncompliance with SBHE policy and is charging inappropriate course fees. The NDSU Provost is responsible for approval of course fees. According to the Provost, course fee requests received were generally approved unless the fee amount appeared excessive. The Provost stated only two or three course fee requests from departments had been denied over the past 16 years. While the Provost's Office is to review fees annually, the Provost stated this had not been done (the Provost retired in the summer of 2011).

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Recommendation 4-1

We recommend North Dakota State University ensure appropriate course fees are charged to students. At a minimum, the University should:

- a) Comply with State Board of Higher Education policy related to establishment of course fees; and
- b) Perform a review of current course fees to ensure compliance with Board policy.

Management's Response

Disagree. All course fees cited are appropriate and in compliance with SBHE policy. As planned in Phase II of the SSTM, all course fees will be reviewed to determine appropriateness and eligibility under the new SSTM. NDSU is and will continue to review its practices in these areas to determine if enhancements could be made and; is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

Improving how Course Fee Moneys are Used

In review of expenses from funds in which course fees were maintained, we identified certain expenses did not appear to meet the stated intent of the fee and/or were not an added and unique cost of the course as required by SBHE policy. Examples include:

- Architecture course fee moneys were used to pay ARCH 471 (Architectural Design V) field trip expenses for a student not enrolled in the course.
- A Modern Languages course fee was charged for 3 years and the revenues generated were not used. This resulted in the collection of approximately \$7,000 from students who did not appear to receive a benefit from the fees paid.
- Apparel, Design, and Hospitality Management and Health, Nutrition, and Exercise Science course fee moneys were used to pay for accreditation related expenses.
- Health, Nutrition, and Exercise Science course fee moneys were used to pay for luncheons for students in the dietetics program and their preceptors. Preceptors are the individuals who monitor students during internships.

Recommendation 4-2

We recommend North Dakota State University ensure course fee moneys collected from students are used appropriately. At a minimum, the University should:

- a) Use course fees in compliance with State Board of Higher Education policies; and
- b) Use course fees for the purposes for which the fee was approved.

Management's Response

Disagree. Expenses were made appropriately in accord with SBHE Policy, for the intended purpose of the course fees. Similar to Recommendation 3-1, even though the intent is stated in SBHE Policy 805.3, it is open to interpretation when applied to individual business transactions. We believe the performance auditor's interpretation of the intent of the policy is narrower than the professional discretion

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commonly provided to higher education professionals nationwide when examining individual transactions. NDSU is and will continue to review its practices in these areas to determine if enhancements could be made and; is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

State Auditor's Concluding Remarks

NDSU states expenses were made for the intended purpose of course fees. We conclude this is an inaccurate statement. We do not identify the intent of course fees to be to collect moneys from students for three years and not spend the moneys collected. NDSU states we used a narrower definition than what is applied to higher education professionals nationwide. We have no information supporting how NDSU is making such a claim or why they believe this is the case. This was never identified to us during the audit and appears to be an arbitrary statement based on one individual's past experience.

Making Improvements with UND Course Fees

In review of course fee information provided by UND, there were over 520 course/class fees in existence for Fall 2010. Course fee amounts ranged from \$5 to \$1,875. We selected 12 course fees charged during our audit time period and reviewed information regarding establishment of the fee and use of the fee moneys. See Appendix D for additional information related to course fees. Based on our review, we identified improvements were needed with establishment and recording of course fees. We also identified improvements were needed with how course fee moneys were used.

Establishing Appropriate Course Fees

UND course fees are to be approved by the University Fee Committee. The University Fee Committee is composed of the Vice Presidents for Finance and Operations, Student and Outreach Services, and Academic Affairs. Departments must submit a University Fee Request Form to the committee to establish a course fee or to increase a course fee amount.

The University Fee Request Form used by UND requires the department to describe what the fee will cover including a detailed estimate of how the dollars will be expended. In review of 12 approved UND course fees, we identified UND has established course fees which do not appear to be intended to be used for added and unique costs specifically related to a particular course as required by SBHE policy. For example:

- In November 2006, the John D. Odegard School of Aerospace Sciences (JDOSAS) submitted a request to the University Fee Committee to establish a course fee of \$25 for aviation department courses and a \$30 course fee for courses within other academic departments in the college (space studies, atmospheric sciences, etc.). The course fees were to be used to pay for computer support and technology expenses throughout the college. The University Fee Committee approving this request resulted in nearly every JDOSAS course having a course fee. Charging a course fee for nearly every course in a college does not appear to comply with

Nearly every course in UND's JDOSAS has a fee charged to students.

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SBHE policy. Course fees are to be for a particular course, not for every course in a college. We identified a program fee at UND's College of Business and Public Administration was established, in part, to pay for costs similar to those paid using JDOSAS course fees. Thus, there is an inconsistency between colleges related to course and program fees. While a student can take a course from the College of Business and Public Administration and not be charged a fee (as long as they have not declared a business major), a student must pay an additional fee to take a JDOSAS course. In discussing the establishment of course fees for nearly every course in the college, a department representative stated course fees were used rather than a program fee to ensure nobody taking a course was excluded from paying for the technology. The representative also stated course fees weren't scrutinized as closely as program fees.

- We identified 2 separate course fees being charged for the same course. This was a result of the School of Aerospace Sciences establishing a course fee for nearly every course in the college (explained in above bullet). For example, aviation 261 (Radar Operations) has a course fee of \$1,875 to pay for costs to deliver the program (such as simulator costs) and a course fee of \$25 to pay for JDOSAS computer support and technology expenses.
- The established intent of the teaching and learning 433 (Multicultural Education) course fee included the salary of a part-time instructor. Cost of instruction is not a unique cost of a course.
- In review of the CHE 201 (Chemical Engineering Fundamentals) course fee University Fee Request Form, we identified the requesting department did not identify how the fee was to be used. The CHE 201 course fee is now viewed by UND representatives as being more closely related to an access fee. The intent of an access fee differs from the intent of a course fee.

Recommendation 4-3

We recommend the University of North Dakota ensure appropriate course fees are charged to students. At a minimum, the University should:

- a) Comply with State Board of Higher Education policy related to establishment of course fees; and
- b) Perform a review of current course fees to ensure compliance with Board policy.

Management's Response

Agree (a). The John D. Odegard School of Aerospace Sciences (JDOSAS) has unique technology costs associated with the delivery of aviation degrees that cross the entire College. JDOSAS established a course fee of \$25 applied to all classes within Aviation to generate revenue to cover these technology costs. If charged as a program fee, non-aviation students would gain access to the technology but not be required to pay the fee. UND will review how the fee is charged and determine if it can be assessed differently without negatively affecting the revenue generated for these unique costs. If we are not able to identify another mechanism to charge the fee under existing Board

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policy, UND will request authorization from the Chancellor for an exception to SBHE Policy 805.3 for this fee.

Agree (b). UND will review the need to have course fees re-evaluated at least every three years as business can change substantially over time. This will require the department have adequate documentation and approval to generate revenue for their unique course costs. In addition, a comprehensive review of all course fees will be performed over the next year to determine the feasibility of eliminating each fee as a separate charge and including the charge as part of the tuition rate.

Improving how Course Fee Moneys are Used

In review of expenses from funds in which UND course fees were maintained, we identified certain expenses did not appear to meet the stated intent of the fee. For example, Chemical Engineering course fee moneys were transferred to a Division of Continuing Education fund for administrative expenses. Also, Chemical Engineering course fee moneys were used to pay for multiple employee travel expenses to attend conferences for recruiting.

As identified in the previous section of this report, certain course fees were established for costs which did not appear to be in compliance with SBHE Policy 805.3. While certain other transactions we reviewed met the stated intent of the course fees being established, the expenses were not related to added and unique costs specifically related to a particular course as required by SBHE policy. For example, approximately \$32,500 of JDOSAS course fee moneys was used for electrical supplies/equipment. In addition, course fee moneys appear to have been used to pay travel expenses for an employee to attend the National Air Traffic Controller Association Convention in Honolulu, Hawaii.

Recommendation 4-4

We recommend the University of North Dakota ensure course fee moneys collected from students are used appropriately. At a minimum, the University should:

- a) Use course fees in compliance with State Board of Higher Education policies; and
- b) Use course fees for the purposes for which the fee was approved.

Management's Response

Disagree (a) and (b). See Appendix H for the remainder of UND's response.

State Auditor's Concluding Remarks

See Appendix H for State Auditor's concluding remarks

UND Course Fee Monitoring

We requested UND provide a list of course fees established in our time period. While UND provided a list of course fees by semester, we identified concerns related to the accuracy of the list. In review of 131 fees, we identified 17 were not appropriately included on the fee listing provided by UND. According to a UND representative, the process of

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establishing the listing of course fees is manual in nature. To ensure appropriate monitoring of fees and to ensure informed decisions are made, accurate and reliable information should be compiled.

Recommendation 4-5

We recommend the University of North Dakota make improvements to the recording process of course/class fees to ensure an accurate listing of fees is maintained.

Management's Response

Disagree. The auditors reviewed course/class fee schedules going back to 2007. In 2010, ConnectND developed a query that now enables the campus to identify all the course fees in PeopleSoft for a specific term. Student Account Services uses queries that capture course fees that are set up in the system by term. Prior to the start of every term, this list is sent to departments for their review and approval. This up-to-date information is also electronically downloaded from the PeopleSoft system and posted on the Student Account Services website. If a fee is not listed on the website, it is not being used that term. UND does agree to review the extensive electronic and manual set up required to "set up" course fees, which may possibly eliminate some of the processes indicated above.

State Auditor's Concluding Remarks

UND's response is inaccurate and misleading. For the Fall 2010 semester, we did identify a student being charged a course fee which was not included in the course fee listing. When we provided information related to this recommendation to UND, a representative stated we had reviewed the information correctly and the differences we identified exist because of the manual nature of the process. We are unsure why UND would have changed their conclusion.

Improving SBHE Course Fee Requirements

While institutions must receive SBHE approval for tuition and program fee establishment/changes, no such approval is required for course fees. Due to the concerns identified in this chapter related to the establishment of course fees, we conclude changes are needed with the approval of course fees. Inconsistencies between the institutions exist and course fees have been established for purposes which do not appear to meet the intent established by SBHE. It appears the universities have broadly interpreted the SBHE policy related to course fees. Rather than being established for added and unique costs related to a particular course, course fees have been established for general tuition type expenses, for nearly every course in a particular college, and for administrative expenses.

Recommendation 4-6

We recommend the State Board of Higher Education make improvements related to course fees. At a minimum, the Board should:

- a) Require approval outside of the colleges and universities for establishment of a course fee;
- b) Identify approval requirements for changes in use of course fees previously approved; and
- c) Develop criteria and/or an improved definition of a course fee.

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Management's Response

Agree. The NDUS understands the issues surrounding campus fees and is currently working on a plan to respond to the issues. In order to ensure the recommended levels of policy development, compliance and monitoring, as outlined in this report, we have to develop a comprehensive set of polices based on in-depth research and analysis.

