

**DIVISION OF CONTINUING EDUCATION AND COMMUNITY  
SERVICES  
AUDIT OF TUITION REMISSION  
THE UNIVERSITY OF NEW MEXICO**

**Report 2006-26  
August 17, 2007**



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## ABBREVIATIONS

CE.....	Continuing Education & Community Services Department
Custom Training.....	Continuing Education's Custom Training and Outreach Group
HR.....	Department of Human Resources
IA.....	Internal Audit Department
UBP.....	University Business Policies and Procedures Manual
University.....	The University of New Mexico
UNM.....	The University of New Mexico

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## **EXECUTIVE SUMMARY**

An employee in the Continuing Education and Community Services Department (CE) expressed a concern about how tuition remission for a one-on-one custom training course is handled. The employee signed up for the class but did not take it. CE did not pay the instructor but they did not refund the related tuition remission amounts to the appropriate index until Internal Audit (IA) contacted them. IA reviewed the concern as well as the Tuition Remission Program and related index. The Tuition Remission Program policy needs clarification and revision for easier administration of the program. Several other suggested improvements resulted from the audit:

### **UPDATING DEPARTMENTAL OPERATIONS MANUAL**

The Dean and the Associate Dean of Operations for CE should review and update CE's operations manual. The Dean and the Associate Dean of Operations concur with the recommendation and are updating the manual.

### **APPROVALS FOR CUSTOM TRAINING ONE-ON-ONE CLASSES-CUSTOM TRAINING STAFF**

The Dean and the Associate Dean of Operations for CE should create a process for approving one-on-one custom training courses for CE's Custom Training staff. The Dean and the Associate Dean of Operations concur with recommendation and are working on a policy to effect compliance with the recommendation.

### **PROPER USE OF TUITION REMISSION PROGRAM**

The Dean and the Associate Dean of Operations for CE need to improve scrutiny of the Custom Training Group course offerings for tuition remission to ensure the offerings fall within the guidelines set forth in the tuition remission program. The Dean and Associate Dean of Operations will promulgate a formal policy regarding the review of Custom Training Tuition Remission transactions before such transactions will be posted to the Banner general ledger.

### **REVIEW OF THE TUITION REMISSION PROGRAM**

The Executive Vice President for Administration and Provost/Executive Vice President for Academic Affairs should appoint a committee to review the tuition remission program to determine if the program is meeting its intent and revise the policy for clarification and easier administration. The Executive Vice President for Administration and the Provost/Executive Vice President for Academic agree and a committee will be appointed in consultation with the VP for Human Resources. If policy changes are necessary, the relevant changes will be forwarded to the Manager of the Policy Office.

### **FISCAL RESPONSIBILITY FOR TUITION REMISSION INDEX**

The Executive Vice President for Administration should assign fiscal responsibility for the tuition remission index to a responsible party for reconciliation on a monthly basis. The Controller has been designated as the fiscal agent for the tuition remission index.

### **MONITORING EMPLOYEE USE OF TUITION REMISSION**

The Associate Dean of Operations for CE and the Bursar should determine whether SCT Banner and Lumens software could be used to track employee use of the tuition remission benefit on a monthly basis. The Associate Dean of Operations for CE and the Bursar concur with the recommendation and agree to study the feasibility of such development. If such development is deemed feasible, funds for such development would have to be identified.

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## INTRODUCTION

### BACKGROUND

The University of New Mexico's (UNM) Continuing Education Department (CE) reports to the Executive Vice President for Academic Affairs/Provost. The mission statement is to lead and collaborate with the community and within the University to develop concepts, strategies, and delivery systems which generate relevant lifelong learning opportunities for a diverse, evolving society. For fiscal year 2006, CE generated \$6,894,002 in revenue. UNM tuition remission program will pay an employee's tuition for classes taken through:

- Academic programs
- CE programs
- Anderson Schools of Management's Management Development Center
- School of Medicine's Continuing Medical Education program
- New Mexico State University
- Central New Mexico Community College
- The University of New Mexico Hospitals

UNM supports employees to continue their education by paying the tuition. "Tuition Remission Program" Policy 3700, UBP, states "The changing requirements of the workplace and the desire of employees to advance professionally support the need for the University to provide a wide range of professional development opportunities for employees. ... It is essential that every employee participate in some form of professional development. The Tuition Remission Program is a voluntary opportunity provided by the University for employees to select specific areas for furthering their professional skills. The Tuition Remission Program is designed to help with the cost of education opportunities offered by the University." For fiscal year 2006, the UNM tuition remission program recorded \$3,232,135 (including \$1,029,122 for CE courses) in benefits for the entire University. The tuition remission expense has averaged \$3,136,073 over the last three fiscal years ending June 2007.

