

Higher Education Student Fees Department of Higher Education

**Performance Audit
July 2010**



**OFFICE OF THE
STATE AUDITOR**

**LEGISLATIVE AUDIT COMMITTEE
2010 MEMBERS**

Senator David Schultheis
Chair

Senator Lois Tochtrop
Vice-Chair

Senator Morgan Carroll
Representative Jim Kerr
Representative Frank McNulty

Representative Joe Miklosi
Senator Shawn Mitchell
Representative Dianne Primavera

OFFICE OF THE STATE AUDITOR

Sally Symanski
State Auditor

Cindi Stetson
Deputy State Auditor

Eric Johnson
Legislative Audit Manager

Andy Knauer
Nathan White
Legislative Auditors

The mission of the Office of the State Auditor is to improve the efficiency, effectiveness, and transparency of government for the people of Colorado by providing objective information, quality services, and solution-based recommendations.



STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

Sally Symanski, CPA
State Auditor

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

July 27, 2010

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of student fees charged by the State's public higher education institutions. The audit was conducted in response to a legislative request and pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings, conclusions, and recommendations, and the responses of the Department of Higher Education, Colorado State University, Mesa State College, and Metropolitan State College of Denver.

This page intentionally left blank.

TABLE OF CONTENTS

	PAGE
Report Summary.....	1
Recommendation Locator	5
CHAPTER 1: Overview of Student Fees in Higher Education.....	9
Student Fee Governance	10
Student Fee Types.....	11
Tuition and Fee Trends	13
Audit Scope and Methodology.....	17
CHAPTER 2: Assessment and Use of Student Fees.....	19
Student Input	20
Fee Assessments	24
Use of Fees	28
Institutions' Procurement Controls.....	33
Fee Disclosure.....	37
Department Review Process	41
Student Fee Framework.....	45
APPENDIX: Colorado's Public Institutions of Higher Education.....	A-1

Glossary of Terms and Abbreviations

Commission – Colorado Commission on Higher Education. The central policy and coordinating board for higher education in the State. The Commission consists of eleven members appointed by the Governor with the consent of the Senate.

Department – Department of Higher Education. A principal department in Colorado state government whose mission is to improve the quality of, ensure the affordability of, and promote access to postsecondary education for the people of Colorado. The Department is responsible for implementing the policies established by the Commission.

FTE – Full-time equivalent. An FTE of 1.0 means that the person is equivalent to a full-time worker, while an FTE of 0.5 signals that the worker is only half-time.

SB10-003 – Senate Bill 10-003, which grants the institutions of higher education greater flexibility and control with regard to setting tuition, among other things, in acknowledgement of the fact that ongoing economic challenges faced by the State would “continue to force drastic reductions in all areas of the state budget, especially in funding for higher education.”

SJR 08-037 – Senate Joint Resolution 08-037, which required the Department to review and examine student fees.



Higher Education Student Fees
Department of Higher Education
Performance Audit
July 2010

Purpose and Scope

This audit was conducted in response to a legislative request asking for a review of student fee policies and student input into fee decisions in Colorado's higher education system. The audit reviewed student fee policies developed by the Colorado Commission on Higher Education (Commission), implemented by governing boards at the State's public higher education institutions, and administered by the Department of Higher Education (Department). We performed audit work from October 2009 through July 2010, which included visiting a sample of six institutions. We gratefully acknowledge the assistance and cooperation extended by the Department, Commission, and the institutions visited.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Overview

The Colorado Constitution and statute give the State's public higher education institutions broad latitude to manage their financial affairs. For example, Section 5 of Article VIII of the Constitution states that the governing boards of public higher education institutions shall have "the exclusive control and direction of all funds of and appropriations to their respective institutions, unless otherwise provided by law." Statute expressly grants the Commission authority over student fee policies. Specifically, Section 23-1-108(12), C.R.S., states that "the Commission shall establish tuition and fee policies based on institutional role and mission, and the governing boards shall set tuition and fees consistent with such policies." Additionally, statute charges the Department with implementing all duly adopted policies of the Commission [Section 23-1-101, C.R.S.].