Other Fees

Introduction

In review of information related to other fees, we identified certain improvements were needed. Significant improvements were addressed in Chapter 1 and additional improvements are included in this chapter. Improvements of less significance were communicated in separate letters to management of North Dakota State University (NDSU) and the University of North Dakota (UND). To conduct a review of other fees at NDSU and UND, we:

- Reviewed applicable laws and policies;
- Identified other fees at both universities;
- Reviewed the establishment of three other fees at NDSU and three other fees at UND;
- Reviewed the use of moneys from funds in which selected other fees were maintained;
- Reviewed the cash balances of funds in which selected other fees were maintained; and
- Interviewed selected personnel.

Other Fees Background Information

In addition to the mandatory fees, program fees, and course fees identified in the previous chapters of this report, institutions are authorized by State Board of Higher Education (SBHE) policy to establish other certain fees. For purposes of this report, we have categorized these fees as “other fees.” In certain areas, SBHE policies require institutions to establish a fee (such as a graduate application fee). In other areas, SBHE policies state institutions may establish additional fees (such as a distance learning access fee). Institutions are authorized to establish the fee amount for the majority of the other fees. However, there are instances in which the amount is established by the University System (such as the Graduate School application fee) or require Chancellor approval of the fee amount (such as an attached credit fee).

We identified NDSU and UND have established similar other fees. However, we did identify differences in fee amounts and certain differences in the fees established. See Appendix E for additional information related to other fees.

Improving the Use of Other Fees at NDSU

We selected the transcript fee, new student fee, and Graduate School application fee at NDSU for review. Information related to each of these fees follows.

- The transcript fee is a \$5 per transcript fee charged for ordering an official copy of a student transcript (additional charges for certain type of mailing such as overnight). Unofficial transcripts may be obtained by the students/former students at no cost. The transcript fee amount is established by NDSU.
- The new student fee was \$70 for the 2010-2011 academic year. This fee is projected to increase to \$95 for the 2011-2012 academic year and to \$120 for the 2012-2013 academic year (the \$15

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orientation fee is to be eliminated as part of the increases). The new student fee is charged to all new incoming students and the revenue generated is used to support the Orientation and Student Success Office (programs include Academic Collegiate Enhancement, Athletic Academics, Alcohol and Other Drug Abuse Prevention Programs, Orientation, Welcome Week, and Family Weekend/Programs). The new student fee amount is established by NDSU.

- The Graduate School application fee is a \$35 fee charged to potential students who apply for admission to the NDSU Graduate School. The Graduate School application fee amount is established in North Dakota University System Procedure 805.3. In the North Dakota University System fiscal year 2010 audit, our office identified NDSU charged \$10 to \$15 more than the \$35 approved rate for graduate application fees. Our office estimated the additional charge generated approximately \$15,000 more in revenue than what NDSU should have received. NDSU representatives stated the additional charge was to pay for the computer system used to process graduate applications. Our office identified no other institution charging a graduate application fee in excess of \$35.

In review of the use of other fee moneys at NDSU, we identified expenses which did not appear to meet the intent of the transcript fee or the Graduate School application fee. While no specific intent for the use of these fees is established in SBHE or NDSU policy, the intent of charging a fee should be to collect revenue to pay for related expenditures. Thus, a transcript fee would pay the costs related to processing transcript requests and a Graduate School application fee would pay the costs related to processing applications. Information related to our review of the transcript fee and Graduate School application fee follows (expenditures reviewed using the new student fee moneys appeared to be used for intended costs).

- Over \$600 of transcript fee moneys was used to pay airfare costs for employees to travel to a conference out-of-state. The conference was related to academic advising and was not associated with transcript type functions. As identified in Chapter 1, there is a significant cash balance for the fund receipting transcript fee moneys (over \$145,000 by the end of fiscal year 2011). NDSU uses a vendor to process official transcript requests. The vendor charge for transcript requests is \$2.25 per order, with an order defined as a request for a single recipient regardless of the number of transcripts being sent to that recipient.
- We identified Graduate School application fee moneys were used for recruitment related expenses, employee travel expenses, membership dues, support of certain programs, and other expenses not related to costs of processing applications (parking permit, thank you gift, etc.). Examples include:
 - Over \$11,000 of fee moneys was used to reimburse the Dean for the cost of a 1st class airfare ticket to India. The purpose

NDSU used other fee moneys for recruitment, employee travel, membership dues, support of programs, and other purposes which were inconsistent with the purpose of the fee being collected.

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- of the trip was recruiting. We identified over \$4,800 of fee moneys was used for other recruiting expenses.
- \$12,000 of fee moneys was transferred to another fund as part of a collaborative effort to keep a DNA forensics facility in operation. According to NDSU personnel, federal moneys for the facility had been exhausted. We identified \$1,000 of fee moneys was also transferred to support a food safety program.
 - Over \$4,200 of fee moneys was used to pay the membership dues to be in the Council of Graduate Schools (an organization for Graduate School Deans and Assistant Deans).
 - Over \$1,300 of fee moneys was used to pay catering expenses for a back-to-school picnic.

When fee moneys are used to pay expenses which do not appear to be related to the intent of the fee, sufficient moneys may not be available for essential and intended purposes. For example, due to an apparent lack of sufficient Graduate School application fee moneys to pay the renewal costs for the online application system, the Graduate School used another funding source to pay this expense. NDSU appears to have inappropriately used over \$19,000 of thesis binding fee moneys to pay the application related expense.

Recommendation 5-1

We recommend North Dakota State University make improvements with transcript, Graduate School application, and similar type fees to ensure moneys collected are used to pay related expenses.

Management's Response

Disagree. NDSU believes the revenue collected for various fees were expended consistent with the mission, intent and purpose of the respective divisions or departments and are in line with common practices at similar universities nationwide as well as all SBHE and NDUS policies. As cited in Chapter 5 of the Performance Audit Report "no specific intent for the use of these fees is established in SBHE or NDSU policy". Department efforts and requirements that support the service provided encompass much more than the discrete transaction for which the fees are collected. The SBHE policies requiring or allowing these fees do not describe the intent of the fee. The performance auditor's definition of intent does not consider the other activities and components that contribute to the quality and value provided throughout the service lifecycle of each respective business activity. NDSU is and will continue to review its practices in these areas to determine if enhancements could be made and; is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

State Auditor's Concluding Remarks

NDSU's response states SBHE policies for these fees do not describe the intent of the fee. As such, NDSU establishes the intent for the use of the fee to be used consistent with the mission, intent, and purpose of the respective division or department. NDSU's interpretation may result in

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misleading students and other individuals who pay the fee. Expectations of how fee moneys are to be used may not be consistent with NDSU's use of fee moneys collected. If an individual is required to pay a fee, it would be reasonable to expect the fee to be used to pay for costs to receive a certain service or benefit (and NDSU would not use other funding sources to pay for such costs). In effect, NDSU's interpretation of the use of fees is to charge a fee which will create a "slush fund" for the department or division's use. We do not concur fees should be established in such a manner.

While we did not identify specific intent information for the other fees we selected at NDSU, we did identify specific intent information for the transcript fee at UND. NDSU and UND established a transcript fee at the same time and for the same amount. We used the transcript fee intent identified in documents at UND for the transactions we reviewed at NDSU. Our office's understanding is NDSU and UND are part of a University System. As such, it would be reasonable to apply the intent of the use of the same fee which was established at the same rate for both institutions.

We do not understand the relevancy of NDSU commenting on us not taking into consideration the quality and value provided through the service lifecycle. No such information was provided to us during the audit.

Improving the Use of Other Fees at UND

We selected the transcript fee, orientation fee, and Graduate School application fee at UND for review. Information related to each of these fees follows.

- The transcript fee is a \$5 per transcript fee charged for ordering an official copy of a student transcript (additional charges for certain type of mailing such as overnight). Unofficial transcripts may be obtained by the students/former students at no cost. The transcript fee amount is established by UND.
- The orientation fee is a \$15 fee charged to new incoming students. The orientation fee appears to have been established to offset the costs of undergraduate student orientation for the fall and spring semesters.
- The Graduate School application fee is a \$35 fee charged to potential students who apply for admission to the UND Graduate School. The Graduate School application fee amount is established in North Dakota University System Procedure 805.3.

In review of the use of other fee moneys at UND, we identified expenses which did not appear to meet the intent of the other fees. Two UND memos in 2006 stated the transcript fee was to cover the processing of transcript orders. While no specific intent for the use of the orientation fee and Graduate School application fee is established in SBHE or UND policy, the intent of charging a fee should be to collect revenue to pay for

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related expenditures. Thus, an orientation fee would pay costs related to orientation and a Graduate School application fee would pay the costs related to processing applications. Information related to our review of the other fees follows.

UND used other fee moneys for recruitment, furniture, office supplies, iPads, employee travel, and other purposes which were inconsistent with the purpose of the fee being collected.

- Over \$7,600 of transcript fee moneys was used to pay for furniture and window blinds. In addition, over \$900 was used to pay for shirts worn by Registrar employees. As identified in Chapter 1, there is a significant cash balance for the fund receipting transcript fee moneys (over \$385,000 at the end of fiscal year 2011). UND uses the same vendor as NDSU to process official transcript requests.
- We identified transactions using orientation fee moneys to pay expenses related to recruitment (approximately \$270) and miscellaneous office supplies (over \$1,200). According to a UND representative, fee moneys were used for office supplies at the end of the fiscal year since the moneys were not allowed to be carried over to the next fiscal year.
- We identified Graduate School application fee moneys were used for recruitment related expenses, employee travel expenses, a scholarship, iPads, and other expenses not related to costs of processing applications (cell phone, umbrellas, etc.). Examples include:
 - Approximately \$2,000 of fee moneys was used to pay the costs of a training seminar related to recruitment of graduate students. We identified over \$5,500 of fee moneys was used for other recruiting expenses including reimbursement of lodging and meals for the Dean to attend a workshop for recruitment and retention of students in Puerto Rico.
 - Approximately \$3,000 of fee moneys was used to purchase 5 iPads for the Graduate School Dean, the Director of Graduate Admissions, the Director of Marketing, a Recruitment Specialist, and a Recruitment Associate.
 - Approximately \$900 of fee moneys was used for a scholarship intended to be used to pay for a student's health insurance. The tuition of the student had been waived. When questioned on why such a scholarship was granted, UND contacted a former employee for information. This former employee stated the awarding of the scholarship as well as the waiver of tuition was done outside of the normal scholarship and tuition waiver awarding process. It appears a former Dean required the scholarship and tuition to be awarded.

Recommendation 5-2

We recommend the University of North Dakota make improvements with transcript, Graduate School application, orientation, and similar type fees to ensure moneys collected are used to pay related expenses.

Management's Response

Disagree. The transcript and applications fees serve as a deterrent. By charging for these services, we are able to manage volume which controls our costs. These fees are not based on specific costs and the

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revenue is budgeted by UND administration to cover student recruitment, admissions, and other costs outside the classroom. UND will improve written documentation regarding the planned expenditures from these funds and looks forward to working with the NDUS to improve transparency and create system-wide consistency, where appropriate.

State Auditor's Concluding Remarks

UND states such fees are not based on specific costs and certain fees act as a deterrent. While we understand UND not wanting to incur costs for frivolous or an unreasonable number of requests, we are concerned fees would be used to punish individuals who actually need a service in an attempt to deter individuals from asking or requesting unneeded services. UND charging a fee and using the moneys to cover costs which do not appear to be related to the purpose of charging the fee does not appear reasonable.