To help in administering the benefit, the University uses two major softwares, Sungard's SCT Banner and Augusoft-Lumens (CE registration software), both owned by the University.

Custom Training and Outreach Group (Custom Training) is a department within CE that provides specialized courses, conferences, and workshops tailored to an organization's priorities by either training the whole staff in one department or having one instructor train one employee at a time (one-on-one training). The tuition ranges from \$195 to \$1,280 per course. For fiscal year 2005-06, Custom Training generated \$44,292 in one-on-one revenue. Classes taken by the Custom Training staff provided 14.6% of Custom Training's one-on-one revenue.

## **PURPOSE**

The purpose of our audit is to determine if the processes for custom training courses demonstrates compliance with the “Tuition Remission Program” policies and procedures, to review the tracking process for the University-wide tuition program, and to provide recommendations for improvement.

## **SCOPE**

The audit procedures were restricted to the employee’s concern, review of the tuition remission program, and related matters. We reviewed the tuition remission program and related index for fiscal year 2006 and fiscal year 2007 through April 2007 emphasizing charges originating from CE.

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## **OBSERVATIONS, RECOMMENDATIONS AND RESPONSES**

### **UPDATING DEPARTMENTAL OPERATIONS MANUAL**

The departmental operations manual for CE does not reflect current working conditions (changes in tuition remission policy, the new Banner and Lumens softwares, and procedures for the custom training classes). Per the Associate Dean of Operations for CE, the last update to the manual occurred approximately six years ago.

Good business practices and the need for clear operating controls require CE's policies and procedures be kept up-to-date. The State University of New Jersey, Rutgers' web site, Section 50.1.13, 2., contains a good example of requirements to keep policies current. It states "Policy Formulation and Issuance of University Policies-Reason for Policy, University policies must be kept current, and made available electronically to all relevant operating units in a timely manner, to ensure compliance with policy objectives and to establish the accountability of operating units and individuals affected by each policy."

Lack of an updated policies and procedures manual could lead to ineffective and inefficient administration of the tuition remission program by CE.

#### **Recommendation 1**

The Dean and Associate Dean of Operations for CE should review the operations manual to determine if it meets the mission and goals of the program, adds value, and reflects current working conditions. Operating instructions for all of CE's divisions should be consolidated into one manual.

#### **Response from the Dean and Associate Dean of Operations for CE**

*The Dean and the Associate Dean of Operations concur with recommendation one. Prior to the audit, the Dean had already initiated a review process of all Continuing Education policies due to the fact that the last update occurred in 1999.*

*To date the Associate Dean of Operations has led the efforts of the CE Little Red Committee to rewrite 22 of an identified 90 policies requiring promulgation. The goal is to complete the process and post them online to CEComm the internal CE website by December 31, 2007.*

### **APPROVALS FOR CUSTOM TRAINING ONE-ON-ONE CLASSES- CUSTOM TRAINING STAFF**

When employees of Custom Training in CE take one-on-one custom training courses, there is no additional review and approval of these classes by CE to ensure arms' length transactions.

Custom Training provides one-on-one training where the instructor teaches the employee at the employee's place of work. The Custom Training personnel get approval from their supervisors to take custom classes but someone outside of Custom Training is not reviewing the transactions to ensure they are proper and relevant. For fiscal year 2006, employees of Custom Training accounted for 14.6% of \$44,292 one-on-one revenue. Additional review will protect employees from allegations of taking courses to boost revenues for the one-on-one program. One-on-one courses have a direct financial impact on the Custom Training Program because one student generates revenues for the program. Based upon an interview with the Program Administrator for Custom Training, part of the performance evaluation of the Custom Training division is based upon the amount of revenue generated, as the division is to be self-sustaining. When employees of Custom Training take these courses, it is not an arms' length transaction. Section 4, "Conflicts of Interest- Arms' Length Transaction" Policy 3720, UBP, states "To qualify as an "arm's length" transaction, the employee with a financial interest must not be in a position to exert influence over the transaction because of his or her employment with the University."

### **Recommendation 2**

The Dean and Associate Dean of Operations for CE should create a process where there is additional approval for one-on-one courses taken by Custom Training employees to demonstrate arm's length transactions.