Each institution in the higher education system charges student fees in addition to tuition. The array of student fees charged by the State's public higher education institutions is complex and, under statute, can be assessed for virtually any purpose. Specifically, statute [Section 23-1-123(7)(b), C.R.S.] broadly defines student fees as "any campus-wide fee assessed against students by an institution of higher education the revenues from which are used for academic or nonacademic purposes." Total revenues from tuition and fees paid by students at Colorado's public higher education institutions were about \$1.7 billion in Fiscal Year 2010 and have

For further information on this report, contact the Office of the State Auditor at 303.869.2800.

increased significantly since Fiscal Year 2006, even when considering the growth of student enrollment. Revenues from tuition paid by resident and nonresident students have increased by 69 percent and revenues from student fees have increased by 142 percent, while enrollment has increased by 14 percent. During this period, state support to the institutions has decreased from \$555.3 million to \$324 million, or 42 percent. Some federal funds have been available under the American Recovery and Reinvestment Act to supplement state support for a limited period.

Key Findings

Assessment and Use of Student Fees

We examined the student fee structure in place across the State's higher education institutions and concluded that, overall, controls over the student fee system should be improved to help ensure that the General Assembly's goal of cost-effective access to higher education is being met. Additionally, we found that the transparency and consistency of Colorado's current public higher education fee structure could be improved.

- **Student Input.** Students do not have consistent opportunities to provide input into the assessment and use of student fees across institutions. For example, two of the six institutions we visited allowed the full student body to vote on new capital construction fees, while two of the other institutions implemented new capital construction fees without seeking the approval of the student body. Similarly, three of the institutions allow a limited level of student input (e.g., votes by student government or a student fee committee) on course- and program-specific fees, while the other three institutions do not provide for any student input on these types of fees. Additionally, it is unclear whether some of the fees charged by institutions should be subject to the statutory provisions requiring approval by full student body referendum. Statute requires that non-course-specific administrative and nonpermanent student purpose fees that are new or increased above the rate of inflation be approved by a student body vote. We found that for the 2009-2010 academic year only 14 of Colorado's 25 public higher education institutions have classified any of their fees as either administrative or nonpermanent student purpose. Further, out of 215 fees we examined at the six institutions we visited, we identified 31 (14 percent) that could be considered administrative or nonpermanent student purpose fees and, if so, would have required approval by a full student referendum to implement or increase above the rate of inflation. Twenty-nine of these 31 fees (94 percent) were not approved by a full student body referendum.
- **Fee Assessments.** Some fees appeared to be set higher than necessary to cover related expenses. For example, 5 out of the 20 fees (25 percent) in our sample at the institutions we visited had fund balances that significantly exceeded their annual expenses. For one of these fees, average annual revenues exceeded average annual expenses by about 75 percent.

- **Use of Fees.** Out of 217 student expenses we reviewed at the six institutions, we found 30 (14 percent) that appear to represent unallowable uses of student fees because the expenses either did not match the institution's stated purpose for the fees or violated the Commission's policy. For example, students at one institution used about \$7,000 in revenue from a fee supporting recreation center operations to assist an on-campus food pantry. In addition, another 20 (9 percent) of the 217 expenses appear to represent questionable uses of student fees for one or more of the following reasons: (1) the student fee revenue was commingled with other revenue sources, so it was unclear which revenue source paid for the expense, (2) the purpose of the fee was not defined or defined so broadly that the institution could spend the fee revenue on nearly anything and, thus, it was unclear whether the fee expenses benefited students, or (3) the fee expense was inconsistent with the institution's fee guidelines.
- **Fee Disclosure.** Neither the Department nor the institutions always provide easily accessible and complete information on student fees to students, parents, and other stakeholders. For example, the Department's website provides information only on campus-wide fees, not on course- and program-specific fees. In addition, 4 (17 percent) of the 24 institutions that charge course- and program-specific fees do not indicate on their websites that students may be subject to these fees, while 16 (67 percent) of the 24 institutions' websites did not provide the actual or average costs of their course- and program-specific fees.
- **Department Review Process.** We found that 21 of the 25 institutional fee plans (84 percent) reviewed by the Department did not contain all of the components listed in the Commission's policy. In addition, the Department has not provided a report to the General Assembly annually on its analysis of the consistency of institutional fee policies with Commission policy—a report that the Commission has required since at least 2006. Further, the Department's annual fee surveys for Fiscal Years 2008 through 2010 did not capture information alerting the Department about the new implementation or increase in 91 (42 percent) of the 215 fees charged by the six institutions that we visited. Finally, 15 of 25 (60 percent) institutions incorrectly reported some fees as academic or academic-facility fees in the Department's annual fee survey. The proper classification of fees as academic or academic-facility fees is important to ensure that the correct fees are included the institutions' appropriations requests.
- **Student Fee Framework.** We identified two other aspects of the student fee framework that may contribute to the inconsistent application and use of student fee revenues: (1) there is no clear distinction between costs that should be paid from tuition as opposed to student fees, and institutions use student fee revenues for similar purposes as tuition revenues, and (2) there is no clear distinction between administrative fees and another category of fee-like charges in the Commission policy called "Charge for Service."