Additional Areas Requiring Improvement

Introduction

In addition to areas addressed in Chapters 1 through 5, we also identified significant improvements were needed related to the use of fees and of public resources. Improvements of less significance were communicated in separate letters to management of North Dakota State University (NDSU) and the University of North Dakota (UND).

NDSU Improvements

In review of expenditures at NDSU, we identified areas in which public funds are used in an inappropriate manner. In addition, NDSU needs to comply with procurement requirements and should make improvements with payments for the use of personal vehicles by employees.

Being Good Stewards of Public Funds

In the operational audit of NDSU for the biennium ending June 30, 2009, our office identified various inappropriate expenses (such as paying over \$24,000 for unused hotel rooms). A recommendation was made to NDSU to create and maintain an organizational culture of accountability and stewardship of public funds and to avoid unnecessary and/or unreasonable use of public funds. According to information provided by NDSU, plans were implemented to address this recommendation and the current President has placed an emphasis on stewardship. Examples of actions taken by NDSU included adopting a Code of Conduct, the President issuing public statements to the campus emphasizing the expectations for stewardship and ethical behavior, and additional training and information provided to employees. In the subsequent operational audit of NDSU for the biennium ending June 30, 2011, our office identified significant improvement in this area.

During this audit, we identified similar concerns regarding the use of public funds. As identified in previous chapters, we identified instances in which fees collected by NDSU were not used for intended purposes. In addition, we identified noncompliance with established policies and procedures and improvements were needed with departments maintaining adequate documentation. Finally, we identified certain transactions related to donations, gifts, social functions, and other uses of public moneys which we conclude were inappropriate. For example, we identified NDSU purchasing Bison deco tiles costing \$3,625 to be given to individuals attending a rededication ceremony of the Memorial Union, holding an appreciation event with costs of over \$1,500 for a vendor used by NDSU, and reimbursing a Dean over \$11,000 for first class airfare to India for a recruiting trip. Also, we identified three transfers (totaling over \$660,000) of pharmacy program fees were made for start-up funds for faculty positions which were not filled and the moneys were not expended for a significant amount of time (such as 98% of a \$160,000 transfer of moneys being unused for 33 months).

While most of the transactions we identified occurred prior to the changes made by NDSU regarding stewardship, we did identify certain transactions occurring after the operational audit. For example, NDSU entered into an agreement with a guest speaker which required a \$1,000 payment be made to a local chapter of Architecture for Humanity (this

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payment may not be in compliance with constitutional provisions and SBHE policies). We also identified a pharmacy ceremony had catering costs of approximately \$2,300 and a Graduate School picnic had caterings costs of \$1,360. While NDSU appears to need to continue to make improvements, the University appears to have implemented changes to promote a culture of accountability and stewardship of public resources. Due to the actions taken by NDSU from a prior recommendation from our office, we did not include a repetitive recommendation to the University as part of this performance audit.

Complying with Procurement Requirements

As part of our review of expenditures, we reviewed whether NDSU had followed certain SBHE and University purchasing policies and procedures. We identified improvements were needed to ensure compliance with established policies and procedures. For example, a department split invoices in an apparent attempt to stay below the threshold of using the NDSU Purchasing Department. In addition, we identified the Purchasing Department was not used for similar purchases of an item costing \$3,000 or more for multiple years. Noncompliance with procurement requirements can lead to increased or unnecessary costs.

Recommendation 6-1

We recommend North Dakota State University ensure goods and/or services are purchased in compliance with established procurement requirements.

Management's Response

Agree. While NDSU already makes a very strong effort to ensure goods and/or services are purchased in compliance with procurement requirements, there is always room for improvement. Based on the number of AP transactions examined during this audit and the procurement exceptions on low dollar items, we see a very low error rate.

We also agree with the auditor's example where a department split an invoice for the purchase of toner cartridges to avoid the \$2,500 threshold for processing the transaction through the Purchasing Department. This issue was addressed with the appropriate department (see also NDSU response to 2-1). The employee who executed this transaction is no longer with the university.

State Auditor's Concluding Remarks

While NDSU states it agrees, the University states the procurement exceptions were on low dollar items. This response is concerning to our office. NDSU's policy requires the use of the Purchasing Department for procurements over \$2,500. The examples cited in the report relate to procurements over \$2,500. We do not understand how NDSU can consider these low dollar items when the policy requires the purchasing experts on campus be involved at this dollar level. In addition, while we did review a large number of accounts payable transactions as part of this audit, we informed NDSU representatives of the fact the vast majority of these expenses would not be transactions applicable to us determining compliance with procurement requirements. For example,

Chapter 6 Additional Areas Requiring Improvement

meal reimbursements, travel reimbursements, motor pool charges, NDSU catering costs, etc. would not be applicable. The purpose of this audit was not to identify a procurement error rate. The transactions we reviewed identified noncompliance issues with procurement requirements which indicate a need for improvement in this area.

Making Improvements with the Use of Personal Vehicles

In review of selected expenditures of the Athletic Department, we identified the use of fuel cards at a local gas station. While certain Athletic Department employees were assigned a fuel card to use to fuel an assigned leased vehicle, we identified a fuel card being used for a personal vehicle. The personal vehicle was apparently used to travel to and from clinics/hospitals as part of an employee's job duties. However, there was no mileage log maintained and no other evidence justifying the fueling of a personal vehicle using public moneys. NDSU has access to state owned vehicles to use for official business purposes or it may reimburse an employee an established per mile rate for the use of a personal vehicle for actual and documented official business related travel.

Recommendation 6-2

We recommend North Dakota State University make improvements with payments for the use of personal vehicles by employees. At a minimum, the University should:

- a) Reimburse employees using personal vehicles only for the actual, documented miles traveled in performance of their official duty; and
- b) Eliminate the use of gas cards at a privately owned gas station by employees using personal vehicles.

Management's Response

Agree. NDSU Athletics has discontinued use of the gas cards and collected them from those individuals who may have had one. NDSU Athletics will comply with policy in that individuals will be reimbursed for use of personal vehicles based on mileage driven while on official NDSU business.

UND Improvements

In review of expenditures at UND, we identified improvements were needed to ensure public funds are used in an appropriate manner. Improvements are needed to ensure proper meal reimbursements to employees are made. In addition, a policy should be established to adequately safeguard resources.

Being Good Stewards of Public Funds

As noted in previous chapters, we identified instances in which fees collected by UND were not used for intended purposes. In addition, we identified noncompliance with established policies and procedures and improvements were needed with departments maintaining adequate documentation. Also, we identified certain transactions related to social functions, scholarships, and other uses of public moneys which we conclude were inappropriate. Examples include:

Chapter 6

Additional Areas Requiring Improvement

UND has not followed the principles of proper stewardship of public funds.

- We identified various use of public funds for employee and/or student social functions such as receptions, luncheons, picnics. For example, two leadership award receptions had catering costs of over \$2,100, a final exam preparation meeting had costs of approximately \$880, and a fall picnic had catering costs of over \$750.
- We identified UND making payments for non-business related activities. UND allowed an employee to travel an extra day in advance to a conference as the employee apparently requested a personal day. UND still paid the lodging and meal costs for the personal day (approximately \$380). UND also paid an employee's personal membership fee to another state's bar association (\$245).
- College of Business and Public Administration program fees (\$56,000) were used to cover purchases paid with appropriated funds due to an apparent deficit.
- We identified certain scholarship payments being made with fee moneys which do not appear appropriate. Program fee moneys (\$16,200) were identified as being used to provide scholarships to exchange students. The students receiving the scholarships did not pay the program fee (program fee was waived). Also, Graduate School application fee moneys (approximately \$900) were used to pay a scholarship apparently awarded outside the typical awarding process.

While UND may have legal authority to pay such expenses with public funds, we conclude UND is not following the principles of proper stewardship of public resources. In addition, SBHE Policy 308.1 (effective date of June 17, 2010) states employees "responsible for spending or approving expenditure of NDUS funds or incurring any reimbursable expenses must comply with all applicable laws and policies and use good judgment on behalf of the NDUS to ensure that good value is received for every expenditure."

UND's use of moneys collected from students for unnecessary/unreasonable expenditures results in fewer moneys being available to be used by the University for essential purposes. This in turn requires UND to request additional funds from the legislature and/or collect additional moneys from students.

Recommendation 6-3

We recommend the University of North Dakota be good stewards of public funds. At a minimum, the University should:

- a) Adhere to State Board of Higher Education Policy 308.1 and use good judgment to ensure good value is received for every expenditure;
- b) Avoid unnecessary and/or unreasonable use of public funds to ensure funds are available for essential purposes; and
- c) Create and maintain an organizational culture of accountability and stewardship of public resources.

Management's Response

Disagree (a). UND is committed to being a good steward of public funds. The 12 examples of expenditures taken into consideration for

Chapter 6 Additional Areas Requiring Improvement

this recommendation included: 6 involving payments for food/beverages, one nursing pinning ceremony, the Law School scholarships, one travel reimbursement for a Law faculty member to attend the North Dakota Bar exam luncheon, and one payment for honor cords, all of which are a common practice in higher education and which UND believes were legitimate expenditures of the funding source used. UND agrees there were errors by the Graduate School (travel), the CoBPA (cited in 3-4), and the Law School (individual membership). In addition, the auditors had concerns regarding adequate documentation of certain transactions.

There is always room for improvement and UND is committed to ongoing process review, accountability to our students and the state, and transparency in what we do and why we do it.

Disagree (b). The determination of value received, within the context of SBHE, state and other regulations, will continue to be made at the department level by those closest to the situation.

Disagree (c). The UND President and Vice Presidents communicate very clearly that the culture at UND demands accountability and good stewardship of public resources.

Reimbursing Employee Meals

As part of our review of expenditures, we reviewed whether UND had complied with laws and policies related to employee meal reimbursements. We identified a number of instances in which meals were inappropriately reimbursed when employees attending a conference or seminar received reimbursements for meals which were already included as part of the registration cost. State law prohibits employees from being reimbursed for meals which are included in a registration fee. In addition, we identified employees inappropriately received a meal reimbursement for lunch when a meeting held on campus broke for lunch.

Recommendation 6-4

We recommend the University of North Dakota ensure meal reimbursements are made in compliance with state law, policies, and procedures. At a minimum, the University should reimburse employees only when:

- a) Employees are engaged in the discharge of a public duty; and
- b) Conferences, seminars, or other meetings attended by employees did not have the meal included in a registration fee.

Management's Response

Agree (a). UND will address this through training with departments and central staff who review reimbursements.

Agree (b). UND will review the design of travel reimbursement forms, travel policies and procedures, travel FAQ's, etc. to strengthen and improve the accuracy of the reimbursement and to clearly document exceptions.

Chapter 6 Additional Areas Requiring Improvement

Safeguarding State Resources

An expenditure we reviewed related to the purchase of a computer. When asked where this computer was located and who had been assigned the computer, a representative of the Art Department stated an employee had taken possession of the computer for the summer and it was not on campus. We identified no formal agreement was entered into regarding the use of a state owned computer off of campus for an extended period of time. In our review of information at NDSU, we identified a policy which requires an agreement be completed for use of University equipment off-campus which exceeds one calendar week

Recommendation 6-5

We recommend the University of North Dakota establish a policy which requires an agreement to be signed for extended off-campus use of University property.

