

STATE UNIVERSITY SYSTEM

SELECTED SCOPE FINANCIAL AUDIT

FOR THE PERIOD JULY 1, 1991 - JUNE 30, 1993

NOVEMBER 1994

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

94-55

Centennial Office Building, Saint Paul, MN 55155 • 612/296-4708

SUMMARY

State of Minnesota

Office of the Legislative Auditor
Centennial Office Building • St. Paul, MN 55155
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Public Release Date: November 23, 1994

No. 94-55

Agency Background

The State University System operates seven universities under the control and direction of a nine member board. The State University Board appoints a chancellor to oversee system operations and also appoints university presidents for each campus. The Chancellor's Office provides policy leadership and coordination of the system as a whole and coordinated financial activities for accounting, budgeting, financial reporting, labor relations, and construction. Dr. Terrence J. MacTaggart is the Chancellor of the State University System.

Selected Audit Areas

♦ *Tuition Registration and Collections*

Universities effectively assess and collect tuition revenue but need to compare registration charges to the receivable system. We found that universities have differing expectations of when students are obligated to pay for registered credits. Four universities cancel unpaid registrations well into the academic quarter, eliminating possible additional tuition revenue. Due to tuition reciprocity, Wisconsin students attend Minnesota universities at a lesser rate than Minnesota students. We also noted that universities have the flexibility to reduce nonresident tuition charges for high achieving students from other states and countries.

♦ *Outstanding Student Receivables*

State universities maintain receivable systems for accumulating and pursuing collection of outstanding tuition balances. Most universities diligently refer delinquent charges to collection agencies and revenue recapture, however, some universities do not. We noted that time frames for referral, collection agency rates, and methods to recover these costs vary between universities.

♦ *Tuition Waivers*

Waived tuition is a unique benefit offered to university faculty, staff, and dependents. The contractual intent is to provide these waivers on a "space availability" basis to avoid any lost tuition revenue. However, tuition waivers are not controlled on a "space availability" basis as specified in the employee bargaining agreements. Universities also provide tuition waivers to war orphans, wards of the state, and senior citizens. We also found that duties at one university were not effectively segregated, and the receivable system does not distinguish waiver transactions.

Contact the Financial Audit Division for additional information.
296-1730

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Elizabeth Pegues, President
Minnesota State University System Board

Members of the Minnesota State University Board

Dr. Terrence MacTaggart, Chancellor
State University System

Audit Scope

We have completed a financial related audit of selected programs of the State University System for the period July 1, 1991 through June 30, 1993. We emphasize that this has not been a complete audit of all programs with the State University System, and that our audit was limited to the financial activities attributable to the tuition revenue transactions at:

- Mankato State University,
- Metropolitan State University,
- Moorhead State University,
- St. Cloud State University, and
- Winona State University.

Chapter 1 provides a brief description of the State University Systems' activities and finances. Chapters 2, 3 and 4 discuss the results of our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit of selected scope programs, and that we perform tests of university compliance with certain material provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with finance-related legal provisions.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures into the following categories:

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Dr. Terrence MacTaggart, Chancellor
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- Tuition assessments and collections;
- Outstanding student receivables; and
- Tuition waivers.

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Management Responsibilities

The management of the State University System is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Conclusions

Universities effectively assess and collect tuition revenue but need to compare registration charges to the receivable system. We found that universities have differing expectations of when students are obligated to pay for registered credits. Four universities cancel unpaid registrations well into the academic quarter, eliminating possible additional tuition revenue. Due to tuition reciprocity, Wisconsin students attend Minnesota universities at a lesser rate than Minnesota students. We also noted that universities have the flexibility to reduce nonresident tuition charges for high achieving students from other states and countries.


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Waived tuition is a unique benefit offered to university faculty, staff, and dependents. The contractual intent is to provide these waivers on a "space availability" basis to avoid any lost tuition revenue. However, tuition waivers are not controlled on a "space availability" basis as specified in the employee bargaining agreements. Universities also provide tuition waivers to war orphans, wards of the state, and senior citizens. We also found that duties at one university were not effectively segregated, and the receivable system does not distinguish waiver transactions.

This report is intended for the information of the Legislative Audit Commission and management of the State University System. This restriction is not intended to limit the distribution of this report, which was released as a public document on November 23, 1994.

We thank the State University System staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 27, 1994

Report Signed On: November 18, 1994

Minnesota State University System

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Tom Donahue, CPA	Audit Manager
Brad White, CPA	Auditor-in-Charge
Dave Poliseno, CPA	Auditor
Christina Weiss	Auditor
Jenny Lee	Auditor

Exit Conference

The issues in this report were discussed with the following staff of the Minnesota State University Board on October 27, 1994:

Ed McMahon	Vice Chancellor of Finance
Gerald Rushenber	Associate Vice Chancellor of Finance
Al Finlayson	Director of Internal Audit

Chapter 1. Introduction

The Minnesota State University System operates seven universities under the control and direction of a nine-member board. The State University Board appoints a chancellor to oversee system operations and also appoints university presidents for each campus. Dr. Terrence MacTaggart is the current system chancellor. The Chancellor's Office staff provide policy leadership and coordination of the system as a whole and coordinate financial activities for accounting, budgeting, financial reporting, labor relations, and construction, among other things.

State universities operate finances fairly autonomously. Decisions on university structure and program spending priorities are made at the university level. Individual university operations are financed mainly from state appropriations and tuition assessments. The Chancellor's Office allocates state General Fund appropriations to each university. Minn. Stat. Section 136.031 provides authority for carry forward of unexpended funds from year to year and biennium to biennium. According to records in the Chancellor's Office, systemwide carry forward balances from fiscal year 1993 to 1994 was approximately \$24.6 million. The State University System's operating budget reflects the major financial revenue and expense components as shown in Table 1-1 below:

Table 1-1
State University System
Summary of Financial Budget

	<u>1992</u>		<u>1993</u>	
Appropriation Allocations	\$172,505,000	63%	\$176,089,000	62%
Tuition and Fees	<u>102,198,000</u>	37%	<u>107,838,000</u>	38%
Total Revenue Budget	\$274,703,000		\$283,927,000	
Personnel Costs	\$220,418,000	80%	\$232,264,000	82%
Operating Costs	<u>54,285,000</u>	20%	<u>51,663,000</u>	18%
Total Expenditure Budget	<u>\$274,703,000</u>		<u>\$283,927,000</u>	

Note: Carry forward balances, the SUS's capital budget, and off-SWA activities are not presented.