Our recommendations ask the Department of Higher Education to work with the institutions to address the issues identified in this report and make recommendations to the Commission or General Assembly, as appropriate. The responses of the Department of Higher Education, as well as those from Colorado State University, Mesa State College, and Metropolitan State College of Denver, can be found in the Recommendation Locator and in the body of this report.

This page intentionally left blank.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	23	Work with the institutions of higher education to evaluate whether students have sufficient input into fee assessments. This evaluation should consider (a) whether there should be more consistency among institutions in the level of student input required for specific types of fees, (b) whether the Commission's student fee policy should include guidance regarding what constitutes "a fee used for administrative costs," (c) whether the definition of nonpermanent student purpose fees should be clarified to provide examples of the types of fees that should be included in this category, and (d) whether changes could be made to the institutions' annual reporting process to the Department.	Department of Higher Education	Agree	March 2011
2	27	Work with the institutions of higher education to explore how to establish a mechanism for reviewing whether fees are set at appropriate rates. Elements that should be considered include (a) establishing thresholds or trigger points that would initiate an examination by the institution into whether fees are being charged at rates higher than necessary to meet the stated purpose of the fees, (b) establishing a regular review process that institutions could use to identify fee fund balances that exceed the thresholds or trigger points, and (c) establishing a reporting function that would provide the Department with assurance that institutions have performed a review of their fees.	Department of Higher Education	Agree	March 2011

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
3	32	Work with the institutions of higher education to strengthen the policies and procedures that ensure all expenses from student fee revenues conform to the purpose of each fee. Specifically, the Department and the institutions should consider (a) whether the definition of “student purpose fees” should specify that the fees must directly benefit students, (b) whether institutions should establish a periodic, independent review of student fee expenses to confirm that the use of fee expenses complies with the purpose of the fees, (c) whether institutional student fee plans should include a specific description of the allowable uses of each of its student fees, and (d) whether institutions should have a mechanism to track the revenues and related expenses for each student fee separately from other types of revenues and expenses.	Department of Higher Education	Agree	August 2011
4	35	Improve adherence to state and university procurement card rules by (a) ensuring that supervisory approving authorities review all documentation and approve procurement card statements within one month following the statement period, (b) requiring approving authorities and cardholders to complete the unavailable transaction documentation form for missing documentation, (c) ensuring that approving authorities do not approve multiple procurement card payments to individual vendors for services in excess of \$3,000 in any one fiscal year, and (d) using proper documentation for official functions.	Colorado State University	Agree	August 2010

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
5	36	Improve procurement card policies by requiring approving officials to review and approve all monthly procurement card statements within a specific timeframe following the statement period.	Mesa State College	Agree	December 2010
6	37	Strengthen controls over procurement by ensuring the proper segregation of duties throughout the purchasing cycle.	Metropolitan State College of Denver	Agree	June 2011
7	40	Work with the institutions of higher education to improve the transparency of information available on the total cost of higher education by (a) considering how the Department's and the institutions' websites could be improved to provide better access to all student fees, including course- and program-specific fees, and (b) considering whether minimum requirements should be established for the Department and institution websites.	Department of Higher Education	Agree	December 2010
8	43	Improve the review and reporting of student fees charged by institutions of higher education by (a) developing criteria and reviewing the institutional fee plans annually for compliance against these criteria, (b) submitting to the General Assembly the annual report on student fees, (c) enhancing the data collected through the annual fee survey by including detailed information about "Charge for Service" and program-specific fees, and ensuring that information on academic and academic facility fees is accurate and complete.	Department of Higher Education	Agree	September 2011

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
9	47	Work with the institutions of higher education to consider ways to improve the transparency and consistency of Colorado's public higher education student fee system, including (a) whether statutory and/or regulatory changes are needed to help distinguish the uses of student fee revenues from the uses of tuition revenues, and (b) whether the definition for Charge for Service should clearly distinguish between a Charge for Service and an administrative fee.	Department of Higher Education	Agree	September 2011