Management's Response

Agree. UND will review all relevant policy and procedures for minor equipment (equipment costing less than \$5,000), typically laptops, leaving campus so all aspects of risk are addressed including insurance, liability, and personal use.

Audit and Fee Background Information

Purpose and Authority of the Audit

The performance audit of North Dakota State University (NDSU) and the University of North Dakota (UND) fees was conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so management and those charged with governance and oversight can use the information to improve performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The purpose of this report is to provide our analysis, findings, and recommendations regarding our limited review of whether fees at NDSU and UND have been appropriately established and used.

Background Information

Organized as a system in 1990, the North Dakota University System is made up of 11 institutions governed by the eight-member State Board of Higher Education (SBHE). The board includes seven citizen members appointed by the Governor who serve four-year terms and one student appointed by the Governor for a one-year term. A non-voting faculty advisor is selected by the Council of College Faculties

In addition to tuition charges, institutions of Higher Education charge certain fees. For purposes of this audit report, we have categorized fees into the following categories – mandatory fees, program fees, course fees, and other fees. Requirements related to the establishment and uses of fees are included within SBHE policies.

While tuition is included in the appropriated amount of an institution's budget, typically fees are not. Institutions' authority to receipt and expend fee revenue is included as part of a continuing appropriation granted by the Legislature pursuant to North Dakota Century Code Section 15-10-12.

Objective of the Audit

The objective of this performance audit is listed below:

“Are fees appropriately established and used by North Dakota State University and the University of North Dakota?”

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Chapter 7

Audit and Fee Background Information

This performance audit began as a review of local funds at NDSU and UND. We gathered information related to local funds and established two audit objectives – one related to fees (listed in the above section) and one related to monitoring local fund revenues and expenses. The work on the objectives started with fees and we performed a minimal amount of work related to the other audit objective. Due to the audit being put on hold to conduct another performance audit and due to the changes occurring within Higher Education, our office made a determination to issue an audit report upon completion of the work related to the fees audit objective. No conclusion is made related to the other audit objective. At this time, no additional work is planned to be conducted on the other audit objective.

Due to this audit being stopped to work on another performance audit, audit field work was conducted from April 2011 to October 2011 and from April 2012 to June 2012. The audit period for which information was collected and reviewed was July 1, 2007 through December 31, 2010. In certain instances, additional information was reviewed. This was done, in part, to review background information related to selected areas as well as to review more current information.

Additional Reviews Performed on Fees at NDSU

In November 2008, NDSU issued an internal audit report regarding a review of the use and financial reporting of the Architecture and Landscape Architecture program fee moneys. This report contained 14 recommendations for improvement. We performed a limited review of information to determine the status of recommendations considered significant to our audit objective. We identified three recommendations appeared to be implemented and two were not implemented. Recommendations not implemented included:

- Recommending the department use PeopleSoft rather than separate spreadsheets to track expenditures. We identified spreadsheets are still being used. In Chapter 1 of this report, we recommend NDSU make improvements with accounting procedures for fee moneys collected.
- Recommending the department develop more detailed guidelines supporting the propriety of expenses as issues were identified with what may or may not be permissible expenditures. We identified program fees being used for inappropriate purposes. In Chapter 3 of this report, we recommend NDSU ensure program fee moneys are used appropriately and for their intended purposes.

List of Recommendations

- Recommendation 1-1** We recommend the State Board of Higher Education ensure an effective process for fee establishment, monitoring, and use of fee moneys collected from students exists to enhance consistency and the accountability of these fees.
- Recommendation 1-2** We recommend North Dakota State University establish monitoring guidelines related to fund cash balances of fee moneys and take appropriate action when significant amounts are identified.
- Recommendation 1-3** We recommend the University of North Dakota establish monitoring guidelines related to fund cash balances of fee moneys and take appropriate action when significant amounts are identified.
- Recommendation 1-4** We recommend North Dakota State University make improvements with accounting procedures for fee moneys collected from students. At a minimum, the University should ensure:
- a) Revenues are adequately tracked using PeopleSoft/ConnectND; and
 - b) Use of fee moneys is specifically tracked within PeopleSoft/ConnectND.
- Recommendation 1-5** We recommend the University of North Dakota make improvements with accounting procedures for fee moneys collected from students. At a minimum, the University should ensure:
- a) Revenues are adequately tracked using PeopleSoft/ConnectND; and
 - b) Use of fee moneys is specifically tracked within PeopleSoft/ConnectND.
- Recommendation 2-1** We recommend North Dakota State University Technology Department make improvements with the monitoring of technology fee moneys collected from students which are transferred for projects.
- Recommendation 3-1** We recommend North Dakota State University ensure program fee moneys collected from students are used appropriately and for their intended purposes. If the new success tuition model is implemented, the University should ensure additional tuition is expended on reasonable and necessary costs specific to the program area.
- Recommendation 3-2** We recommend North Dakota State University College of Engineering and Architecture ensure program fee moneys collected from students are used to benefit those students and discontinue retaining 5% for the Dean's use. If the new student success tuition model is implemented, the University should ensure moneys collected from additional tuition are appropriately expended and not retained for potentially unnecessary purposes.

Appendix A List of Recommendations

- Recommendation 3-3** We recommend North Dakota State University College of Engineering and Architecture no longer pay for Graduate Research Assistants with program fee moneys collected from students. If the new student success tuition model is implemented, the University should ensure additional tuition is expended appropriately.
- Recommendation 3-4** We recommend the University of North Dakota ensure program fee moneys collected from students are used appropriately and for their intended purposes.
- Recommendation 3-5** We recommend the State Board of Higher Education make improvements related to program fees. At a minimum, the Board should:
- a) Ensure program fees exist for specific and intended purposes according to policy; and
 - b) Identify requirements for changes in use of program fees previously approved.
- Recommendation 4-1** We recommend North Dakota State University ensure appropriate course fees are charged to students. At a minimum, the University should:
- a) Comply with State Board of Higher Education policy related to establishment of course fees; and
 - b) Perform a review of current course fees to ensure compliance with Board policy.
- Recommendation 4-2** We recommend North Dakota State University ensure course fee moneys collected from students are used appropriately. At a minimum, the University should:
- a) Use course fees in compliance with State Board of Higher Education policies; and
 - b) Use course fees for the purposes for which the fee was approved.
- Recommendation 4-3** We recommend the University of North Dakota ensure appropriate course fees are charged to students. At a minimum, the University should:
- a) Comply with State Board of Higher Education policy related to establishment of course fees; and
 - b) Perform a review of current course fees to ensure compliance with Board policy.
- Recommendation 4-4** We recommend the University of North Dakota ensure course fee moneys collected from students are used appropriately. At a minimum, the University should:
- a) Use course fees in compliance with State Board of Higher Education policies; and
 - b) Use course fees for the purposes for which the fee was approved.

Appendix A List of Recommendations

- Recommendation 4-5** We recommend the University of North Dakota make improvements to the recording process of course/class fees to ensure an accurate listing of fees is maintained.
- Recommendation 4-6** We recommend the State Board of Higher Education make improvements related to course fees. At a minimum, the Board should:
- a) Require approval outside of the colleges and universities for establishment of a course fee;
 - b) Identify approval requirements for changes in use of course fees previously approved; and
 - c) Develop criteria and/or an improved definition of a course fee.
- Recommendation 5-1** We recommend North Dakota State University make improvements with transcript, Graduate School application, and similar type fees to ensure moneys collected are used to pay related expenses.
- Recommendation 5-2** We recommend the University of North Dakota make improvements with transcript, Graduate School application, orientation, and similar type fees to ensure moneys collected are used to pay related expenses.
- Recommendation 6-1** We recommend North Dakota State University ensure goods and/or services are purchased in compliance with established procurement requirements.
- Recommendation 6-2** We recommend North Dakota State University make improvements with payments for the use of personal vehicles by employees. At a minimum, the University should:
- a) Reimburse employees using personal vehicles only for the actual, documented miles traveled in performance of their official duty; and
 - b) Eliminate the use of gas cards at a privately owned gas station by employees using personal vehicles.
- Recommendation 6-3** We recommend the University of North Dakota be good stewards of public funds. At a minimum, the University should:
- a) Adhere to State Board of Higher Education Policy 308.1 and use good judgment to ensure good value is received for every expenditure;
 - b) Avoid unnecessary and/or unreasonable use of public funds to ensure funds are available for essential purposes; and
 - c) Create and maintain an organizational culture of accountability and stewardship of public resources.
- Recommendation 6-4** We recommend the University of North Dakota ensure meal reimbursements are made in compliance with state law, policies, and procedures. At a minimum, the University should reimburse employees only when:
- a) Employees are engaged in the discharge of a public duty; and
 - b) Conferences, seminars, or other meetings attended by employees did not have the meal included in a registration fee.

Appendix A
List of Recommendations

Recommendation 6-5

We recommend the University of North Dakota establish a policy which requires an agreement to be signed for extended off-campus use of University property.

NDSU & UND Mandatory Fee Background Information

Institutions of higher education have established multiple mandatory fees. Such fees are required to be paid by nearly all students. Mandatory fees are charged on a per credit basis and are capped at 12 credits per semester or an amount not to exceed a rate which is approximately the equivalent of 12 credits. For example, a technology fee with a \$4.17 per credit rate has a maximum of \$50 rather than \$50.04. The ConnectND fee and North Dakota Student Association (NDSA) fee rates are established/approved by SBHE. The remaining mandatory fees are established at the campus level.

During this audit, a review of the mandatory fees collected from students was conducted for two universities. North Dakota State University (NDSU) recognized mandatory fee revenue of approximately \$38.8 million from July 1, 2007 through December 31, 2010 (total does not include ConnectND Fee). The University of North Dakota (UND) recognized mandatory fee revenue of approximately \$46.6 million from July 1, 2007 through December 31, 2010 (total does not include student government fees or ConnectND Fee).

North Dakota State University Mandatory Fees

NDSU charges students 9 mandatory fees. The following table identifies the maximum amounts charged per semester (the same maximum amounts exist for spring semesters):

Mandatory Fees	Fall 2007	Fall 2008	Fall 2009	Fall 2010
Activity Fee	\$126.00	\$126.00	\$126.00	\$130.80
Technology Fee	\$82.50	\$82.50	\$82.50	\$82.50
Wellness Center Fee	\$80.00	\$80.00	\$80.00	\$80.00
Health Fee	\$42.00	\$42.00	\$42.00	\$57.00
Memorial Union Bond Fee	\$46.20	\$46.20	\$46.20	\$46.20
Library Fee	\$10.00	\$10.00	\$10.00	\$19.92
Career Services Fee	\$13.00	\$13.00	\$13.00	\$13.00
ConnectND Fee	\$81.00	\$81.00	\$81.00	\$81.00
NDSA Fee	\$0.36	\$0.36	\$0.36	\$0.36
Total	\$481.06	\$481.06	\$481.06	\$510.78

Using data from PeopleSoft/ConnectND and fund numbers receipting mandatory fees as identified by NDSU, we identified the amount of mandatory fee revenue recognized by NDSU in our audit time period. Revenue amounts were identified in PeopleSoft/ConnectND using the revenue account code associated with tuition and fees. The table on the following page identifies the total amount recognized per fiscal year for each of the fees (rounded to the nearest thousand):

Appendix B
NDSU & UND Mandatory Fee Background Information

Table B-2 NDSU Mandatory Fee Revenue ¹				
Mandatory Fees	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011 ²
Activity Fee	\$2,795,000	\$2,967,000	\$3,159,000	\$3,047,000
Technology Fee	\$1,871,000	\$1,988,000	\$2,121,000	\$1,923,000
Wellness Center Fee	\$1,814,000	\$1,927,000	\$2,056,000	\$1,865,000
Health Fee	\$952,000	\$1,011,000	\$1,079,000	\$1,328,000
Memorial Union Bond Fee	\$1,047,000	\$1,112,000	\$1,187,000	\$1,076,000
Library Fee	\$226,000	\$240,000	\$256,000	\$464,000
Career Services Fee	\$294,000	\$312,000	\$333,000	\$302,000
NDSA Fee	\$8,000	\$9,000	\$9,000	\$8,000
Total	\$9,007,000	\$9,566,000	\$10,200,000	\$10,013,000

¹ The fund used to receipt ConnectND fee revenue is recognized as expenditures are incurred which differs from the accounting of other fees (no revenue information included for this fee).
² Data identified through December 31, 2010. The amounts include revenue recognized for both fall and spring semesters as spring semester fees are recognized near the end of the calendar year.