Source: State University Board Accounting and Allocation Records.

Instructional financial activities of the universities are accounted for on the statewide accounting system (SWA). State appropriations are the main funding source, while payroll costs, including salaries and fringe benefits, represent the greatest State University System expenditure.

Other financial activities are accounted for off-SWA, including federal financial aid, the State University Revenue Fund (dormitories and student union), and university activity funds. Local bank accounts are maintained for these activities. The State University Board has established policies governing off-SWA activities.

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Tables 1-2 and 1-3 present the operating budgets for the universities we reviewed for fiscal year 1992 and 1993 respectively.

Table 1-2
State University System
Fiscal Year 1992 University Budget Allocations
(Amounts in 000's)

	<u>Mankato</u>	<u>Metro</u>	<u>St. Cloud</u>	<u>Winona</u>	<u>Others</u>	<u>Total</u>	<u>Percent</u>
State Appropriations	\$41,736	\$ 9,208	\$41,376	\$22,896	\$57,289	\$172,505	63%
Tuition and Fee Revenue	<u>27,724</u>	<u>5,421</u>	<u>25,601</u>	<u>12,227</u>	<u>33,225</u>	<u>102,198</u>	37%
Total Revenue Budget	<u>\$67,460</u>	<u>\$14,629</u>	<u>\$66,977</u>	<u>\$35,123</u>	<u>\$90,514</u>	<u>\$274,703</u>	100%
Personnel Costs	\$54,149	\$ 9,997	\$54,229	\$28,356	\$73,687	\$220,418	80%
Operating Costs	<u>13,311</u>	<u>4,632</u>	<u>12,748</u>	<u>6,767</u>	<u>16,827</u>	<u>54,285</u>	20%
Total Expense Budget	<u>\$67,460</u>	<u>\$14,629</u>	<u>\$66,977</u>	<u>\$35,123</u>	<u>\$90,514</u>	<u>\$274,703</u>	100%

Note: SUS carry forward balances, capital budget and off-SWA activities not presented.

Source: Fiscal Year 1992 State University Board Accounting and Allocation Records (as of 9/30/92).

Table 1-3
State University System
Fiscal Year 1993 University Budget Allocations
(Amounts in 000's)

	<u>Mankato</u>	<u>Metro</u>	<u>St. Cloud</u>	<u>Winona</u>	<u>Others</u>	<u>Total</u>	<u>Percent</u>
State Appropriations	\$41,689	\$ 9,417	\$41,132	\$22,027	\$61,556	\$175,821	62%
Tuition and Fee Revenue	<u>26,803</u>	<u>6,532</u>	<u>27,517</u>	<u>13,401</u>	<u>33,454</u>	<u>107,707</u>	38%
Total Revenue Budget	<u>\$68,492</u>	<u>\$15,949</u>	<u>\$68,649</u>	<u>\$35,428</u>	<u>\$95,010</u>	<u>\$283,528</u>	100%
Personnel Costs	\$56,551	\$11,121	\$57,376	\$29,395	\$75,238	\$229,681	81%
Operating Costs	<u>11,941</u>	<u>4,828</u>	<u>11,273</u>	<u>6,033</u>	<u>19,771</u>	<u>53,846</u>	19%
Total Expense Budget	<u>\$68,492</u>	<u>\$15,949</u>	<u>\$68,649</u>	<u>\$35,428</u>	<u>\$95,009</u>	<u>\$283,527</u>	100%

Note: SUS carry forward balances, capital budget and off-SWA activities not presented.

Source: Fiscal Year 1993 State University Board Accounting and Allocation Records (as of 12/2/92).

State Appropriations and Tuition Revenue

Tuition revenue has become increasingly important as state appropriations have declined. Tuition rates are rising as student enrollments decline. As a result, it is important that universities properly assess and collect tuition from students.

Legislative appropriations are made to the State University Board which allocate state funds to the individual universities. The Chancellor's Office distributes the initial allocation based on anticipated expenditures, including personnel and operating costs, and considers the amount of tuition revenue generated by each university. The allocation process is intended to equitably

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distribute resources based on university size and needs. As the year progresses, the allocation is revised at least three times to reflect current tuition collections and expenses. Student receivable balances for unpaid tuition are not a factor in the allocation formula until collected.

A primary consideration in the allocation process is tuition revenue. State university budgets reveal increasing reliance on tuition funding over the past four years. Table 1-4 shows that state appropriations have grown by 4.9 percent since 1990, while tuition revenue has increased over 22 percent.

Table 1-4
Historical Trend of Appropriations and Tuition Revenue

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>Percent Change</u>
State appropriations	\$167,401	\$175,143	\$183,149	\$175,652	4.9%
Tuition revenue	83,469	91,724	97,760	102,120	22.3%
Total resources	<u>\$250,870</u>	<u>\$266,867</u>	<u>\$280,909</u>	<u>\$277,772</u>	

Source: State Appropriation Laws and Statewide Accounting tuition receipts.

The State University System recognizes the growing impact of tuition revenue and the importance of controlling student charges and receivables. The Chancellor's Office, in coordination with university staff, is currently developing an accounts receivable module as part of a new financial package. This module will replace the independent receivable systems currently used at universities.

The State University System attributes part of the tuition increases to the declining student enrollment. Table 1-5 shows that the number of full-time equivalent (FTE) students is declining.

Table 1-5
FTE's by University

<u>University</u>	<u>FY 1991 Actual</u>	<u>FY 1992 Actual</u>	<u>FY 1993 Actual</u>	<u>FY 1994 Actual</u>
Akita	59	41	41	37
Bemidji	4,800	4,748	4,795	4,561
Mankato	14,502	14,265	13,497	12,640
Metropolitan	2,870	3,135	2,928	2,878
Moorhead	8,207	7,930	7,373	6,829
St. Cloud	14,873	14,554	14,123	13,428
Southwest	2,648	2,584	2,611	2,312
Winona	<u>6,832</u>	<u>6,597</u>	<u>6,679</u>	<u>6,548</u>
Total	<u>54,791</u>	<u>53,854</u>	<u>52,047</u>	<u>49,233</u>
Percent Decline		-1.7%	-3.3%	-5.4%

Source: 1994-95 Biennial Budget Report and Board records.