### **Response from the Dean and Associate Dean of Operations for CE**

*The Dean and the Associate Dean of Operations concur with recommendation two. A draft policy to accommodate this recommendation has been included as part of the committee's work mentioned in recommendation one. The Little Red Committee will make related tuition remission policy promulgation its highest priority to ensure compliance with this recommendation by September 30 2007.*

## **PROPER USE OF TUITION REMISSION PROGRAM**

It was brought to our attention that the College of Fine Arts (CFA) Computer Support Group used a \$500 tuition remission to pay for consulting from the CE IT group. This was accomplished by creating a custom course indicating an employee of CFA was being trained when in fact an IT employee from CE was doing IT work for the College of Fine Arts. According to the CFA, CFA believed there was insufficient budget to purchase these services. The integrity of the program is brought into question by such actions. Per the Associate Dean of Operations for CE, the \$500 will be credited back to the tuition remission index in July 2007.

UBP 3700, "Tuition Remission Program" states in the general section, "The changing requirements of the workplace and the desire of employees to advance professionally support the need for the University to provide a wide range of professional development opportunities for



employees. These opportunities may be in the form of training programs offered by the University Department of Human Resources or other departments, academic programs offered by the University, or courses offered by the UNM Division of Continuing Education. It is essential that every employee participate in some form of professional development. The Tuition Remission Program is a voluntary opportunity provided by the University for employees to select specific areas for furthering their professional skills....”

### **Recommendation 3**

The Dean and Associate Dean for Operations, CE need to provide improved scrutiny for Custom Training courses offered for tuition remission to ensure the courses fall within the guidelines set forth in the tuition remission program.

### **Response from the Dean and Associate Dean of Operations for CE**

*The Dean and Associate Dean of Operations concur with this recommendation. During a review of tuition remission transactions during FY05, the Associate Dean of Operations had ruled that consulting activities fell outside the scope of tuition remission. A subsequent review by Internal Audit turned up no other transactions of this nature. The Associate Dean of Operations will promulgate a formal policy regarding the review of Custom Training Tuition Remission transactions before such transactions will be posted to the Banner general ledger. This policy will be completed by September 30, 2007.*

## **REVIEW OF THE TUITION REMISSION PROGRAM**

The University has not comprehensively reviewed the tuition remission program since before 1991. Because it has not been reviewed, the current policy may not reflect UNM’s current position on the benefit. Furthermore, the policy does not assign overall responsibility for administration of the policy, and does not reflect current working conditions, including types of software (i.e. Banner and Augusoft-Lumens).

IA reviewed the employee tuition remission policies of UNM’s 16 peer institutions. Additionally, we sent a survey for fiscal year 2005-06 to them to get a sense of the size and scope of their programs. We received five replies incorporating pertinent information in the table below:

***Peer Institution Tuition Remission Survey***

<b><i>University</i></b>	<b><i>Participants</i></b>	<b><i>Costs FY 2005-06</i></b>	<b><i>Administered By</i></b>
Arizona	2,249	\$8,626,000	HR & Bursar
Kansas	300-350	Not Supplied	HR
Virginia	464	\$688,107	Faculty and Staff Career Services
Nebraska	850	Approx \$1,000,000	Student Accounts & HR
Iowa	306	Approx \$225,000	Learning & Development and Billing Office
UNM	Approx 5,541	\$3,232,135	

Source: IA

In the review of the peer institutions' tuition remission policies, we noted the following:

- There are a variety of approaches to tuition remission for the various peer institutions, point by point comparisons are almost impossible.
- Courses allowed by policy range from no restriction to three semester hours per semester either graduate or undergraduate courses.
- In some policies, the courses have to be job related.
- Most of the policies for release time to attend classes require approval of the employing unit. In one policy, if the course is not job related, the employee could adjust their schedule or take annual leave. Also in another policy, any time missed had to be made up within the same week.
- Eligible participants ranged from staff only to administrative, faculty, professional and classified staff employees, employed at 50% or more, spouses and dependent children.
- Retirees were not always eligible for the tuition remission program. The benefit is for full time employees. In one case, the retirees had to be employed full-time for five continuous years before their retirement to receive the benefit.
- In some cases, the participants are required to earn a C or better grade in the course to maintain eligibility for the benefit.

Overall, in evaluating UNM's tuition remission benefit with our sixteen peer institutions, IA believes:

- nine have more stringent policies
- four have equivalent policies and
- three have less stringent policies.