As part of this audit, we selected four mandatory fees charged by NDSU and conducted a review of applicable information. Information related to the four fees follows.

Activity Fee

Activity fee moneys collected from students are receipted into one fund. We identified fee moneys were also being transferred from this fund to various other funds. In addition to reviewing expenditures from the fund used to receipt the activity fee moneys, we also selected and reviewed three funds which received transfers of activity fee moneys.

Health Fee

Health fee moneys collected from students are receipted into one fund. We reviewed a selection of expenditure transactions from this fund.

Technology Fee

Technology fee moneys collected from students are receipted into one fund. We identified fee moneys were also being transferred from this fund to various other funds. In addition to reviewing expenditures from the fund used to receipt the technology fee moneys, we also selected and reviewed eight funds which received transfers of technology fee moneys for specific projects and one fund which received transfers of technology fee moneys for ongoing operations.

Wellness Center Fee

Wellness center fee moneys collected from students are receipted into one fund. We reviewed a selection of expenditure transactions from this fund.

To review how mandatory fee moneys were being used, we selected 188 unique general ledger journal ID's from data maintained on PeopleSoft/ConnectND (in our time period, there were over 4,000 general ledger journal ID's associated with the 16 funds selected for review). General ledger journal ID's from subsidiary ledgers (such as accounts payable) are the summary of many transactions recorded in the subsidiary ledger. As a result, the number of transactions we reviewed for testing purposes was significantly larger. We reviewed transactions to determine whether or not fees were expended for

Appendix B
NDSU & UND Mandatory Fee Background Information

intended purposes and whether the expenditure was reasonable. Transactions we made these determinations on included:

- 21 payroll transactions
- 4 transfers
- 14 scholarship/waiver transactions
- 270 Other transactions including accounts payable, motor pool charges, catering, purchasing cards, facilities management, etc.

For the 309 transactions reviewed, 23 (7% error rate) did not appear to meet the intent of the fee and 35 (11% error rate) did not appear to be reasonable. Due to the commingling of moneys in certain funds, other funding sources may have been used for the expenditures reviewed. Which revenue source was used for expenditures in commingled funds was not specifically accounted for by NDSU on PeopleSoft/ConnectND.

University of North Dakota Mandatory Fees

UND charges students 13 mandatory fees. The following table identifies the maximum amounts charged per semester (the same maximum amounts exist for spring semesters):

Table B-3				
Maximum Mandatory Fees Charged by UND				
Mandatory Fees	Fall 2007	Fall 2008	Fall 2009 ⁴	Fall 2010
Student Fee ¹	\$294.50	\$85.32	\$88.32	\$91.44
Athletics (Div 1 Fee)	NA	\$127.08	\$131.52	\$89.04
Athletics Fee	NA	NA	NA	\$40.68
Student Government Fee	NA	\$16.20	\$16.80	\$17.40
Student Government Projects Fee	NA	\$6.48	\$6.72	\$6.96
Health Fee	NA	\$104.40	\$108.00	\$111.84
Wellness Center Operations Fee ²	\$47.25	\$63.48	\$65.88	\$68.04
Wellness Center Bond Fee ³	\$50.00	\$54.72	\$54.72	\$54.72
Technology Fee	\$50.00	\$50.00	\$50.00	\$50.00
McCannel Renovation Fee	\$15.00	\$15.00	\$15.00	\$15.00
Memorial Union Bond Fee	\$14.50	\$14.52	\$14.52	\$14.52
ConnectND Fee	\$81.00	\$81.00	\$81.00	\$81.00
NDSA Fee	\$0.36	\$0.36	\$0.36	\$0.36
Total	\$552.61	\$618.56	\$632.83	\$641.00
¹ Prior to Fall 2008, the student fee amount was one amount and was specific to athletics, government fee and the health fee. ² For Fall 2007, fee was a flat rate of \$47.25. ³ For Fall 2007, fee was \$25 up to 6 credits and \$50 if over 6 credits. ⁴ Total maximum charged is off by one cent due to rounding by UND.				

Using data from PeopleSoft/ConnectND and fund numbers receipting mandatory fees as identified by UND, we identified the amount of mandatory fee revenue recognized by UND in our audit time period. Revenue amounts were identified in PeopleSoft/ConnectND using the revenue account code associated with tuition and fees. The table below identifies the total amount recognized per fiscal year for each of the fees (rounded to the nearest thousand):

Appendix B
NDSU & UND Mandatory Fee Background Information

Table B-4
UND Mandatory Fee Revenue ¹

Mandatory Fees	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011 ²
Student Fee	\$6,690,000	\$1,893,000	\$2,081,000	\$1,934,000
Athletics (Div 1 Fee)	NA	\$2,896,000	\$3,100,000	\$2,880,000
Athletics Fee				
Health Fee	NA	\$2,379,000	\$2,545,000	\$2,365,000
Wellness Center Operations Fee	\$1,302,000	\$1,436,000	\$1,549,000	\$1,440,000
Wellness Center Bond Fee	\$1,225,000	\$1,237,000	\$1,290,000	\$1,198,000
Technology Fee	\$1,136,000	\$1,132,000	\$1,178,000	\$1,079,000
McCannel Renovation Fee	\$341,000	\$339,000	\$353,000	\$328,000
Memorial Union Bond Fee	\$330,000	\$328,000	\$342,000	\$318,000
NDSA Fee	\$8,000	\$8,000	\$8,000	\$8,000
Total	\$11,032,000	\$11,648,000	\$12,446,000	\$11,550,000

¹ The fund used to receipt ConnectND fee revenue is recognized as expenditures are incurred which differs from the accounting of other fees (no revenue information included for this fee). In addition, both student government fees are receipted in agency funds which were outside the scope of this audit (no revenue information included for these fees).

² Data identified through December 31, 2010. The amounts include revenue recognized for both fall and spring semesters as spring semester fees are recognized near the end of the calendar year.

Note: Shaded row indicates the mandatory fee revenue is included in the row directly above as the two mandatory fee revenues are receipted into the same fund.

As part of this audit, we selected four mandatory fees charged by UND and conducted a review of applicable information. Information related to the four fees follows.

Health Fee

Health fee moneys collected from students are receipted into one fund. We identified fee moneys were also being transferred from this fund to various other funds. In addition to reviewing expenditures from the fund used to receipt the health fee moneys, we also selected and reviewed one fund which received transfers of health fee moneys.

Student Fee

Student fee moneys collected from students are receipted into one fund. We identified fee moneys were also being transferred from this fund to various other funds. In addition to reviewing expenditures from the fund used to receipt the student fee moneys, we also selected and reviewed two funds which received transfers of student fee moneys.

Technology Fee

Technology fee moneys collected from students are receipted into one fund. We identified fee moneys were also being transferred from this fund to various other funds. In addition to reviewing expenditures from the fund used to receipt the technology fee moneys, we also selected and reviewed five funds which received transfers of technology fee moneys.

Appendix B NDSU & UND Mandatory Fee Background Information

Wellness Center Fee

Wellness center fee moneys collected from students are receipted into one fund. We identified fee moneys were also being transferred from this fund to various other funds. In addition to reviewing expenditures from the fund used to receipt the wellness center fee moneys, we also selected and reviewed one fund which received transfers of wellness center fee moneys.

To review how mandatory fee moneys were being used, we selected 140 unique general ledger journal ID's from data maintained on PeopleSoft/ConnectND (in our time period, there were over 2,500 general ledger journal ID's associated with the 13 funds selected for review). General ledger journal ID's from subsidiary ledgers (such as accounts payable) are the summary of many transactions recorded in the subsidiary ledger. As a result, the number of transactions we reviewed for testing purposes was significantly larger. We reviewed transactions to determine whether or not fees were expended for intended purposes and whether the expenditure was reasonable. Transactions we made these determinations on included:

- 20 payroll transactions
- 6 transfers
- 29 scholarship/waiver transactions
- 258 Other transactions including accounts payable, motor pool charges, catering, purchasing cards, facilities management, etc.

For the 313 transactions reviewed, 9 (3% error rate) did not appear to meet the intent of the fee and 18 (6% error rate) did not appear to be reasonable. Due to the commingling of moneys in certain funds, other funding sources may have been used for the expenditures reviewed. Which revenue source was used for expenditures in commingled funds was not specifically accounted for by UND on PeopleSoft/ConnectND.

NDSU & UND Program Fee Background Information

Program fees are charged to students for certain areas of study which are determined by the institutions. Approval from SBHE is required for both the establishment of the program fee and to increase the fee amounts. Students declaring a major or enrolling in these areas of study are charged the program fee. While most program fees are established as an amount per semester, a program fee can be a one-time fee or can be a certain percentage of the resident tuition rate.

During this audit, a review of the program fees collected from students was conducted for two universities. North Dakota State University (NDSU) recognized program fee revenue of approximately \$16.5 million from July 1, 2007 through December 31, 2010. The University of North Dakota (UND) recognized program fee revenue of approximately \$7 million from July 1, 2007 through December 31, 2010.

North Dakota State University Program Fees

Using data from PeopleSoft/ConnectND and fund numbers receipting program fees as identified by NDSU, we identified the amount of program fee revenue recognized by NDSU in our audit time period. Revenue amounts were identified in PeopleSoft/ConnectND using the revenue account code associated with tuition and fees. The table identifies the total amount recognized per fiscal year for each of the fees (rounded to the nearest thousand):

Program Fees	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011 ¹
Architecture/Landscape Architecture/Environmental Design	\$473,000	\$546,000	\$583,000	\$593,000
Athletic Training - Undergraduate	\$24,000	\$20,000	\$12,000	\$24,000
Athletic Training - Masters				
Business Masters	\$30,000	\$36,000	\$37,000	\$41,000
Dietetics - Coordinated Program in Dietetics	\$36,000	\$37,000	\$40,000	\$46,000
Dietetics - Didactic Program in Dietetics				
Education	\$60,000	\$65,000	\$55,000	\$38,000
Engineering	\$1,199,000	\$1,291,000	\$1,423,000	\$1,300,000
Health, Nutrition & Exercise Sciences	\$114,000	\$123,000	\$143,000	\$108,000
Interior Design	\$16,000	\$11,000	\$12,000	\$13,000
Marriage & Family Therapy	\$7,000	\$6,000	\$8,000	\$5,000
Nursing	\$148,000	\$155,000	\$153,000	\$147,000
Pharmacy	\$1,734,000	\$1,825,000	\$1,881,000	\$1,896,000
Total	\$3,841,000	\$4,115,000	\$4,347,000	\$4,211,000

¹ Data identified through December 31, 2010. The amounts include revenue recognized for both fall and spring semesters as spring semester fees are recognized near the end of the calendar year. Note: Shaded rows indicate the program fee revenue is included in the row directly above as the two program fee revenues are receipted into the same fund.