Pursuant to Minn. Stat. Section 136.11, the State University Board is responsible for setting tuition rates. From 1992 to 1993, the board increased undergraduate resident rates by eight percent and graduate resident rates by ten percent. Table 1-6 compares the 1992 and 1993 tuition rates for resident and nonresident credit hours, as well as rates charged to students from states with tuition reciprocity agreements.

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Table 1-6
Tuition Rate Trends

	<u>FY 1992</u> <u>per Credit</u> <u>Tuition Rate</u>	<u>Percent</u> <u>Change</u>	<u>FY 1993</u> <u>per Credit</u> <u>Tuition Rate</u>	<u>Percent</u> <u>Change</u>	<u>FY 1994</u> <u>per Credit</u> <u>Tuition Rate</u>
Undergraduate Tuition:					
Resident On-Campus	\$39.20	8.0	\$42.35	5.0	\$44.45
Resident Off-Campus	45.70	6.1	48.50	8.0	52.40
Nonresident	73.35	14.2	83.80	10.0	92.90
North Dakota	49.00	8.1	52.95	4.9	55.55
South Dakota	39.20	8.0	42.35	5.0	44.45
Wisconsin	33.00	6.1	35.00	5.7	37.00
Manitoba	39.20	8.0	42.35	5.0	44.45
WICHE	58.80	8.1	63.55	5.0	66.70
Senior Citizen	6.00	2.0	6.00	0.0	6.00
Graduate Tuition:					
Resident On-Campus	\$57.20	10.0	\$62.90	5.0	\$66.05
Resident Off-Campus	57.20	10.0	62.90	18.0	74.20
Nonresident	82.50	10.0	90.75	10.0	99.85
North Dakota	71.50	9.9	78.60	5.0	82.55
South Dakota	57.20	10.0	62.90	5.0	66.05
Wisconsin	56.00	7.1	60.00	8.3	65.00
Wisconsin Bus Master	65.00	6.2	69.00	5.8	73.00
Manitoba	57.20	10.0	62.90	5.0	66.05
WICHE	N/A	N/A	N/A	N/A	N/A
Senior Citizen	6.00	0.0	6.00	0.0	6.00

Source: State University Board Policy 5.3- Tuition Rates.

The changes in tuition rates reflect increases in nonresident and off-campus tuition. Since state appropriations subsidize the cost of education, nonresidents are assessed a higher rate. Similarly, off-campus courses traditionally incur greater costs for the university and result in higher tuition rates.

Chapter 2. Tuition Registration and Collections

Chapter Conclusions

Universities effectively assess and collect tuition revenue but need to compare registration charges to the receivable system. We found that universities have differing expectations of when students are obligated to pay for registered credits. Four universities cancel unpaid registrations well into the academic quarter, eliminating possible additional tuition revenue. Due to tuition reciprocity, Wisconsin students attend Minnesota universities at a lesser rate than Minnesota students. We also noted that universities have the flexibility to reduce nonresident tuition charges for high achieving students from other states and countries.

Individual universities are responsible for collecting the appropriate tuition from each registered student. Tuition collections are received and deposited as dedicated revenue into the state treasury. Table 2-1 summarizes the tuition collected by each university for fiscal years 1992 and 1993.

Table 2-1
Tuition Collections by University

<u>University</u>	<u>FY 1992</u>	<u>FY 1993</u>
Akita	\$ 167,606	\$ 197,376
Bemidji	8,242,190	9,212,012
Mankato	24,573,613	25,374,179
Metropolitan	4,761,267	4,895,408
Moorhead	14,379,771	14,425,686
St. Cloud	24,362,851	25,701,849
Southwest	4,523,274	4,957,247
State University Board (summer)	5,063,325	4,534,091
Winona	<u>11,685,724</u>	<u>12,821,964</u>
Total	<u>\$97,759,621</u>	<u>\$102,119,812</u>

Source: Statewide Accounting System (SWA) Estimated/Actual Receipts Reports.

Our current review included universities which collected over 85 percent of total tuition revenue for the system. We examined registrations and collections for the two largest state universities, Mankato and St. Cloud, which collect over half of all tuition revenue. We also reviewed Metropolitan, Moorhead, and Winona state universities. In addition, we surveyed Bemidji and

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Southwest state universities to gain information about university tuition registration, collection, receivable, and waiver practices.

Each university controls tuition charges and collections at the individual student level. They utilize computer systems to monitor student receivable balances, which include unpaid tuition as well as other fees or charges. Chapter 3 discusses university methods and practices to collect unpaid balances.

University registrar offices establish course schedules for each academic quarter. Registration can start as early as the middle of the preceding quarter. Students register for courses at the registrar's office, which initiates a tuition charge posted to the student receivable system. Upon payment by the student, a university cashier posts payment against the student's balance owed. Universities directly record financial aid against the tuition charges posted on the student receivables system.

The registration system at each university holds the primary credit hour data initiating tuition revenue. These systems identify student residency type and apply the proper tuition rates. We obtained credit hour summary information from the registration systems and calculated tuition revenue earned for 1992 and 1993.

Since a key focus of our review was on the student receivable level of control, we also compared charges and collections to the student receivable system at each university. We found that an additional control is needed to ensure that the student receivable systems contain accurate balances.

1. Universities do not compare registration charges to the receivable system.

Currently, universities do not compare registered credit hours to tuition charges posted on the receivable system. Universities emphasize efforts on reconciling tuition collections to the receivable systems. The tuition receipts budget is also monitored throughout the year as a means to ensure that collections are near expectations. While this budget monitoring is critical, it does not provide a key assurance that the receivable system is complete and contains all tuition charges.

State university staff have confidence in the tuition assessment processing between the registration and receivable computer systems or routines. Staff rely on the computer systems to accurately assess and transfer balances. To reinforce these reliances, the universities should develop a control to ensure that all registration system credits have been assessed to students and are recorded on the receivable systems.

