

TRUCKEE MEADOWS COMMUNITY COLLEGE
SPECIAL COURSE AND DIFFERENTIAL PROGRAM FEES
Internal Audit Report
July 1, 2022, through September 30, 2023

GENERAL OVERVIEW

Board of Regents policy allows institutions to charge Special Course Fees and/or Differential Program Fees to students in addition to the standard per credit registration fees. Special Course Fees are authorized for courses with extraordinary instructional costs due to individual instruction, specialized equipment and software, class supplies, third party charges for use of facilities, special transportation requirements, extraordinary instructional costs, or some combination of these reasons. Differential Program Fees are allowed and limited to high cost and/or high demand programs. At Truckee Meadows Community College (TMCC), the president is responsible for providing final approval of Special Course Fees. Special Course Fees in excess of \$50 and all Differential Program Fees require Board of Regents approval and are listed in the Nevada System of Higher Education (NSHE) Procedures and Guidelines Manual. For the Fall 2023 semester, 300 different courses had Special Course and/or Differential Program Fees assessed by TMCC.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of Special Course and Differential Program Fees at TMCC for the period of July 1, 2022 through September 30, 2023.

Our review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included tests of the accounting records and other auditing procedures as we considered necessary. The tests included, but were not necessarily limited to, these areas.

1. Testing Special Course and Differential Program Fees to determine whether the fees were properly approved and that students were assessed the correct fees.
2. Reviewing the balance of funds maintained in the Special Course and Differential Program fee accounts to determine whether fees collected were adequately expended and whether there is a reasonable balance in the accounts.
3. Testing expenditures paid with Special Course and Differential Program Fees for reasonableness, supporting documentation, approval, and compliance with purchasing and Board of Regents policies.
4. Reviewing the ratio of courses offered to the amount of Special Course and Differential Program Fees charged.

In our opinion, we can be reasonably assured that TMCC manages Special Course and Differential Program Fees in a satisfactory manner. However, implementation of the following recommendations would provide an opportunity to further improve this process.

EXPENDITURES

We reviewed a sample of 50 expenditures charged to Special Course Fee and Differential Program Fee accounts. The expenditures were reviewed for proper supporting documentation and approval, reasonableness and proper use of Differential Program and Special Course Fee revenue, and compliance with established purchasing policies. The following exceptions were noted.

1. Two purchases made with Special Course Fees were for regular operating expenses.
2. On one occasion, an instructor used Special Course Fees to pay for an on-line certification for themselves.

For items 1-2, we recommend that departments with Special Course Fee accounts only use the collected fees for extraordinary expenses directly associated with the courses. We recommend Special Course Fees collected from students be utilized for the direct benefit of the students from whom they were collected in accordance with the Board of Regents Handbook.

Institution Response

- **#1 - The two involved academic Deans were apprised of the two unallowable purchases for regular operating expenses made with Special Course Fee funds. The team reviewed allowable purchase guidelines, and Academic Affairs will collaborate with Budget & Finance to apportion further Operating funds to pay for necessary office supplies.**
- **#2 - The involved Dean was apprised of the unallowable certification purchase made by an admin who has since retired. This will not reoccur.**
- **All Deans reviewed the guidelines for allowable fee spending and further reviewed them with their support teams.**

ACCOUNT BALANCES

According to Board of Regents policy, in regard to Fee Account Balances, Title 4, Chapter 10, Section 19, “It is the intention of the Board of Regents that any fees collected from students be utilized for the direct benefit of the students from whom they are collected.” In addition, the policy states for fees “that remain unexpended or dedicated as of June 30th of the fiscal year in which they are collected may be carried forward for up to one fiscal year.”

NSHE Internal Audit reviewed the 52 Special Course Fee accounts and compared the ending balance as of June 30, 2023 to the amount of fees collected for the year. We noted that 12 accounts ended the year with a balance exceeding a reserve of greater than two years of revenues collected.