Throughout the years, the tuition remission program has expanded because the University chose to expand the program to increase the benefit. An example of this is the administration increased the tuition benefit from four credit hours to eight credit hours. The program also expands when

colleges, such as CE, change the types of programs they offer. CE expanded its program offerings to include custom one-on-one training courses where one teacher teaches one student. When IA reviewed these courses, we noted that the tuition program paid for the following:

- *Editing Digital Photos with Photoshop Elements* for \$195,
- *Beginning Accounting* for \$1,200,
- *Filing and Records Management* for \$1,050,
- *MS Project Module I – Consultation* for \$800, and
- *Office and File Organization* for \$1,100.

This type of program expansion may not be within the original intent of the tuition remission program.

The policy has several provisions that are confusing and contradictory. The following are examples of needed changes:

- The language used in the policy to describe the number of academic credits allowed for the summer session is confusing because it refers to “each” rather than to “the” summer session.
- The community college, T-VI, changed its name to Central New Mexico Community College.
- The policy has conflicting language. The general section of the policy states “It is essential that every employee participate in some form of professional development.” Yet Section 3.1 of the policy states “An employee may apply the equivalent of resident, undergraduate tuition for two (2) of the total tuition credit hours allowed under this program each calendar year towards personal development (i.e. non work related) courses at the UNM Division of Continuing Education.”
- The policy does not define professional and personal development courses. This is important because the classification changes the amount of tuition remission allowed. For professional development courses, an employee can take up to the equivalent of 8 academic credit hours per academic semester (4 hours for the summer session). However, the personal development courses are limited to the equivalent of 2 academic credit hours per calendar year.

The State University of New Jersey, Rutgers’ web site, Section 50.1.13, 2, provides a good example of a policy requiring timely updates. “Policy Formulation and Issuance of University Policies” states University policies must be kept current, and made available electronically to all relevant operating units in a timely manner, to ensure compliance with policy objectives and to establish the accountability of operating units and individuals affected by each policy.”

When a policy is not clear and consistent, it may be interpreted incorrectly. This may cause financial losses if the interpretation provides a larger tuition remission benefit than was intended

by the policy. It may also affect employee morale when departments interpret the policy more or less stringently than one another.

#### **Recommendation 4**

The Executive Vice President for Administration and the Executive Vice President for Academic Affairs/Provost should appoint a committee to review the tuition remission program to determine whether the benefits offered through the program are what is intended. The makeup of the committee should reflect the various stakeholders in the program. This committee should work with the Manager of the Policy Office to change the tuition remission policy to reflect the results of the committee's work.

#### **Response from the Executive Vice President for Administration and the Executive Vice President for Academic Affairs/Provost**

*We agree. A committee will be appointed in consultation with the VP for Human Resources by October 2007. The make up of the committee will include all relevant stakeholders. If the committee determines that policy changes are necessary, the relevant changes will be forwarded to the Manager of the Policy Office.*

### **FISCAL RESPONSIBILITY FOR TUITION REMISSION INDEX**

The total dollars recorded in the tuition remission index does not match the amount in the Bursar's report to HR for fiscal year 2006. For fiscal year 2006, the tuition remission index reflects \$3,232,135 of expenses, and the recap of tuition remission usage for each employee supplied by the Bursar's Office totals \$3,149,733, a difference of \$82,402. IA also identified a \$9,652 entry for Central New Mexico Community College with no detail as to the employees taking the courses. In looking at possible solutions to the difference, a possible contributor to the difference are the hospital employees taking UNM courses not billed to the hospital. There are approximately 300 of these employees that transferred in from UNM in July 2000. Part of the conditions of the transfer allowed the employees to keep their tuition remission benefit. A separate index for these employees may make sense in order to ensure that all the billing and payment has occurred for the tuition remission of these employees. IA tried to determine who is responsible for monitoring and reconciling the tuition remission index. We were unable to determine the fiscal agent for the index.

Good internal controls include reconciling accounts timely, investigating differences and adjusting the account as necessary. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Framework for Internal Control, defines control activities; "as policies and procedures that help ensure that management directives are carried out. Control activities occur throughout the organization at all levels in all functions. These include activities

such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.”

By not reconciling the index timely, errors or suspect transactions are not investigated and adjusted if necessary, thereby leading to possible financial losses to the University.

### **Recommendation 5**

The Executive Vice President for Administration should designate a responsible fiscal agent for the tuition remission index who will reconcile it monthly. The index needs to be reconciled as soon as possible to determine the nature of the differences and resolve them. Additionally, the Executive Vice President for Administration should explore the possibility of assigning a separate index to track the transferred hospital employees retaining the tuition remission benefit.

