Collin College
Internal Audit

Memo

To: Barbara Jindra, Deanna Brown, Rhonda Bolton, and Todd Fields

From: June Orth June Orth Digitally signed by June Orth DN: cn=June Orth, o=Collin College, ou, email=jorth@collin.edu, c=US Date: 2013.07.23 12:06:32 -05'00'

CC: Alicia Huppe, Barbara Money, Cary Israel, Colleen Smith, Julie Bradley, Kim Davison, and Ralph Hall

Date: July 23, 2013

Re: Internal Audit Report

This report on compliance review of residency reclassification related tuition reduction or refund has been issued in a seven-page format.

I appreciate the cooperation and assistance of your personnel during this review. Please email me at **jorth@collin.edu** or call me at 3832 if you have any questions or need further information.

COLLIN COUNTY COLLEGE
INTERNAL AUDIT REPORT
07/23/13

Title:	**Responsible Party:**
Compliance review on residency reclassification related tuition reduction or refund	Registrar/Director of Admissions, Manager of Records Systems, Bursar, and Associate Vice President of Financial Services and Reporting

Objective:

1.To evaluate compliance with the relevant residency policies and procedures set forth by Texas state law and Collin College;

2. To determine whether students' tuition payments were appropriately reduced or refunded as a result of reclassifying students' residency;

3. To determine whether established controls on residency changes are working properly and whether documentation pertaining to refunds was properly collected.

Background:

Residency status determination and reclassification for tuition purposes at Collin College are made by the Admissions and Records Office (ARO).

Texas Education Code Section 54.052 and Texas Coordinating Board (THECB) Rules and Regulations Chapter 21/Subchapter B classify each person who applies for admission to a Texas public college as a Texas resident, a non-Texas resident, or a foreign student. This classification impacts a student's eligibility for resident tuition and financial aid.

A person can establish residency in two ways, one based on graduation from high school and the other based on the establishment of domicile. To be considered a Texas resident, a person must clearly establish and maintain residence in Texas for the 12 months preceding their enrollment. Documentation of Texas residency will be required. Generally, Collin College may require the following documents as listed on the College's website (Bursar site):

Texas high school transcript (if enrolled within the last 12 months) showing three years of attendance and graduation date.

- Letter of employment (verifying one year of employment).
- Proof of paying in-state tuition at a Texas public institution of higher education during the previous fall or spring semester.

Once a person's Texas residency status is established, his classification as an in-county or out-of-county resident is based on whether he actually resides in Collin County on the census date of the term, per Collin College Catalog residency requirements.

Collin College charges different tuition rates according to the residency status of their students. The tuition rates for non-Texas residents and out-of-county residents are significantly higher than the rate for in- county residents. Below are the tuition rates for Spring 2013:

Residency classification:	**In-County**	**Out-of-County**	**Out-of-State**
Tuition per credit hour	$30.00	$66.00	$121.00

Residency is determined initially during the admissions application process, and then can be re-determined through a residency reclassification. If a student feels his residency status is incorrect or he is entitled to receive in-state tuition, the Manager of Records Systems /Collin

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Residence Determination Official stated that ARO may let a student complete the Residency Reclassification Request Form if the student does not attend a Texas High School or does not provide the high school transcript. Core residency answers will determine if ARO may require residency documents. Additional documentation is required by ARO when a student has been in Texas for less than 18 months.

Collin website regarding Residency Requirements states: "If a student is moving to Collin County, documentation of residency is required. ARO will make residency code changes when sufficient documentation is submitted."

Residency reclassification and errors in classification, etc. are also determined by the Texas Education Code, THECB rules and regulations.

THECB Rule 21.27. Reclassification Based on Additional or Changed Information states:

(a) If a person is initially classified as a nonresident based on information provided through the set of Core Residency Questions, the person may request reclassification by providing the institution with supporting documentation as described in Revised Chart II, which is incorporated into Section 21.25(b) of this title (relating to Information Required to Initially Establish Resident Status).
(b) A person shall provide the institution with any additional or changed information which may affect his or her resident or nonresident tuition classification under this subchapter.
(c) An institution may reclassify a person who had previously been classified as a resident or nonresident under this subchapter based on additional or changed information provided by the person.
(d) Any change made under this section shall apply to the first succeeding semester in which the person is enrolled, if the change is made on or after the census date of that semester. If the change is made prior to the census date, it will apply to the current semester.

Prior to Spring 2013, refunds due to residency changes for past terms were processed when documentation was provided. Starting spring 2013, Collin ARO decided to stop refunding students for past terms due to residency changes, and will also not change a student's current term residence status if documents are provided by students after census date, unless it is a school error. ARO advertised this procedure in Registration Guide starting 2011; however, the implementation was delayed, resulting in multiple prior term refunds being disbursed. Registrar/ Director of Admissions explained the cause of the delay was misinformation ARO received from the THECB: "We were first told that we were to refund regardless of the reason, correct the classification and refund the money they should not have paid. The following year at our Summer TACRAO the same discussion was held and it was stated that we should only refund if the school was in error."