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Recommendation

- *Universities, in coordination with the Chancellor's Office, should develop a control to ensure that all registration system credit hours agree with total tuition charges on the receivable system.*

Registration Cancellations

The state universities use different time frames and methods to initiate registration cancellations. Each university generally establishes a payment deadline date for each quarter, after which late fees of up to \$35 are assessed. However, if an authorized deferment has not been filed and the registration remains unpaid, system policies allow cancellation of the unpaid registration well into the academic quarter.

State University System policies allow students to register and attend classes without payment as long as a deferment has been authorized and filed with the business office. Most deferrals are for students waiting for financial aid eligibility approval or have third party billings. Personal or family financial hardships are not valid grounds for deferrals.

State University System Policy #5.7 "Collection of Tuition and Fees" provides:

Subd. 2 Payment of Tuition and Fees

Students may initiate registration and begin attending classes in any quarter without making advance payment of tuition and fees. Registration is not fully complete, however, until tuition and fees are fully paid....Students who have enrolled without full payment of tuition and fees shall be allowed 21 days to pay the full balance due the university.

Subd. 3. Nonpayment of Tuition and Fees

Students who have not made full payment of all tuition and fees shall, on the 18 calendar day of each quarter, be notified that they have failed to complete the registration process and, that as of the 22nd calendar day of the quarter, their academic registration shall be canceled. In the event the university provides notification after the 18th calendar day.....registration shall be canceled on the fourth calendar day following notification.

We noted that universities apply different time frames to determine when students are obligated to pay or when unpaid registrations are canceled. Registration cancellations can be initiated either by the student or the business office if registrations go unpaid. Board policies provide flexibility for each university to establish and enforce stricter requirements than those prescribed by the board. For example, Mankato, Metropolitan, and Winona state universities cancel registrations up to the third class day, as opposed to 21 days allowed by board policy. These universities define tuition revenue and receivables as accruable as of third class day. Any unpaid registrations as of that point are considered tuition revenue and assessed to the student. Collection efforts are begun and students are not allowed to register for further classes until the balance is paid.

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2. Universities lose tuition revenue by canceling unpaid registrations.

State universities inconsistently define when tuition is due and payable. As mentioned above, certain universities cancel registrations by the third class day. However, two universities we reviewed, Moorhead and St. Cloud, as well as Bemidji and Southwest, cancel unpaid registrations 20 days into the academic quarter. This complies with State University System Policy 5.7, Subd 3, however, the potential tuition revenue from these late cancellations is forgiven. These universities could be more aggressive in pursuing the tuition due from students rather than canceling the unpaid registration. Course space and instructor time is reserved for these registered students and, as a result, they have an obligation to the university.

Current system rules allow students a considerable time period before cancellation of unpaid registrations is initiated. It allows up to 18 calendar days, with a four day notification. This gives the student up to three weeks of class time without payment of tuition. There is little incentive to pay tuition promptly, except for a \$35 late fee assessment. Actually, the system's current refund structure is harsher on students who promptly pay tuition but subsequently drop a class, than on those who do not pay promptly and have their registration canceled.

Another impact of late cancellations is that once classes are fully registered, other tuition-paying students may be denied registration into that course. Despite losing tuition revenue from the original student canceled, universities lose the alternative tuition that could have been earned from another paying students.

St. Cloud State University cancels unpaid registrations around the 20th calendar day of the quarter. During 1993, St. Cloud canceled tuition receivables estimated at \$347,694. The business office receives a list from the registrar's office identifying students with unpaid registrations. After notifying students, the business office cancels the registration and eliminates the charge on the accounts receivable system. Once the registration and receivable are canceled, students are allowed to register for classes in subsequent quarters since there is no audit trail or hold caused by cancellations.

Moorhead State University also cancels unpaid registrations around the 20th calendar day, allowing up to one additional week before actually entering the cancellation into the registration system. Moorhead canceled tuition receivables estimated at \$394,000 for 1992 and 1993. Many cancellations were for students who did not attend the course, or stopped attending class during the first three weeks, and failed to notify the business office of their intent to cancel.

Recommendation

- *The State University System should evaluate the reasonableness of the policy allowing twenty-one days before unpaid registrations are canceled.*

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3. Moorhead State University cancels unpaid registrations after the 20th calendar day.

Moorhead State University cancels unpaid registrations after the deadline provided for in State University Policy 5.7, Subd. 3. Student registrations are canceled near and even after the quarter ends. Many of these students attended class all quarter and had received grades, but had their registration and grades canceled due to the unpaid tuition. The campus should pursue the unpaid balances from these students rather than canceling registration and grade. These students are obligated to the university for course space and instructor time reserved for their registrations.

As summarized in Table 2-2 Moorhead State University canceled unpaid tuition of approximately \$54,000 after 21 days, plus an additional \$52,000 after classes officially ended. These unpaid registrations through the end of the quarter should have been recorded as tuition revenue and collection efforts begun. Instead, the business office simply eliminated the revenue and receivable. Several students requested reinstatement of these canceled courses once they realized the course and grade was not posted on their academic transcript.

Table 2-2
Moorhead State University
Summarize Tuition Revenue Foregone from Canceled Registrations

Fiscal Year	<u>Registered Cancellations</u>		<u>Registered Cancellations</u>		<u>Registered Cancellations</u>		Total Credits Canceled	Total Amount Canceled
	<u>between 3-21 days</u>	<u>between 21-final class</u>	<u>between 21-final class</u>	<u>after final class day</u>	<u>after final class day</u>	<u>after final class day</u>		
	<u>Credits</u>	<u>Amount</u>	<u>Credits</u>	<u>Amount</u>	<u>Credits</u>	<u>Amount</u>		
1992	4,084	\$175,083.00	870	\$34,261.50	814	\$33,018.30	5,768	\$242,362.80
1993	<u>5,174</u>	<u>219,118.90</u>	<u>478</u>	<u>20,243.30</u>	<u>422</u>	<u>18,993.35</u>	<u>6,074</u>	<u>258,355.55</u>
Total	<u>9,258</u>	<u>\$394,201.90</u>	<u>1,348</u>	<u>\$54,504.80</u>	<u>1,236</u>	<u>\$52,011.65</u>	<u>11,842</u>	<u>\$500,718.35</u>

Source: Canceled Registration Printouts (credits estimated at the undergraduate resident rates) Moorhead State University Business Office.