Appendix C NDSU & UND Program Fee Background Information

As part of this audit, we selected four program fee areas charged by NDSU and conducted a review of applicable information. Information related to the four fee areas follows.

Architecture/Landscape Architecture/Environmental Design

Architecture program fee moneys collected from students are receipted into one fund. We identified a significant amount of the fee moneys were transferred out of this fund and into another fund. In addition to reviewing the transfers from the original fund, we also selected and reviewed expenditures from the fund which received the transfers of the architecture program fee moneys.

Athletic Training

Athletic training program fee moneys collected from students are receipted into one fund and we reviewed a selection of expenditure transactions from this fund.

Engineering

Engineering program fee moneys collected from students are receipted into seven funds related to the area of study the engineering student has declared as a major. We identified a significant amount of the fee moneys were transferred out of these funds and into other funds related to the area of study. In addition to reviewing the transfers from the original funds, we also selected and reviewed expenditures from the funds which received the transfers of three areas of study: Civil, Industrial and Mechanical engineering.

Pharmacy

Pharmacy program fee moneys collected from students are receipted into one fund and we reviewed a selection of expenditure transactions from this fund.

To review how program fees were being used, we selected 120 unique general ledger journal ID's from data maintained on PeopleSoft/ConnectND (in our time period, there were over 1900 general ledger journal ID's associated with the 14 funds selected for review). General ledger journal ID's from subsidiary ledgers (such as accounts payable) are the summary of many transactions recorded in the subsidiary ledger. As a result, the number of transactions we reviewed for testing purposes was significantly larger. We reviewed transactions to determine whether or not fees were expended for intended purposes and whether the expenditure was reasonable. Transactions we made these determinations on included:

- 25 payroll transactions
- 10 transfers
- 0 scholarship/waiver transactions
- 202 other transactions (includes accounts payable, motor pool charges, catering, purchasing cards, facilities management, etc.)

For the 237 transactions reviewed, 29 (12% error rate) did not appear to meet the intent of the fee which was used to pay the expense and 37 (16% error rate) did not appear to be reasonable.

Transactions chosen for review were tested to determine if the expense met the intent of the SBHE policy and/or the program fee intent approved by SBHE. The program fee intent approved by SBHE for the chosen program fee areas includes, but is not limited to the following:

- Architecture/Landscape Architecture/Environmental Design program revenue is to be used to pay for studio field trips, equipment, computers, studio maintenance and supplies, salary for a computer services manager and for lecturers, and van rental costs for local field trips.

Appendix C
NDSU & UND Program Fee Background Information

- Athletic Training program revenue is to be used to pay for updating classrooms with latest technology and equipment, stipends for site supervisors, accreditation fees, student initiated activities, and provide salary support for program director and summer salaries for faculty.
- Engineering program revenue is to be used to pay for state of the art equipment, computing equipment with analysis and design software, support for technicians to service technology, support for participation in regional and national professional competitions, senior design projects, support of special software licenses and travel support for educational field trips for students and faculty.
- Pharmacy program revenue is to be used to pay for stipends for pharmacy residents, student support to attend professional meetings, stipends, supplies and equipment for undergraduate research, faculty recruitment/new faculty start-ups, renovation of classrooms, offices and laboratories, and salaries for non-tenure track faculty and departmental operating expenses.

University of North Dakota Program Fees

Using data from PeopleSoft/ConnectND and fund numbers receipting program fees as identified by UND, we identified the amount of program fee revenue recognized by UND in our audit time period. Revenue amounts were identified in PeopleSoft/ConnectND using the revenue account code associated with tuition and fees. The table identifies the total amount recognized per fiscal year for each of the fees (rounded to the nearest thousand):

Program Fees	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011 ¹
Clinical Lab Science	\$9,000	\$9,000	\$5,000	\$3,000
College of Business and Public Administration	\$544,000	\$526,000	\$591,000	\$514,000
Engineering – Undergraduate	\$176,000	\$188,000	\$210,000	\$201,000
Engineering - Graduate				
Law Program	\$490,000	\$376,000	\$372,000	\$347,000
Nursing - Undergraduate	\$196,000	\$191,000	\$198,000	\$253,000
Nursing - Graduate	\$128,000	\$209,000	\$250,000	\$213,000
Nurse Anesthesia				
Recreation & Leisure Services	\$16,000	\$12,000	\$20,000	\$17,000
Rehab & Human Services	\$5,000	\$5,000	\$4,000	\$6,000
Social Work - Undergraduate	\$70,000	\$86,000	\$95,000	\$86,000
Social Work - Graduate				
Teacher Education	\$113,000	\$108,000	\$101,000	\$80,000
Total	\$1,747,000	\$1,710,000	\$1,846,000	\$1,720,000

¹ Data identified through December 31, 2010. The amounts include revenue recognized for both fall and spring semesters as spring semester fees are recognized near the end of the calendar year.
Note: Shaded rows indicate the program fee revenue is included in the row directly above as the two program fee revenues are receipted into the same fund.

Appendix C NDSU & UND Program Fee Background Information

As part of this audit, we selected four program fee areas charged by UND and conducted a review of applicable information. Information related to the four fee areas follows.

College of Business and Public Administration (CoBPA)

CoBPA program fee moneys collected from students are receipted into one fund and we reviewed a selection of expenditure transactions from this fund.

Engineering

Engineering undergraduate and graduate program fee moneys collected from students are receipted into one fund. We identified a significant amount of the fee moneys were transferred out of this fund and into other funds related to the area of study. In addition to reviewing expenditures and transfers from the fund used to receipt the program fee moneys, we also selected and reviewed expenditures from the funds which received the transfers of two areas of study: Electrical and Mechanical engineering.

Law

Law program fee moneys collected from students are receipted into one fund. We identified a significant amount of the fee moneys were transferred out of this fund and into three other funds: Law School Career Services, Law Clinic and Law Library. In addition to reviewing transfers from the fund used to receipt the program fee moneys, we also selected and reviewed expenditures from the other 3 funds

Nursing

Nursing undergraduate program fee moneys collected from student are receipted into one fund and Nursing graduate and Nursing anesthesia program fee moneys are collected and receipted into another fund. We identified many expenditures paid with the program fees split the funding between the two funds. In addition to reviewing expenditures paid from each of the funds used to receipt the program fee moneys, we also selected a number of expenditures which were split and paid by both funds.

To review how program fees were being used, we selected 187 unique general ledger journal ID's from data maintained on PeopleSoft/ConnectND (in our time period, there were over 1500 general ledger journal ID's associated with the 10 funds selected for review). General ledger journal ID's from subsidiary ledgers (such as accounts payable) are the summary of many transactions recorded in the subsidiary ledger. As a result, the number of transactions we reviewed for testing purposes was significantly larger. We reviewed transactions to determine whether or not fees were expended for intended purposes and whether the expenditure was reasonable. Transactions we made these determinations on included:

- 26 payroll transactions
- 18 transfers
- 8 scholarship and waiver transactions
- 416 other transactions (includes accounts payable, motor pool charges, catering, purchasing cards, facilities management, etc.)

For the 468 transactions reviewed, 35 (7% error rate) did not appear to meet the intent of the fee which was used to pay the expense and 14 (3% error rate) did not appear to be reasonable.

Transactions chosen for review were tested to determine if the expense met the intent of the SBHE policy and/or the program fee intent approved by SBHE. The program fee intent approved by SBHE for the selected program fee areas includes, but is not limited to the following:

- CoBPA program revenue is to be used to pay for classroom, developmental and infrastructure needs, consumable supplies, operating budget for student organizations, an allocation for study abroad program, support for non-technology fee proposals, and updating electronic systems.

Appendix C

NDSU & UND Program Fee Background Information

- Engineering program revenue is to be used to pay for equipment, repairs, software, laboratory technical support, supplies, and to supplement salary for a support staff position with duties directly related to students.
- Law program revenue is to be used to fund and support a Career Planning Office, to supplement the law library budget, and to address other needs at the Law School specifically benefiting students such as supplying technology in the classrooms and computer laboratory.
- Nursing (undergraduate, graduate and anesthesia) program revenue is to go toward purposes which directly benefit students in nursing and which contribute to assuring students will have state-of-the-art laboratory experiences. The revenue will go for such purposes as clinical supplies, purchase or repair of equipment and practice models, replacement of instructional media and the software and technical support in campus nursing labs, standardized outcome exams required for accreditation, instructional travel and communication expenses, selected immunizations required by clinical contracts, library acquisitions, printings costs, and teaching supplies.

NDSU & UND Course Fee Background Information

Institutions of higher education have established multiple course fees. Course fees are charged to students enrolled in certain individual courses. State Board of Higher Education (SBHE) Policy 805.3 states institutions may charge “Special course fees to cover added and unique costs specifically related to a particular course.” The fee amount can vary by course, depending on the amount approved to cover the associated costs. SBHE is not involved in the approval of course fees, providing each individual institution the authority to establish course fees. During this audit, a review of the course fees collected from students was conducted for North Dakota State University (NDSU) and the University of North Dakota (UND).

North Dakota State University Course Fees

Course fees charged to students by NDSU during our audit time period which were selected for review are identified in the following table:

Course	Fall 2010 Fee Amount
ADHM 405 (Casino Operation Management)	\$75
ARB 101 (First-Year Arabic I)	\$20
ARCH 471 (Architectural Design V)	\$500
ART 130 (Drawing I)	\$50
BUSN 413 (Business Internship)	\$25
CHEM 160 (Principles of Chemistry I Lab)	\$35
CPM 484 (Coating I Lab)	\$90
HNES 458L (Advanced Medical Nutrition Therapy Lab)	\$150
IME 330 (Manufacturing Processes)	\$30
LANG 106 (Oral Skills for Non-Native Speakers)	\$0 (fee was \$25 in Fall 2007)
MATH 103 (College Algebra)	\$10
PHYS 110 (Introductory Astronomy)	\$5

To review how course fee moneys were being used, we selected 120 unique general ledger journal ID's from data maintained on ConnectND (in our time period, there were over 1,200 general ledger journal ID's associated with the 13 funds selected for review). General ledger journal ID's from subsidiary ledgers (such as accounts payable) are the summary of many transactions recorded in the subsidiary ledger. As a result, the number of transactions we reviewed for testing purposes was significantly larger. We reviewed transactions to determine whether or not fees were expended for intended purposes and whether the expenditure was reasonable. Transactions we made these determinations on included:

- 24 payroll transactions
- 4 transfers
- 3 scholarship/waiver transactions
- 144 other transactions (includes accounts payable, motor pool charges, catering, purchasing cards, facilities management, etc.)