Scope:

Reviewed and tested the admission documents and the accounting records for 40 students' reclassification of residency status determinations for tuition reduction/refund purposes in spring 2013.

Reviewed Texas Education Code Section 54.052 and Texas Higher Education Coordinating Board Rules and Regulations Chapter 21/Subchapter B, Collin Board residency policy, residency requirements in Collin College Catalog, website, and published Collin registration guide. Interviewed staff about ARO residency reclassification process and other auditing

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procedures as considered necessary.

In determining the adequacy of records, there are inherent limitations that result in reasonable but not absolute assurance as to the completeness and accuracy of all records. The examination was based on selected tests of records and related procedures. It would not necessarily disclose all instances of control weakness or noncompliance.

Findings and Recommendations:

In general, residency reclassification is in compliance with the relevant residency policies set forth by Texas state law and Collin College Board of Trustees. Most refunds due to residency reclassifications are appropriately documented in accordance with such policies. There is a limited refund review process monitoring residency change. Majority of students' tuition payments were appropriately reduced or refunded as a result of reclassifying students' residency status; However, implementation of the following recommendations as a result of findings would improve the residency reclassification operation for tuition reduction purposes.

Finding No.1: Three out of forty students' tuition reductions lack sufficient documentation. Internal audit could not determine whether the tuition payments were appropriately reduced or refunded because available documents did not support residency status change. However, an employer letter dated June 17, 2013 was received by ARO to verify a Student's employment.

	Questionable Tuition Reclassification status/errors	**Document (doc) status**	**Questionable Tuition reduction in dollar ($)**
Student 1	Out-of-state to in-county	Currently available 9 month payroll stubs cannot justify 1 year Texas residency.	483.00
Student 2	Out-of-state to in-county	An employment letter was received in June, 2013.	1,638.00
Student 3	Out-of-county to in-county	Available documents indicate out of-county residency. In-county residency documents cannot be located.	540.00

ARO requires staff to make residency code changes when sufficient documentation is submitted. One student's tuition was reduced/refunded, but supporting documentation was not found or provided. The other student has been in Texas less than 18 months, does not have 12 months of employment data on file to support Texas residency, but was reclassified to in-county resident status. Another student tuition reduction was processed in January 2013, but an employment letter was received in June 2013.

Current refund processes do not require further review, and credit may be refunded if the residency adjustment was made by the Residence Determination Official and three authorized senior staff. The Bursar's Office will alert the Residence Determination Official of any tuition reductions/refunds processed by any staff not included in the above ARO authorized group list. The Residency Determination Official will review or assign staff for further review. It appears

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controls on residency reclassification are established and working for most part, but can be improved.

Recommendation No. 1: ARO should review its procedure to improve controls to ensure the supporting documentation is properly reviewed, obtained, and retained according to the regulations and Collin policy when students with out-of-state status/out-of-county status are reclassified as in-state/in-county residents for purposes of assessing, collecting and refunding student tuition. Random checks on senior staff refund adjustments should be included as a part of ARO procedures.

Finding No. 2: Residency policy/procedures

2(1). Two students' tuition was reduced/refunded before resolving conflicting residency information. ARO's current procedures do not require staff to resolve conflicting residency information.

	Questionable Tuition Reclassification status	Document status	Questionable Tuition reduction in dollar ($)
Student 4	Out-of-county to in-county	Before census, the student-provided residency document does not support the in-county residency status that student claimed in the application.	216.00
Student 5	Out-of-county to in-county	Conflicting in-county residency information.	360.00

A few students' in-county status reclassifications such as student 4 and 5 were based on application address with no further substantiation. It appears ARO's current process does not require staff to resolve conflicting residency/address information. Student 4 claimed in-county residency in the application and provided 1 year of bank statements with out–of-county address to prove Texas residency. ARO reduced student's tuition ($216) before conflicting information was resolved. When questioned, the student recently provided a December 2012 bank statement with in-county address. ARO now has two banks' December 2012 statements on file, one has out-of-county address provided before census, and the other has an in-county address provided after census. There is no additional request for proof of in-county residency. ARO reduced Student 5's tuition ($360) by relying on an in-county address on the Apply Texas application, even though that student's driver's license indicated an out-of-county address. No further in-county verification was noted on student's file. The same student's payment of in-state tuition in another college was confirmed after census.

2(2).Current policy and practice, granting some residency reclassifications based on self-certification with no further corroboration from third party documentation, may not violate state

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law but is a potential risk to tuition revenues. Policies and procedures for residency should be reviewed with consideration given to increasing minimum documentation requirements for tuition refunds related to residency reclassification.

Six (6) out of 33 students have been granted tuition status reclassification from out-of-state to in- county /out-of-county based on the students' completing residency status change request forms (self-certification) without third party substantiation to affirm they have been a Texas resident for over 1 year for tuition purposes. Two of the six did not answer "14b establish/maintain a home" on the Residency Reclassification Request Form. Refunds should not be processed until all documentation is complete.