The university does not record the reinstated tuition charge and subsequent collection of the receivable system. The business office requires the student to reinstate all credits for the quarter in addition to paying current tuition rates. However, lack of recording the reinstatement transactions on the receivable system weakens control over these revenues and diminishes the audit trail for tracking these receipts.

Recommendations

- *Moorhead State University should pursue collection from students who do not have registrations canceled prior to the date established in State University Policy #5-7, Subd. 3.*
- *Moorhead State University should record all tuition transactions, including subsequent reinstatements, on the student receivable system.*

State University System

Tuition Reciprocity

Due to a tuition reciprocity agreement, Wisconsin students are allowed to attend Minnesota universities at a lower tuition rate than Minnesota students. The Minnesota Higher Education Coordinating Board negotiates and administers the tuition reciprocity agreement between Minnesota and Wisconsin. The current agreement covers the years 1991 to 1998 and allows reciprocity students to pay resident tuition applicable to a comparable institution in their home state. As previously shown in Table 1-6, the Wisconsin tuition rates were \$33/credit and \$35/credit for 1992 and 1993, respectively, which were approximately 16 percent less than the Minnesota resident on-campus tuition rates. Table 2-3 estimates that the State University System's tuition revenue was reduced by \$1.3 million for 1992 and 1993 as a result of the lower Wisconsin rates. Most of the Wisconsin students attended Winona State University.

Table 2-3
Wisconsin Reciprocity Impact on Tuition Revenue

Tuition Type	Resident On Campus Rate	Wisconsin Reciprocity Rate	Rate Difference	Wisconsin Credit Hours	Effect on Tuition Revenue
Fiscal Year 1992					
Regular-Undergraduate	\$39.20	\$33.00	(\$6.20)	90,407	(\$560,523.40)
Regular-Graduate	57.20	56.00	(1.20)	2,824	(3,388.80)
Regular-Wisc. Bus. Mstr.	57.20	65.00	7.80	71	553.80
Summer-Undergraduate	36.30	34.00	(2.30)	5,086	(11,697.80)
Summer-Graduate	52.00	55.00	3.00	1,132	3,396.00
Summer-Wisc. Bus. Mstr.	52.00	63.00	11.00	17	187.00
				<u>99,537</u>	<u>(\$571,473.20)</u>
Fiscal Year 1993					
Regular-Undergraduate	\$42.35	\$35.00	(\$7.35)	96,458	(\$708,966.30)
Regular-Graduate	62.90	60.00	(2.90)	2,953	(8,563.70)
Regular-Wisc. Bus. Mstr.	62.90	69.00	6.10	79	481.90
Summer-Undergraduate	42.35	33.00	(9.35)	6,021	(56,296.35)
Summer-Graduate	62.90	55.00	(7.90)	956	(7,552.40)
Summer-Wisc. Bus. Mstr.	62.90	63.00	0.10	37	3.70
				<u>106,504</u>	<u>(780,893.15)</u>
Two-year Total				<u>206,041</u>	<u>(\$1,352,366.35)</u>

Statutes require any payments received from Wisconsin to be deposited into the General Fund.

Nonresident Rates

Our comparison of registration system credit hours to tuition collected included several nonresident students who pay resident tuition rates. While the policy results in lower tuition revenue, we found the State University System limits the extent of this practice. System Policy 5.2, Subd. 2, allows universities to reduce nonresident tuition charges for high ability students from other states. However, the policy limits resident status for these students up to five percent

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of the universities' initial fall quarter FTE enrollment. Subd. 3 also allows discretion to grant international students with resident tuition status up to three percent of the initial fall quarter FTE enrollment.

The intent of this policy is to draw high achieving students to Minnesota state universities by allowing them to pay the lower resident tuition rates. We were told that universities monitor grade point averages (GPA) for these students to evaluate continued eligibility for the lower resident tuition rate.

The cost-benefit of this policy is difficult to measure. Since state appropriations subsidize the total cost of education at state universities, allowing nonresidents to pay the lower resident rate causes a greater share of appropriations to be devoted to these students than other nonresident students. Neither the State University System, nor the state as a whole, receive any additional funding from the home state or country of the student. However, there are cultural and educational benefits resulting from this policy that cannot be easily measured.

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Chapter 3. Outstanding Student Receivables

Chapter Conclusions

State universities maintain receivable systems for accumulating and pursuing collection of outstanding tuition balances. Most universities diligently refer delinquent charges to collection agencies and revenue recapture, however, some universities do not. We noted that time frames for referral, collection agency rates, and methods to recover these costs vary between universities.

Each university uses independent computer systems to track unpaid tuition, as well as other outstanding charges. Table 3-1 summarizes the outstanding tuition receivable balances for each university.

Table 3-1
Outstanding Tuition Receivables

University	June 30, 1992	June 30, 1993
Akita	\$ 9,561	\$ 18,361
Bemidji	114,012	33,175
Mankato	248,735	387,910
Metropolitan	5,062	15,203
Moorhead	127,149	117,277
St. Cloud	105,698	151,053
Southwest	102,665	29,110
Winona	92,154	162,066
Total	<u>\$805,035</u>	<u>\$914,154</u>

Source: University Accounts Receivable Reports at June 30, 1992 and June 30, 1993.

Outstanding tuition balances are minor compared to annual tuition collected. However, these receivables represent a valid asset of the university which must be diligently pursued. Mankato State University has the largest receivable balance. However, as explained in Chapter 2, Mankato State University does not cancel student registrations after three days. Students registered for courses after the third day are obligated to pay the tuition as the university initiates its collections effort. This practice has produced additional revenue but caused the receivable balance to increase to a much higher level than other universities. Winona State University began this practice in 1993 and their receivables have risen also. Both of these universities have had to devote the necessary administrative resources to the receivable and collection functions to maintain this practice. Both universities feel the prompt assessment of tuition has been cost-effective and has improved registration.