### **Response from the Executive Vice President for Administration**

*The Controller will be the fiscal agent for the tuition remission index. The reconciliation will be completed no later than January. Establishing a separate index for the transferred hospital employees will be determined once the reconciliation is complete.*

## **MONITORING EMPLOYEE USE OF TUITION REMISSION**

Employee tuition remission is not reported in a timely manner to ensure amounts used by each employee conform to tuition remission limits defined in the policy. During the fiscal year, CE and other organizations use a batch process to post journal entries to the tuition remission index. Now, CE uses ACCESS database software to send the supporting detail to the Bursar’s Office. Previously, CE sent the information in an Excel spreadsheet. Annually, the Bursar’s Office uses the information to compile, in a single report, the tuition remission use per employee for continuing education courses and academic courses for the entire fiscal year. The Bursar’s Office supplied the tuition remission report for fiscal year 2006 to HR on July 26, 2006. This information is not timely enough to monitor classes taken to assure they conform to policy.

Eighty-five percent of charges to the tuition remission index originate from the Main Campus academic courses and CE. As mentioned earlier, CE uses the Lumens software for registration. If the CE data from Lumens can be uploaded into the SCT Banner student system without using ACCESS, the process should be more efficient and the data should be more accurate.

UNM limits the number of courses for which the University will pay the tuition for an employee. Section 3.1. “Tuition Remission Program” Policy 3700 UBP states “The University will pay tuition for one (1) or more courses, not to exceed the equivalent of resident tuition for eight (8) credit hours each academic semester, and not to exceed the equivalent of resident tuition for four (4) credit hours each summer session, subject to the restrictions listed herein. An employee may

apply the equivalent of resident, undergraduate tuition for two (2) of the total tuition credit hours allowed under this program each calendar year towards personal development (i.e. non work related) courses at the UNM Division of Continuing Education. The calendar year total amount will be based on the tuition rate in effect at the end of the calendar year.”

When tracking amounts of tuition remission used by employees is not timely, amounts used by employees may exceed limits by policy. The University of Nebraska-Lincoln indicated they have an automated system in place to keep their employees from exceeding the limits in their policy. Recovery of these excess amounts may be problematic because the employees may no longer work for the University, thereby leading to losses to the University.

### **Recommendation 6**

The Associate Dean of Operations for CE, and the Bursar should determine whether SCT Banner and Lumens softwares can be developed to track employee use of tuition remission to help administer the policy limits and report it monthly to the designated fiscal agent for the tuition remission index.

### **Response from the Associate Dean of Operations for CE, and the Bursar**

*The Associate Dean of Operations for CE and the Bursar concur with recommendation six. Both agree to explore the possibility of software development that would allow for an automated flow of tuition remission transactions to the Banner Student Accounts Receivable System. Continuing Education and the Bursar’s Office agree to study the feasibility of such development. If such development is deemed feasible, funds for such development would have to be identified. This feasibility study will be completed by January 31, 2008.*

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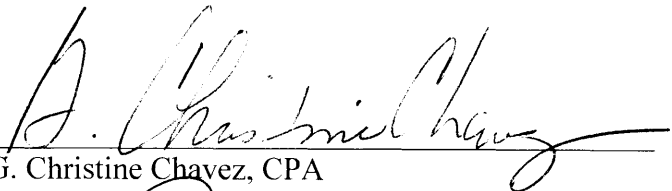
## CONCLUSION

As the result of a concern expressed by an employee in the CE about tuition remission, Internal Audit reviewed the concern as well as the Tuition Remission Program and related index.

We are recommending several improvements. CE needs to update its operations manual, change the approval processes for one-on-one custom courses and scrutinize custom training courses. The tuition remission program should be reviewed to determine whether offered benefits meet the intent of the program. The University needs to improve its monitoring of the use of the tuition remission benefit and its corresponding index.

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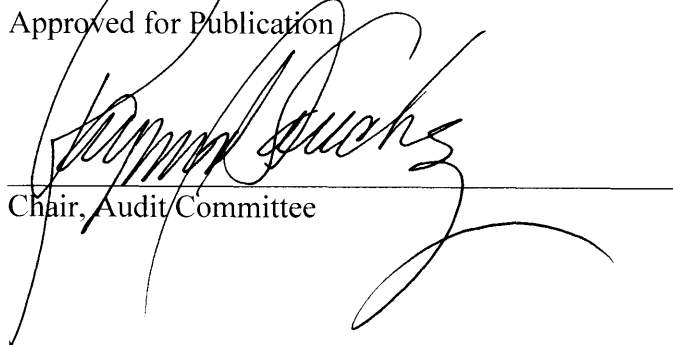
## APPROVALS



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Approved for Publication



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Chair, Audit Committee