The College tuition rates for non-Texas residents and out-of-county residents are significantly higher than the rate for in-county residents. Last five (5) years' Fall tuition status statistics from Collin College 2011-2012 Comprehensive Annual Financial Report (CAFR) indicate that about 70% students paid in-county tuition, 22% paid out-of-county tuition, and 8% paid out-of-state-tuition, but the CAFR also indicates the College collected about 56% of annual tuition revenue $21,583,584 * from out-of-county and out-of-state students. (*Tuition Revenue excludes continuing education and TPEG set aside.)

According to an estimate provided by the Collin Bursar's office, the tuition reductions in Spring 2013 due to residency reclassifications were about $651,310 as compared to Spring 2012 of $606,556. This approximate value only includes residency reclassification from out-of-state to out-of-county / in-county or from out-of-county to in-county.

Collin College's current required documentation of Texas residency generally includes:

<u>The Board Policy 043500 FBB Local</u>

It states: "Documentation requirements to determine residence are published in the College District's catalog".

High school transcript is listed in Collin catalog as a document that may be used in meeting general residency requirements (Texas Residency). However, the College's website (see background section) and Registration Guide have additional requirements listed.

<u>The Board policy 043500 FBC Legal</u>

- A statement of the dates and length of time the person (if independent student) or any parent of the person (if dependent student) has resided in this state, as relevant to establish resident status; and
- A statement by the person (if independent) or by the parent/student (if dependent) that the person's presence or the parent's presence in this state for that period was for a purpose of establishing and maintaining a domicile.
- A statement of the dates and length of time the person has resided in this state, as relevant to establish resident if he graduated from high school, lived in Texas for 36 months leading up to high school graduation or completion of GED and has lived in Texas for the previous 12 months prior to enrollment.
- If the person is not a citizen or permanent resident of the United States (under Senate

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Bill 1528 for undocumented students), in addition to the statement as relevant to establish resident status, require an affidavit stating that the person will apply to become a permanent resident of the United States as soon as the person becomes eligible to apply.

Collin policy allows the use of documentation requirements outlined in the Texas Education Code. However, due to significant tuition differences between the different residency statuses, relying on a student's self-certification to reclassify his residency status without providing substantiating documentation can result in a loss of College revenues.

Recommendation No. 2(1): ARO should establish procedures for resolving conflicting residency information before granting tuition refunds. ARO should ensure all Residency Reclassification Requests or other ARO residency change forms are completed with any required substantiation before reducing tuition calculations. ARO should work with Bursar to ensure consistency in residency documentation requirements identified for students in the catalog, the registration guide and on the college's web site.

Recommendation No. 2(2): ARO should also work with Collin administrators/ leadership team to review residency policy/procedures to determine whether Collin should increase the minimum standard of evidence required for tuition refunds related to residency reclassification and to evaluate the addition of staff needs.

Finding No. 3: Issues with Apply Texas core residency questions caused ARO to manually process residency status determination.

ARO relies heavily on staff to review and decide residency for the Apply Texas applicant. The Manager of Records Systems stated that the majority of the students completed the on-line application via Apply Texas, but most of them were not allowed to answer the core residency questions, because students answered yes to the high school or college questions. Every Apply Texas application is reviewed for residency when it is processed. ARO relies on staff to review and decide residency for every applicant. It generates a huge work load for the ARO staff. The Registrar indicated that the Apply Texas core residency questions are designed for both universities and community colleges. Apply Texas has not been able to fix the issues. The current process for determining residency is mostly manual. Efficiency will be improved if ARO can automate the residency determination and reclassification process that enables an applicant to complete the core residency questions with system analysis of the answers and residency status, requesting and then acknowledging receipt of documents from students. Then ARO can review and approve residency or status changes on line.

Recommendation No. 3: ARO should consider automation of its residency determination, review and approval process.

Management Responses:

Registrar/Director of Admissions, Manager of Records Systems:

We agree with your findings and will look at ways to improve our processes to ensure students' tuition is appropriately reduced. We have reviewed your recommendations and will follow up on

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whether we will be able to implement them.

Recommendation 1: Has been implemented. We are working to find new ways to control the documentation that is received.

Recommendation 2 (1): We will look at new procedures to help resolve conflicting information.

Recommendation 2(2): We will meet with other colleges and then take our findings to a member of the leadership team. We will work with counter staff to let them know all questions on the admissions application/reclassification form must be completed.

Recommendation 3: We will check with other community colleges to see how they handle reclassifications. If some part of it could be automated to help decrease our workload, we would definitely be willing to look at that process.

Bursar:

Recommendation 2 (1): Per our discussion with Manager of Records Systems, Bursar office located the 'residency' page at www.collin.edu and edited it to agree with the fall registration guide and 12/13 Collin Catalog. Our office also linked the page to the Bursar site, and we will review it in the future for agreement with the registration guides and catalogs residency information provided by the Registrar.

Overall Risk Exposure:	**Audit Conclusion:**
☐ Low	☐ Satisfactory
■ Moderate	■ Needs Improvement
☐ High	☐ Unsatisfactory

Planned Follow-up by Internal Audit:

Next audit cycle.

June Orth

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