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Deferments are frequently associated with outstanding tuition receivables. Students with authorized deferments are allowed to register despite having an unpaid balance. Students can receive deferment authorization while waiting for financial aid eligibility determinations. System policies also allow deferrals for third party or government agency billings. Many longer term receivables were initially authorized deferrals that are never collected or resolved. Students are ultimately obligated to pay the tuition balance if financial aid is denied or a third party fails to pay.

We found that universities were successful in collecting most receivables within one year. Universities take advantage of their ability to place a hold on the student record and registration until the outstanding balance is paid. This prevents students from registering for classes in a subsequent quarter and incurring further obligations to the university. However on unpaid emergency loans, one university was not placing a hold on the student record.

4. St. Cloud State University does not place holds on student records and registration for students with overdue emergency loans.

St. Cloud State University allows students with past due emergency loans to register for classes. However, the university's internal policy does not permit students that owe the university for tuition, room and board, parking fines, or other charges to register for classes and incur further obligation. The university places holds on students with other overdue receivables but does not place holds on delinquent emergency loans.

St. Cloud State University gives emergency loans to students who apply when encountering unusual emergency situations. The intent is for it to be a short term loan which is paid back in a timely manner. When loans are not repaid timely the student should not be allowed to register for the following academic quarter unless repayment arrangements have been made.

Recommendation

- *St. Cloud State University business office should initiate holds for students with delinquent emergency loans.*

5. Metropolitan State University allows deferments for financial hardships.

Metropolitan State University allowed students to defer payment of tuition due to personal financial hardships. We noted certain outstanding students' receivables balances that were initially deferred for financial hardship reasons and were ultimately never collected. Financial aid grants and loans are available to finance the education costs of those with financial need.

State University System Policy 5.7, Subd. 4, explicitly states that personal or family financial hardships are not a valid ground for deferral of tuition obligations.

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Recommendation

- Pursuant to State University System policies, Metropolitan State University should not allow deferments based on personal financial hardships.

Collection Practices

We found that university business office staff diligently pursue unpaid receivables for a reasonable time period. During the first year of an outstanding balance the universities have the best chance of locating and confronting the student by placing a hold on their record. After a year, however, the chances of contacting the student or locating an address diminishes. At this point universities generally refer delinquent charges to a collection agency and revenue recapture for recovery. However, we identified several concerns regarding the collection practices and methods of the various universities including:

- not pursuing unpaid tuition and fees for MSU-Akita;
- not utilizing all available collection methods;
- lack of current collection agency contracts;
- not assessing late interest to past due receivables;
- absorbing collection costs in the balance owed; and
- lack of write-off of old uncollectible accounts.

Table 3-2 provides a comparison of different collection practices used by each university.

Table 3-2
Comparison of Collection Methods and Rates

<u>University</u>	<u>Registrations Canceled?</u>	<u>Revenue Recapture Used?</u>	<u>Collection Agency Used?</u>	<u>Collection Agency Rate Charged</u>	<u>Collection Costs Recovered</u>
Akita	Yes	N/A	No	N/A	N/A
Bemidji	Yes	Yes	Yes	25%, 33%	Yes-Added
Mankato	No	Yes	Yes	33%	No-Absorbed
Metropolitan	No	No	No	N/A	N/A
Moorhead	Yes	Yes	Yes	33%	Yes-Added
St. Cloud	Yes	Yes	No	N/A	N/A
Southwest	Yes	Yes	Yes	25%, 33%	Yes-Added
Winona	No	Yes	Yes	25%, 33%	Yes-Added

We identified several concerns regarding collection practices of certain universities.

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6. Outstanding receivables were not pursued for MSU-Akita tuition and fee charges.

The State University System has not pursued collection of \$18,362 in unpaid MSU-Akita tuition and fees. Outstanding balances totaling \$6,500 pertain to charges from 1991 and \$3,000 remains outstanding from 1992. None of these balances have been referred to a collection agency or the state's revenue recapture program.

The Minnesota State Universities (MSU)-Akita branch university began in 1991. Students from any Minnesota state university can attend MSU-Akita and pay Minnesota resident tuition rates. St. Cloud State University accepted certain responsibilities for processing registration and depositing collections, but was not responsible for accounts receivable duties. As a result, an aggressive or diligent effort to collect outstanding balances did not occur.

Recommendation

- *The Chancellor's Office should delegate responsibility for follow-up and collection of MSU-Akita student receivables. Delinquent balances should be referred to a collection agency and/or revenue recapture.*

7. Certain universities do not use collection agencies, revenue recapture, or are operating under old collection agency contracts.

St. Cloud and Metropolitan state universities do not refer delinquent balances to a collection agency. Without a collection agency referral, no threat of added collection fees or credit bureau intervention exists. In addition, Metropolitan State University does not refer delinquent balances to the state revenue recapture program. Finally, Mankato and Moorhead state universities use collection agencies, which are under very old contracts.

St. Cloud State University should improve its delinquent receivable follow-up efforts by utilizing an outside collection agency. St. Cloud State University does utilize revenue recapture, however, this will only initiate recovery from Minnesota taxpaying students. A collection agency has the capability to attempt recovery from nonresident students who have not paid. Additionally, collection agencies can refer delinquencies to a credit bureau or rating service which create initiative for students to clear the debt. St. Cloud State University currently has a student loan collection agency contract, which it does not use for tuition collections. Other universities use their student loan collections contract to pursue delinquent tuition balances.

Metropolitan State University uses neither a collection agency or revenue recapture. Without any external referral process, it is very unlikely that Metropolitan State University will ever collect any of its old balances. It is highly cost effective to use the state revenue recapture program at a minimum. No fee or costs is associated, except for the university staff time to gather and refer the receivable information.

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Mankato and Moorhead state universities collection contracts are over five years old and have not been renegotiated. As indicated in Table 3-2, they are also the most costly. To ensure that collection agency fees remain competitive, universities should periodically bid out for these services.

Recommendations

- *St. Cloud State University should refer delinquent student receivables to a collection agency. Metropolitan State University should also use a collection agency as well as referring to revenue recapture.*
- *Mankato and Moorhead state universities should periodically request collection agencies to bid for services.*

8. The State University System has not addressed the assessment of interest or the recovery of collection costs on past due student accounts for tuition.