We recommend that TMCC review the 12 accounts with excessive balances to determine whether the collection of Special Course Fees should be suspended or reduced until a point is

reached where anticipated expenditures are equal to anticipated revenues collected. In addition, we recommend that a yearly review of the ending balance and revenue activities for Special Course Fee accounts be conducted by the VPAA (Vice President of Academic Affairs) Office.

Institution Response

- **In 2022, the VPAA called for the creation of a Special Course Fee balance report, which has been used for two years to track starting/ending balances and also revenues/spending.**
- **Based on this report, the Deans have spent down many of the identified fee accounts and they also identified dozens of fees for reduction or elimination during AY2023-24.**
- **The VPAA and Deans will review balances annually to identify fees that can be reduced or eliminated.**

We also noted that eight Special Course Fee accounts did not receive any revenue during the fiscal year and contained an ending balance. Three of these accounts contained expenditure transactions which reduced the balance during the year.

We recommend TMCC review these eight accounts to determine the best way to spend down the funds in accordance with Special Course Fee account policies.

Institution Response

- **The VPAA and Deans studied these eight accounts and have developed spending plans for each of them. One account, Manufacturing, has already spent down over half of its available funds.**
- **Where some of the eight programs are no longer offered or have no further need of fee funds, these monies will be spent on allowable purchases in closely related programs, with Controller approval.**
- **The VPAA and Deans will review balances annually and develop active plans for spending down remaining funds.**

RATIO OF SPECIAL COURSE FEES TO COURSES OFFERED

According to the NSHE Policies and Procedures Manual and Board of Regents Handbook, it is the policy of the Board of Regents that the registration fee be the only fee assessed for taking a course, with exceptions for extraordinary instructional costs. We noted that

48% of the courses offered at TMCC during the Fall 2023 semester included either a Special Course or Differential Program Fee. It was noted that the fees applied were properly approved and contained documentation that indicated the reason for the fee.

With such a large percentage of courses assessing an additional fee, we recommend that TMCC determine a baseline amount that is determined to be extraordinary. It appears that with close to 50% of courses charging an extra fee, the requirements may need to be raised.

Institution Response

- **The TMCC Controller reviewed this recommendation and noted that all TMCC Online courses charge a Distance Education fee, which can appear to be a Special Course fee but is in fact a modality-based fee that pays for distance-ed services.**
- **The VPAA and Deans agree that fees of \$10 or less are not extraordinary, and they will collaborate with the Budget & Finance area to increase Operating funds to cover the costs currently provided for by fees set at \$10 or less.**

STATEMENT OF REVENUES AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of 52 fee accounts that have been created for Special Course and Differential Program Fees at TMCC. The revenue and expenditure information was obtained from Workday and is provided for informational purposes only.

	Special Fee Accounts	Differential Fee Accounts	Total
Balance July 1, 2022	\$ 1,261,850	\$ 6,207	\$ 1,268,057
Transfers In	15,687	-	15,687
Revenues			
Special Student Fees	1,145,435	206,146	1,351,581
Total Revenues	1,145,435	206,146	1,351,581
Transfers Out	20,496	-	20,496
Expenditures			
Salaries	106,495	1,624	108,119
Operations	853,291	185,555	1,038,846
Equipment	113,849	-	113,849
Financial Aid	22,900	5,300	28,200
Total Expenditures	1,096,535	192,479	1,289,014
Balance June 30, 2023	\$ 1,305,941	\$ 19,874	\$ 1,325,815
Balance July 1, 2023	\$ 1,305,941	\$ 19,874	\$ 1,325,815
Transfers In	-	-	-
Revenues			
Special Student Fees	1,029,131	288,282	1,317,413
Total Revenues	1,029,131	288,282	1,317,413
Transfers Out	-	-	-
Expenditures			
Salaries	65,829	6,746	72,575
Operations	488,321	111,783	600,104
Equipment	18,917	-	18,917
Travel	2,104	-	2,104
Total Expenditures	575,171	118,529	693,700
Balance September 30, 2023	\$ 1,759,901	\$ 189,627	\$ 1,949,528

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

Reno, Nevada
February 13, 2024

/---SIGNATURE ON FILE---
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