Overview of Student Fees in Higher Education

Chapter 1

The affordability of higher education is an ongoing concern throughout the country. According to the College Board, tuition and fees at public four-year higher education institutions rose nationally at an average annual rate of 4.9 percent above inflation from the 1999-2000 to the 2009-2010 academic year. In Colorado, the General Assembly has also recognized the importance of maintaining affordable higher education. For example, in Section 23-1-101, C.R.S., the General Assembly declared that the purpose of laws governing public higher education institutions in Colorado is “to effect the best utilization of available resources so as to achieve an adequate level of higher education in the most economic manner.” Similarly, Senate Bill 10-003, enacted during the 2010 Legislative Session, declares that a “high-quality state higher education system that is both accessible and affordable is crucial” for Coloradans to succeed and for the State’s economy to continue growing. Further, Senate Bill 10-003 requires the Colorado Commission on Higher Education (Commission) to develop a master plan for the State’s public higher education system that includes ensuring the long-term fiscal stability and affordability of the system.

The cost of attendance for students at higher education institutions, including those in Colorado, includes several types of charges. All students pay tuition and fees. Tuition typically supports the general and educational expenses of a higher education institution, such as the expenses for instruction costs, academic support (e.g., libraries), campus operations and maintenance, and scholarships and other financial aid. Fees usually provide for more specific expenses, such as those incurred for student and recreational centers, campus health clinics, student government, intercollegiate athletics, and specific courses. In addition to tuition and fees, students living on campus pay for room and board. Students living off campus also incur room and board costs but do not pay for them through their institutions. Finally, students may experience other ancillary costs while attending higher education institutions, such as fees for optional services they use (e.g., parking passes).

Our audit, based on a legislative request, focused on student fee policies and procedures at Colorado’s 25 two- and four-year state higher education institutions. (Each community college in the Colorado Community College System is counted separately; see Appendix A for a list of these institutions.) The

General Assembly has expressed continuing concern about fees charged to students attending these institutions. For example, the General Assembly found in House Bill 94-1362 that public higher educational institutions were increasingly using fees as a source of revenue and that students' opinions about the assessment of fees and their uses should be considered. Senate Joint Resolution 08-037 also acknowledged that the State's public institutions of higher education were becoming more reliant on student fees as a source of revenue and noted that "the ways in which [student] fees are established can be unclear and varied throughout the higher education system in Colorado."

While this audit is focused on higher education student fees, it is important to note that in recent years the overall financing of public higher education in the state has faced pressure due to other competing budget needs, which the General Assembly recognized in enacting Senate Bill 10-003. As mentioned earlier, Senate Bill 10-003 stated the need for a high-quality state higher education system that is accessible and affordable. The primary purpose of the legislation was to grant the institutions greater flexibility and control with regard to setting tuition, among other things, in acknowledgement of the fact that ongoing economic challenges faced by the State would "continue to force drastic reductions in all areas of the state budget, especially in funding for higher education." Specifically, in Fiscal Year 2010 higher education received about \$382 million in federal stabilization funds, granted to the State under the American Recovery and Reinvestment Act of 2009, which the General Assembly used to supplement the general fund appropriation of \$324 million for combined total support of \$706 million. For Fiscal Year 2011 the State has only \$89.2 million remaining in federal stabilization funds to support higher education and intends to provide \$555.3 million in general fund appropriations for a total of \$644.5 million, a decrease of about 9 percent in total support from Fiscal Year 2010. For Fiscal Year 2012, no federal stimulus funds will be available and the State's economic forecast continues to be weak. Senate Bill 10-003 was an effort to give institutions greater flexibility in meeting the continuing financial demands that are expected to lie ahead.

Student Fee Governance

The Colorado Constitution and statute give the governing boards of the State's public higher education institutions broad latitude to manage their financial affairs. Section 5 of Article VIII of the Constitution states that the governing boards of public higher education institutions shall have "the exclusive control and direction of all funds of and appropriations to their respective institutions, unless otherwise provided by law." Generally, members of the various governing boards are appointed by the Governor with the consent of the Senate; however, the members of the University of Colorado Board of Regents are elected officials.

Statute expressly grants the Commission authority over student fee policies. Specifically, Section 23-1-108(12), C.R.S., states that “the Commission shall establish tuition and fee policies based on institutional role and mission, and the governing boards shall set tuition and fees consistent with such policies.” Statute [Section 23-1-123, C.R.S.] gives the Commission authority to “adopt policies concerning the definition, assessment, increase, and use of student fees.” These policies must include, but are not limited to, policies that establish the minimum level of student involvement in assessing and setting the amount of fees and in determining the purposes for which institutions will use the fees. In addition, statute requires the Commission to establish separate policies for fees used for different purposes, including but not limited to (1) fees related to bond issues on behalf of auxiliary facilities (e.g., student housing and dining facilities, recreational and health centers, and parking garages), (2) fees for administrative costs, (3) fees for nonpermanent student purposes, and (4) optional fees. Statute [Section 23-1-108(12), C.R.S.] also requires each public higher educational institution to adopt its own fee policies in accordance with the Commission’s policies. Commission policy requires each institution to develop a fee plan and to certify by September 1 of each year that its fee policies comply with the Commission’s fee policies.