State universities do not assess interest charges on past due student tuition receivable accounts. Four universities do recover collection costs associated with past due tuition accounts. These universities, however, have not complied with the federal Fair Debt Collection Practices Act. The Act provides, in part, that:

"(1) The collection of any amount (including any interest, fee, charge, or expense incidental to the principal obligation) unless such amount is expressly authorized by the agreement creating the debt or permitted by law. "

For tuition, the universities have not obtained written agreements to allow them to assess either interest or collection costs against past due accounts. The universities do, however, have written agreements with students under student loan programs and housing and thus comply with the federal Fair Debt Collection Practices Act for those receivables.

The State University System could comply with this federal Act either by designing appropriate written agreements or seeking state legislation that would allow it to assess interest and collection agency costs against overdue tuition accounts. Until the State University System complies with the provisions of the federal Fair Debt Collection Practices Act, it must refrain from assessing interest and collection costs against overdue tuition accounts.

Recommendations

- *The State University System should consider implementing policies and practices that would allow it to assess interest charges and collection costs on past due student accounts for tuition.*
- *The State University System should comply with the federal Fair Debt Collection Practices Act.*

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9. Universities have not obtained formal State University Board approval for write-off of old uncollectible balances.

Universities have old outstanding receivables for which collection is unlikely. Universities are not actively pursuing collection on these balances, many of which are over seven years old. They ignore these old balances rather than obtaining formal State University Board approval for write-off.

Write-off of old uncollectible balances is necessary to allow the receivable follow-up cycle to focus on overdue balances with greater likelihood of collection. Old uncollectible balances make the receivable system cumbersome and inefficient. Write-offs allow the old items to be removed and distinguished from the more current receivables.

Recent legislation gives more authority for state agencies to write-off debts once collection efforts are exhausted, and it becomes no longer cost effective to pursue. State University System Policy 5.7, Subd. 5, provides a current process for universities to refer uncollectible accounts with State University Board for write-off approval.

Recommendation

- *State universities should formalize a process for submitting and obtaining State University Board approval for write-off of old uncollectible receivable balances.*

Chapter 4. Tuition Waivers

Chapter Conclusions

Waived tuition is a unique benefit offered to university faculty, staff, and dependents. The contractual intent is to provide these waivers on a "space availability" basis to avoid any lost tuition revenue. However, tuition waivers are not controlled on a "space availability" basis as specified in the employee bargaining agreements. Universities also provide tuition waivers to war orphans, wards of the state, and senior citizens. We also found that duties at one university were not effectively segregated, and the receivable system does not distinguish waiver transactions.

Waiver Process and Authorization

Various statutes and bargaining agreements require universities to allow certain students to attend classes and have all or part of their tuition waived. These groups include faculty, staff and their dependents, as well as war orphans, wards of the state, and senior citizens. The statutes and bargaining agreements stipulate certain requirements including waived credit limits and registration priorities.

Each university has its own tuition waiver documents and process for authorization. All universities maintain a system to accumulate and monitor the number of tuition credits waived. University personnel offices authorize and monitor employee tuition waiver credit limits. Employees are eligible for the tuition waivers while attending any university in the state system, but the home university is responsible for monitoring the waived credit limits. The business office generally posts the waiver into the student receivable system. As shown in Table 4-1, tuition waivers totaled approximately \$1,000,000 for each fiscal year.

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Table 4-1
Tuition Revenue Waived

University	Employee and Dependents Undergraduate	Graduate	War Orphans	Wards of the State	Senior Citizens	Total Tuition Waived
Fiscal Year 1992:						
Akita	\$ 4,574	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,574
Bemidji	78,560	15,416	1,921	0	1,831	97,728
Mankato	186,461	59,875	17,366	3,214	15,921	282,837
Metropolitan	470	458	0	0	0	928
Moorhead	104,782	25,168	1,725	0	1,435	133,110
St. Cloud	208,544	48,391	19,286	5,958	6,683	288,863
Southwest	34,576	0	3,293	0	0	37,869
Winona	91,101	12,470	2,274	2,195	1,129	109,168
Total	<u>\$709,068</u>	<u>\$161,778</u>	<u>\$45,864</u>	<u>\$11,368</u>	<u>\$26,999</u>	<u>\$ 955,076</u>
Fiscal Year 1993:						
Akita	\$ 5,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,762
Bemidji	83,368	16,747	9,783	0	3,513	113,411
Mankato	240,859	65,256	17,787	4,023	18,554	346,479
Metropolitan	678	755	0	0	0	1,433
Moorhead	137,129	32,456	5,717	2,033	1,091	178,426
St. Cloud	253,465	59,378	13,467	5,590	9,837	341,737
Southwest	45,777	0	1,567	0	0	47,344
Winona	103,249	20,820	2,583	2,668	3,417	132,738
Total	<u>\$870,287</u>	<u>\$195,412</u>	<u>\$50,905</u>	<u>\$14,314</u>	<u>\$36,412</u>	<u>\$1,167,330</u>

Source: University Tuition Waiver Records for 1992 and 1993.

Employee Tuition Waivers

Over 90 percent of the tuition waivers are for employees and dependents taking graduate and undergraduate courses. University faculty and staff are represented by several different bargaining units. Each of the bargaining unit contracts allow employees and dependents to attend classes at any university and have a limited number of tuition credits waived. The tuition waiver limits are 24 or 36 credits per year depending on the contract involved. Each contract also stipulates that tuition is waived on a "space availability" basis.

Our review found that universities were not controlling tuition waivers on a "space availability" basis. We also noted that one university allows cashiers to post tuition waivers into the student receivable system, and the receivable system does not provide capability to distinguish waivers from other transactions.

10. Universities do not control employee tuition waivers on a "space availability" basis.

Universities provide employee tuition waivers without an assurance that space was available in the courses. Currently, universities ignore this key contract provision. Students with tuition waivers

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should either be required to register after the general student population or pay tuition when registering for a course that is subsequently filled.