For the 175 transactions reviewed, 105 (60% error rate) did not appear to meet the intent of the fee and 15 (9% error rate) did not appear to be reasonable. Due to the commingling of moneys in certain funds, other funding sources may have been used for the expenditures reviewed. Which revenue source was used for expenditures in commingled funds was not specifically accounted for by NDSU on PeopleSoft/ConnectND.

Appendix D
NDSU & UND Course Fee Background Information

University of North Dakota Course Fees

Course fees charged to students by UND during our audit time period which were selected for review are identified in the following table:

Table D-2 Selected UND Course Fees	
Course	Fall 2010 Fee Amount
ART 491 (Special Topics – Art)	\$0 (Fee was \$40 in Fall 2007)
ATSC 100 (Atmospheric Sciences Orientation) ¹	\$30
AVIT 261 (Air Traffic Control: Radar Operations I)	\$1,875
BMB 403 (Advanced Biochemistry Laboratory)	\$140
CHE 201 (Chemical Engineering Fundamentals)	\$170 per credit
CSCI 101 (Introduction to Computers) ¹	\$30
CSCI 289 (Social Implications of Computer Technology) ¹	\$30
GEOG 421 (Special Topics – Physical Geography)	\$25
HUM 101 (Introduction to Humanities I)	\$135
PSYC 405 (History & Systems of Psychology)	\$17.70
SPST 200 (Introduction to Space Studies) ¹	\$30
T&L 433 (Multicultural Education)	\$55 per credit
¹ These 4 courses each had a course fee as a result of the single approval of course fees for nearly every course in the John D. Odegard School of Aerospace Sciences. The course fees were established to pay for the same intended expenses and the revenues generated were maintained in a single fund.	

To review how course fee moneys were being used, we selected 77 unique general ledger journal ID's from data maintained on ConnectND (in our time period, there were over 1,200 general ledger journal ID's associated with the 9 funds selected for review). General ledger journal ID's from subsidiary ledgers (such as accounts payable) are the summary of many transactions recorded in the subsidiary ledger. As a result, the number of transactions we reviewed for testing purposes was significantly larger. We reviewed transactions to determine whether or not fees were expended for intended purposes and whether the expenditure was reasonable. Transactions we made these determinations on included:

- 13 payroll transactions
- 5 transfers
- 1 scholarship/waiver transactions
- 98 other transactions (includes accounts payable, motor pool charges, catering, purchasing cards, facilities management, etc.)

For the 117 transactions reviewed, 23 (20% error rate) did not appear to meet the intent of the fee and 8 (7% error rate) did not appear to be reasonable. Due to the commingling of moneys in certain funds, other funding sources may have been used for the expenditures reviewed. Which revenue source was used for expenditures in commingled funds was not specifically accounted for by UND on PeopleSoft/ConnectND.

NDSU & UND Other Fee Background Information

Institutions are authorized by State Board of Higher Education (SBHE) policy to establish other certain fees. For purposes of this report, we have categorized these fees as “other fees.” In certain areas, SBHE policies require institutions to establish a fee (such as a graduate application fee). In other areas, SBHE policies state institutions may establish additional fees (such as a distance learning access fee). Institutions are authorized to establish the fee amount for the majority of the other fees. However, there are instances in which the amount is established by the University System (such as the Graduate School application fee) or require Chancellor approval of the fee amount (such as an attached credit fee). During this audit, a review of the other fees collected from students was conducted for North Dakota State University (NDSU) and the University of North Dakota (UND).

North Dakota State University Other Fees

To identify the other fees charged by NDSU, we requested the University to identify a list of the other fees. Based on information provided by NDSU, the following is a list of other fees identified (additional fees may exist):

- Application Fee
- Bison Card Fee
- Course Audit Fee
- Course Challenge Fee
- Interactive Video Networking Fee (Graduate Credit)
- Interactive Video Networking Fee (Undergraduate Credit)
- Graduate School Fees
 - Additional Bound Copies Fee
 - Doctoral Completion Package Fee
 - Graduate Application Fee
 - Graduation Fee
 - Master's Completion Package Fee
 - Reactivation Fee
- Late Payment Fee
- Monthly Payment Plan Enrollment Fee
- New Student Fee
- Orientation Fee
- Reinstatement Fee
- Short Term Loan Late Fee
- Short Term Loan Processing Fee
- Special Examination Fee
- Transcript Fee

To review how other fee moneys were being used, we selected 60 unique general ledger journal ID's from data maintained on ConnectND (in our time period, there were nearly 1,000 general ledger journal ID's associated with the 3 funds selected for review). General ledger journal ID's from subsidiary ledgers (such as accounts payable) are the summary of many transactions recorded in the subsidiary ledger. As a result, the number of transactions we reviewed for testing purposes was significantly larger. We reviewed transactions to determine whether or not fees were expended for intended purposes and whether the expenditure was reasonable. Transactions we made these determinations on included:

- 8 payroll transactions
- 5 transfers
- 0 scholarship/waiver transactions

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- 57 other transactions (includes accounts payable, motor pool charges, catering, purchasing cards, facilities management, etc.)

For the 70 transactions reviewed, 30 (43% error rate) did not appear to meet the intent of the fee and 11 (16% error rate) did not appear to be reasonable. Due to the commingling of moneys in certain funds, other funding sources may have been used for the expenditures reviewed. Which revenue source was used for expenditures in commingled funds was not specifically accounted for by NDSU on PeopleSoft/ConnectND.

University of North Dakota Other Fees

To identify the other fees charged by UND, we requested the University to identify a list of the other fees. Based on information provided by UND, the following is a list of other fees identified (additional fees may exist):

- Chester Fritz Library Processing Fee
- Continuing Enrollment Fee
- Correspondence Application Fee
- Counseling Department COMPASS Exam Fee
- Counseling Department Testing Materials Fee
- Course Audit
- Course Challenge Fee
- Graduate School Fees
 - Graduate Application Fee
 - Graduate Dissertation Fee
 - Graduate Enrollment Fee
 - Graduate Readmission Application Fee
 - New Graduate Student Fee
- International Scholarship Tax
- International Student Fee
- Language Placement Exam Fee
- Language Testing Administrative Fee
- Late Payment Fee
- Law School Application Fee
- Medical School Application Fee
- Monthly Payment Plan Enrollment Fee
- New Student U Card Fee
- Orientation Fee
- Pride Card Replacement Fee
- Returned Check Fee
- Study Abroad Fee
- Temporary U Card Fee
- Transcript Fee
- U Card Replacement Fee
- Undergraduate Application Fee

To review how other fee moneys were being used, we selected 53 unique general ledger journal ID's from data maintained on ConnectND (in our time period, there were approximately 900 general ledger journal ID's associated with the 3 funds selected for review). General ledger journal ID's from subsidiary ledgers (such as accounts payable) are the summary of many transactions recorded in the subsidiary ledger. As a

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NDSU & UND Other Fee Background Information

result, the number of transactions we reviewed for testing purposes was significantly larger. We reviewed transactions to determine whether or not fees were expended for intended purposes and whether the expenditure was reasonable. Transactions we made these determinations on included:

- 7 payroll transactions
- 2 transfers
- 1 scholarship/waiver transactions
- 73 other transactions (includes accounts payable, motor pool charges, catering, purchasing cards, facilities management, etc.)

For the 83 transactions reviewed, 32 (39% error rate) did not appear to meet the intent of the fee and 10 (12% error rate) did not appear to be reasonable.

Chapter 1 Supplemental Responses & Concluding Remarks

Management's Response to Recommendation 1-5, Part a)

Based upon decisions of the University Fee Allocation Committee, the mandatory fee money is transferred to departments after budgeted revenue projections to actuals are verified. The University Fee Allocation Committee is advisory to the President and recommends allocations to specific departments; the Budget Office subsequently transfers the fee revenue accordingly.

UND will advise departments to not co-mingle course and program fee fund revenues with other sources of revenue. In some cases, specifically the Memorial Union and Wellness Center, co-mingling of mandatory fee revenue with operational revenue is acceptable because the fee funding is specifically allocated to those departments for their overall programming and operations, not restricted to specific expenditures or activities.

Effective for FY 2013, the University Fee Allocation Committee has been restructured to systematically evaluate student activity fees at the University of North Dakota and enable greater student input in the allocation of those fees. Now called the Student Fee Advisory Committee, the charge of this committee is to: 1) define a timeline for all student activity fee increase/decrease proposals to be submitted, reviewed and forwarded to the University President; 2) review all proposals to increase or decrease student activity fees charged under SBHE policies; 3) ensure UND is compliant with NDCC and SBHE policies regarding the regulation of student activity fees; 4) consider the financial needs of all departments supported by student activity fees; 5) consider the concerns and perspectives of students through other committees and Student Senate; 6) provide a recommendation to the University President regarding the increase or decrease of student activity fees; and 7) provide a recommendation to the University President regarding the allocation of student activity fees. The committee is comprised of 10 voting members, 7 students and 3 staff. This new process provides an opportunity to enhance mechanisms for full disclosure (ensure transparency and accountability).

State Auditor's Concluding Remarks

The first and third paragraphs of UND's response are irrelevant. The information on the University Fee Allocation Committee is not applicable to this recommendation.

While UND disagrees with part a) of the recommendation, the University will be advising departments to not commingle course and program fee funds. UND believes commingling of funds is acceptable in some cases. We disagree and conclude fee moneys collected from students should not be commingled. This would provide transparency and accountability for the moneys collected from students. UND makes the claim commingling is acceptable because the fee funding is specifically allocated to departments for their overall programming and operations. While the allocation may be for this purpose, the fact is UND is unable to identify what programming and operation costs were actually paid for by

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the fee moneys collected from students. Thus, UND is not accountable to the students and there is a lack of transparency on how fee moneys were used. UND used moneys from a commingled fund to purchase Greek Life t-shirts for Greek Life students and Memorial Union student staff. We were unable to determine if mandatory fees paid for these apparent operation costs or whether other funding sources were used. We conclude UND should consistently track the use of fee moneys regardless of whether the moneys were from a mandatory fee, program fee, course fee, etc.

Chapter 3 Supplemental Responses & Concluding Remarks

Management's Response to Recommendation 3-1

NDSU began planning a new Student Success Tuition Model over a year ago. Under the new SSTM most of the program fees in existence during the audit period will be terminated and will be replaced by differential tuition. The new SSTM was approved by the State Board of Higher Education and will go into effect fall semester 2012. Under this new SSTM, NDSU will ensure that the additional tuition is expended in compliance with SBHE and NDSU policies. NDSU is and will continue to review its practices in these areas to determine if enhancements could be made and; is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

Management's Response to Recommendation 3-2

The net funds collected by the university are sent to the college for distribution. When the program fees are transferred to the college the amount previously retained is added into the transferred amount and a new retained amount is calculated. The retained funds are only transferred when the department requires access to the final 5% of its program fee allocations within that semester (for example, a semester in which enrollments are unusually high). Thus, the lack of account activity noted by SAO would be consistent with the process defined. The Dean has no direct spending associated with the retained funds for departments and has not spent funds from department accounts.