Individuals receiving tuition waivers are allowed to register for courses with the general student population. Allowing students with waivers to register at the same time could result in paying students being denied registration into a full course. Each class has an established size which allows registration up to the class or section limit. Once that limit is reached, the class is closed and students must register for other classes or sections. Instructors can, however, permit additional students into a full class or section. This flexibility blurs the definition of space availability.

Current tuition waiver practices need to adhere to employee contract provisions to avoid lost tuition revenue. The tuition waiver benefit to employees can not be at the expense of paying students.

Recommendation

- *State universities should enforce employee contract provisions by providing tuition waivers on a space available basis only. This can be accomplished by:*
 - *registering individuals with tuition waivers after the general student population has registered; or*
 - *allowing regular registration, but requiring tuition to be paid if the course is subsequently filled.*

11. Moorhead State University needs to improve control over tuition waivers posted into the student receivable system.

Key duties regarding tuition waivers at Moorhead State University are not effectively separated and an audit trail does not exist. The university has assigned a cashier with the responsibility for posting tuition waivers into the student receivable system. Additionally, the student receivable system does not provide the capability to distinguish tuition waiver transactions. These weaknesses place the cashier in a position to perpetrate theft of tuition receipts, while posting tuition waiver transactions into the student receivable system.

A university cashier is responsible for entering the tuition waivers onto the student receivable system. The cashier is also responsible for routinely collecting tuition payments from students. This places incompatible duties with the same individual for posting both cash and waiver transactions.

Additionally, the current student receivable system does not distinguish tuition waivers from other transactions. There is no unique transaction or code which highlight or isolate these transactions. The waivers are reflected on the system similar to refunds or other negative transactions. The lack of a specific audit trail increases risk, since waivers cannot be readily identified for effective review by management.

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Recommendation

- *Moorhead State University should improve controls over tuition waivers by:*
 - *separating responsibility for entry into the receivable system to staff without access to incoming cash receipts; and*
 - *developing a unique transaction, code, or description to distinguish tuition waivers in the student receivable system.*

Other Tuition Waivers

Minnesota statutes provide authority for certain students to be exempted from paying tuition. While the balances are not significant, the transactions are sensitive since the university must forego the tuition revenue. We found that universities generally verify the eligibility for these waivers by obtaining approval from the state or county agency involved.

- Minnesota Statutes Section 197.75 permits "...children of veterans who have died as a result of their service in the armed forces of the United States to attend a state university... tuition free."
- Minnesota Statutes Section 136.11 allows the "[State University] Board to waive tuition for persons under the age of 21 who are under the guardianship of the commissioner of human services, provided that those persons are qualified for admission to the state universities..."
- Minnesota Statutes Section 136A.81 states that, "Except for an administrative fee of \$6 a credit hour, ... a senior citizen who is a legal resident of Minnesota is entitled without payment of tuition .. to attend courses offered for credit..." This statute, however, places a limitation that they may only register for classes "when space is available after all tuition-paying students have been accommodated."

THE MINNESOTA
STATE UNIVERSITIES
BEMIDJI • MANKATO • METROPOLITAN • MOORHEAD • ST. CLOUD
SOUTHWEST • WINONA • AKITA CAMPUS, JAPAN

November 3, 1994

Mr. James Nobles
Legislative Auditor
100 Centennial Office Building
St. Paul, MN 55117

Dear Mr. Nobles:

Thank you for the opportunity to respond to the findings and recommendations in the audit report. The State Universities are currently developing a new accounts receivable system, and the audit provides useful information for its design. Also, we appreciate the professional manner in which your staff conducted the audit.

Following is our response to the individual findings.

1. Universities do not compare registration charges to the receivable system.

We agree that controls should ensure that all registration credit hours are reflected in the accounts receivable system. Our new accounts receivable system will be integrated with the registration system. Therefore, any registration activity will generate a transaction in accounts receivable.

2. Universities lose tuition revenue by canceling unpaid registration.

We agree with the recommendation. During the next year, the board policy will be revised. In addition, we will work with the Higher Education Board to transfer the policy to the merged system.

3. Moorhead State University cancels unpaid registrations after the 20th calendar day.

We agree with the recommendation. Effective immediately, Moorhead State will cancel as of the 20th calendar day.

4. St. Cloud State University does not place holds on student records and registration for students with overdue emergency loans.

We agree with the recommendation. St. Cloud State has changed its practice, and is now placing holds on registration for overdue emergency loans.

5. Metropolitan State University allows deferments for financial hardships.

We agree with the recommendation. Effective immediately, Metropolitan State will discontinue deferments for financial hardship.

6. Outstanding receivables were not pursued for MSU-Akita tuition and fee charges.

We agree with the recommendation. The Chancellor's Office has started pursuing collection of outstanding receivables. Any balances that we cannot collect will be submitted to revenue recapture and a collection agency.

7. Certain universities do not use collection agencies, revenue recapture, or are operating under old collection agency contracts.

We agree with the recommendation. All universities will submit outstanding receivables to revenue recapture and collection agencies. In addition, universities will bid collection agency contracts at least every five years. The bidding process will consider the quality of service provided by agency along with cost.

8. The State University System has not addressed the assessment of interest or the recovery of collection costs on past due student accounts for tuition.

We agree with the recommendations. The Department of Finance is attempting to secure passage of such legislation, and we will work with them to include student tuition in a new law.

We will also direct universities to stop charging interest and collection costs to tuition until a new law is passed.

9. Universities have not obtained for State University Board approval for write-off of old collectible balances.

We agree with the recommendation. The Department of Finance has just issued new procedures giving state agencies greater responsibility for determining when to write-off receivables. When implementing this new policy, we will write-off old amounts that are deemed uncollectible.


10. Universities do no control employee tuition waivers on a "space availability" basis.

The current practice was initiated to meet the educational interest of the student. We allow them to follow normal registration process so they can plan their courses. However, we realize that the bargaining agreements limit this benefit to a space available basis. We will check the materiality of students admitted to full classes, and make changes if appropriate.

11. Moorhead State University needs to improve control over tuition waivers posted into the student receivable system.

We agree with the recommendation. Someone independent of the cashier function will compare the tuition waivers entered by the cashier to an authorized list prepared by the Personnel Department.

Sincerely,


Terrence MacTaggart
Chancellor