NDSU began planning a new Student Success Tuition Model over a year ago. Under the new SSTM most of the program fees in existence during the audit period will be terminated and will be replaced by differential tuition. The new SSTM was approved by the State Board of Higher Education and will go into effect fall semester 2012. Under this new SSTM, NDSU will ensure that the additional tuition is expended in compliance with SBHE and NDSU policies. NDSU is and will continue to review its practices in these areas to determine if enhancements could be made and; is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

State Auditor's Concluding Remarks

NDSU identifies information regarding the 5% being retained and believes the lack of use of the money is consistent with their defined process. We are unsure how NDSU does not realize how holding back moneys for some unforeseen circumstance (which apparently did not arise in our audit time period) provides no benefit to students who paid the fee. NDSU states the Dean has no direct spending associated with the retained funds. However, NDSU's response to this recommendation states the Dean has the authority to make financial decisions of the retained 5%.

Management's Response to Recommendation 3-3

NDSU began planning a new Student Success Tuition Model over a year ago. Under the new SSTM most of the program fees in existence during the audit period will be terminated and will be replaced by differential tuition. The new SSTM was approved by the State Board of

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**Management's Response
to Recommendation 3-4**

Higher Education and will go into effect fall semester 2012. Under this new SSTM, NDSU will ensure that the additional tuition is expended in compliance with SBHE and NDSU policies. NDSU is and will continue to review its practices in these areas to determine if enhancements could be made and; is and will comply with all expectations or policies established by the State Board of Higher Education or North Dakota University System.

NDUS policy 805.3 2.a: *Program fees, restricted to students enrolled in a particular program to support programs that have exceptional and critical needs that are not adequately funded through other sources.* 805.3 2.a.1: *Program fee revenue must be substantially allocated for the primary benefit of students enrolled in the program during their course of study; however, campuses are permitted to set aside a reasonable amount of funds for specialized programmatic equipment replacement, with funding utilized on a timely basis consistent with replacement cycles. Such benefits may include, but are limited to, exceptional or unique costs for instructional and support staff, library, equipment, supplies and student stipends unique to a program. Program fees are intended to benefit students by paying or contributing to payment of exceptional and unique needs of students in a program to directly support student instruction and not those common to all programs.* NDUS Policy 805.3.2.d in effect until revised in June 2010 and again in November 2011: *Program fees, restricted to students enrolled in a particular program to support programs that have exceptional and critical needs that are not adequately funded through other sources. Program fee revenue must be allocated for the primary benefit of students enrolled in that program. Such benefits may include, but are not limited to, instructional and support staff, library, equipment, supplies and student stipends. Program fees are intended to meet exceptional and unique needs in a program and not those common to all programs; they are not intended as an extension of course fees or other fees that are generally charged to all students.*

UND views program fees used for student functions outside of the classroom, including nursing pinning ceremonies, faculty and student annual college picnic, student publications and clinics such as the North Dakota Law Review and Law Clinic, food for student gatherings with a business purpose, and recruiting students, as allowable and appropriate as they directly benefit the students in the specific program.

UND will perform a comprehensive review of all program fees over the next year. UND will document written policies and procedures for appropriate use of program fees including their intended purpose. Standards for student review and input will also be included. Consideration will be given to implementing a documented review at least every three years to be completed by the department, reviewed by the Budget Office and submitted to the UND Fee Committee for recommended action. UND looks forward to working with the NDUS to

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improve transparency and create system-wide consistency, where appropriate.

Regarding the questioned expenditures for the Nursing program fee:

The nursing pinning ceremony and the faculty/student annual college picnic increase student engagement, which research shows increases student success (retention and completion).

Regarding the questioned expenditures for the Law School program fee:

UND had a 25 year history of an exchange program with the University of Oslo. The agreement between the universities was being renegotiated during that period. The agreement was that the University of Oslo student would pay UND what the Norwegian loan fund would pay the student to study abroad. The scholarship was paid out of local funds when it was necessary to offset a decrease in the loan agency's funding. The benefit to UND law students as a whole is the presence of the Norwegian students as part of the student body. We believe this was an appropriate use of program fee funds.

The Law School erred in submitting payment for an individual membership in an out of state bar association for a faculty member. This error should have been caught in our accounts payable auditing process. We believe our auditing process has improved since the time of the transaction noted.

The Law Review benefits students by providing editorial and/or writing experience. The Law Review is unique to the Law School and benefits all law students as it is the single most effective vehicle for communicating to the legal profession the quality of the Law School; it also provides the students with a close relationship with faculty (mentoring). Without Law Review experience, graduates' job opportunities are more limited.

Programs must maintain a critical mass of students to ensure quality and viability. With the decline in the number of North Dakota students, recruitment is essential to enable continuation of a quality and viable professional law program to benefit North Dakota students. Recruitment is program specific with marketing to a targeted audience.

In the Clinical Legal Education Housing and Employment Law Clinic, UND law students develop fundamental lawyering skills and values by engaging in legal advocacy on behalf of persons who otherwise would be unable to obtain legal representation. Law Clinic students contribute to improving access to justice by providing lower income persons with the means to enforce existing legal rights and by promoting community-wide understanding of the laws protecting the rights of tenants and employees. Consistent with the law school's

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mission, the Law Clinic course integrates opportunities to teach students the habit of reflection, the value of collaboration, and the importance of professional responsibility in the context of litigation and legal advocacy. Clinical Education holds an open house in the fall open to 2nd and 3rd year law students to recruit students into the program.

Regarding the questioned expenditures for the Engineering program fee: In the fall of each year, Mechanical Engineering 201 is structured around that year's ASME student design competition project. UND holds a local competition at the end of the fall semester and the winning team is then entered in the regional ASME student design competition (held in St. Louis in 2010). Students participating in the competition are also enrolled in Mechanical Engineering 290 for the spring term. Travel to the competition represents both an academic activity for the students involved (satisfying the requirements for their Mechanical Engineering 290 course) and a professional development activity (they have the opportunity to participate in additional professional meetings and sessions).

The student employee worked in the Mechanical Engineering department office updating student curriculum sheets which are used to help provide accurate advising for the student with their assigned faculty advisor.

Regarding the questioned expenditures for the CoBPA:

The CoBPA erred in using program fee funds to cover expenses and to pay lodging costs for students who had not paid into the program fee. The CoBPA will not make these errors again.

Beta Gamma Sigma is an international honor society that provides the highest recognition a business student anywhere in the world can receive in a baccalaureate or post-baccalaureate (graduate) program at a school accredited by AACSB International. The Mission of the International Honor Society Beta Gamma Sigma is to encourage and honor academic achievement in the study of business, to foster personal and professional excellence, to advance the values of the Society, and to serve its lifelong members.

State Auditor's Concluding Remark

UND's response is confusing, not concise, and an apparent attempt to provide a rationale for the examples listed in the report. Since UND does not address all the examples listed in the report it is unclear if they had no rationale for these expenditures or simply forgot to include the information in their response. We are unsure why UND felt it was necessary to include SBHE policy especially when the references to the changes in policy occurred outside the audit time period (thus, these requirements would have not been applicable to the areas reviewed).

Appendix G

Chapter 3 Supplemental Responses & Concluding Remarks

While UND disagrees with the recommendation, the University is going to conduct a review of this area and document policies and procedures. Additional information regarding certain responses provided by UND which appear to be an attempt to justify the use of program fees follows:

- Nursing: UND states the nursing pinning ceremony and picnic increase student engagement which research shows increases student success (retention and completion). We are unsure how a pinning ceremony which appears to be part of graduation (flowers purchased) would help with either retention or completion since the students would have already completed the program. In addition, the purchase of flowers appears contradictory to UND policy. For the picnic, we do not see the intent of a program fee being met when fee moneys are used to pay for the catering costs of faculty, retired faculty, and students.
- Law School: UND attempts to justify the use of program fees for scholarships to Norwegian students. UND used fee moneys paid by students to pay the scholarships of individuals who did not pay the program fee. UND attempts to justify this inappropriate practice by saying the presence of Norwegian students provided a benefit to law students. UND states the Law Review benefits students by providing editorial and/or writing experience. We do not disagree with students obtaining this experience. We do disagree with UND using program fee moneys to pay the printing and shipping costs due to the fact they ran out of moneys in another fund typically used to pay these costs. UND Law School personnel stated this expenditure was not normally paid out of program fees and it was a rare situation. We are confused by UND's statement regarding the Law Review being the single most effective vehicle for communicating the quality of the Law School. We are unable to determine how UND concluded job opportunities would be limited without the Law Review. These two arbitrary statements were not provided to us during the audit. When UND uses program fees for recruitment of other students, we question the benefit received by the students who paid the fee since these students would already be enrolled at UND.
- Engineering: UND appears to justify using program fees for a student employee updating student curriculum sheets. We do not consider these costs to be exceptional or unique.
- CoBPA: UND appears to justify using program fees for the purchase of honor cords. These expenses do not appear to meet the intent of a program fee. The information UND provides related to the student organization is irrelevant.

Chapter 4 Supplemental Responses & Concluding Remarks

Management's Response to Recommendation 4-4

The College of Engineering and Mines currently offers four of their engineering degree programs (chemical, civil, electrical, and mechanical) through a distance delivery mode called the Distance Engineering Degree Program (DEDP). The DEDP delivery mode offers non-traditional engineering students an opportunity to complete most of their undergraduate degree coursework in UND's accredited undergraduate engineering programs through the internet. Students are required to complete their laboratory requirements through accelerated summer courses at UND. Since DEDP students experience the same lectures and coursework requirements as on campus students, this education experience is considered to be essentially equivalent. DEDP students are charged an access fee of \$170 per credit hour as authorized by SBHE Policy 805.2.b. Access fees support the faculty that teach the course, equipment to record the sessions in the classroom, graduate students that update grades and assignments, etc. Access fees also support the administration and management of the DEDP program. The transfer to the Division of Continuing Education in 2008 was to cover DEDP administrative expenses such as finance, marketing, recruitment, and administrative staff as well as the costs of servers, registration software, merchant fees, and computers/printers for all staff.

DEDP must maintain a critical mass of students to ensure quality and viability. Recruitment is essential to enable continuation of a quality and viable program that benefits the College of Engineering and its students. Recruitment is program specific with marketing to a targeted audience.

In 2008, JDOSAS of purchased an uninterrupted power supply at \$32,500 for their computer center. This power supply was a technology purchase from the \$25 per course fee assessed to all aviation courses to cover technology costs.

It is a core responsibility of all faculty to obtain and maintain training and familiarity with their discipline. This is especially critical in a research university and professional programs. Faculty are expected to be active participants in national professional organizations and to be leaders in those organizations. JDOSAS encourages faculty to attend national conferences in their discipline. Industry information and resources that faculty glean from attending the National Air Traffic Controller conference is shared with and benefits students.

State Auditor's Concluding Remarks

UND's response to the Chemical Engineering information refers to this fee as an "access fee." This is misleading. UND established this fee specifically as a course fee. UND also included this fee on the course fee listing it provided to our office. UND now attempts to claim this fee is actually an access fee rather than a course fee. The documentation clearly identifies this fee as a course fee.

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UND appears to justify the use of course fees to purchase an uninterrupted power supply for a computer center. This expense is not specifically related to a particular course. SBHE policy states course fees are to cover added and unique costs specifically related to a particular course. In addition, we do not identify the use of course fees to pay for faculty training to be in compliance with SBHE policy as the expense is not a unique cost of a course.