The Department of Higher Education (Department) is responsible for implementing the policies of the Commission, including those related to student fees [Section 23-1-101, C.R.S.]. In this capacity, the Department is responsible for reviewing each institution’s fee plan and working with institutions to resolve any inaccuracies or discrepancies with statute or Commission policy. According to staff, the Department lacks the authority to enforce institutions’ compliance with statute or Commission policy. The Department also compiles and publishes fee information from the State’s public higher education institutions.

Student Fee Types

The array of student fees charged by the State’s public higher education institutions is complex and, under statute, can be assessed for virtually any purpose. Specifically, statute [Section 23-1-123(7)(b), C.R.S.] broadly defines student fees as “any campus-wide fee assessed against students by an institution of higher education the revenues from which are used for academic or nonacademic purposes.” According to statute, these academic or nonacademic purposes include, but are not limited to:

- Support for student programs and student government;
- Construction, maintenance, and operation of student centers, recreational facilities, child care centers, and parking lots;
- Student health clinics;
- Technology, including computer and lab equipment;

- Intercollegiate and intramural athletics;
- Administrative services, such as registration fees;
- Course- and program-specific costs; and
- Mandatory insurance related to specific courses.

Statute [Sections 23-1-123(5)(a) and (7)(f), C.R.S.] also authorizes institutions to charge students user fees, which statute defines as “fees paid by a student to exercise a privilege or receive a service provided by an auxiliary facility.”

Commission policy further defines types of student fees by establishing fee categories that reflect the types of fees typically charged by institutions for purposes authorized by statute. As the table below shows, most fees are mandatory and apply campus-wide, meaning that all students must pay them. The table also shows that the General Assembly includes academic-related fees in its annual appropriation to public higher education institutions.

Colorado Commission on Higher Education Policy Student Fee Categories As of May 2010			
Category	Description of Expenses Covered by Fee	Mandatory¹	Appropriated
Course-specific	Unusual and direct costs related to a specific course.	Yes	Yes
Instruction	Academic costs for instructional programs or colleges (e.g., English department and business school).	Yes	Yes
Academic Facility	Construction, alteration, and maintenance of academic facilities.	Yes	Yes
Technology	Provision or purchase of equipment or programmatic activities relating to computer equipment, laboratory equipment, or other technology.	Yes	Yes
Mandatory Insurance	Health, dental, or disability insurance required by certain instructional programs.	Yes	No
User	Exercise of a privilege or receipt of service from an auxiliary facility.	No	No
Student Activity	Student programs, including but not limited to: health services; student centers; student government; cultural or social events; physical recreation; intercollegiate athletics; parking; and facility construction, alteration, and maintenance.	Yes	No
Source: Colorado Commission on Higher Education Student Fee Policy provided by the Department of Higher Education.			
¹ Mandatory fees are generally campus-wide fees that all students must pay. In the case of course-specific, instruction, and mandatory insurance fees, these fees are not campus-wide and are only mandatory for students taking specific courses or enrolled in specific programs or colleges.			

As mentioned earlier, Commission policy requires each public higher education institution to submit an institutional fee plan and any revisions to the Department. The institutional fee plans must (1) define the student fee proposal and approval process, (2) define and categorize all campus-wide, mandatory fees, (3) establish procedures for student participation in setting student fees, (4) establish a complaint resolution process for disputes on issues related to fees, and (5) specify whether the institution allows for the use of student fees or tuition for academic facilities construction. Also, as mentioned earlier, Department staff are responsible for reviewing the institutional fee plans and working with institutions to resolve any inaccuracies or discrepancies with Commission policy.

The number of student fees charged by each of the State's public higher education institutions varies considerably. For the 2009-2010 academic year, the number of fees charged by the six public institutions in Colorado that we examined in depth during the audit ranged from 50 to 830. Most of the disparity in the number of fees charged among the six institutions resulted from differences in the number of course-specific fees charged, which students only pay if they attend the particular course charging the fee. The number of fees paid by all students (i.e., campus-wide mandatory fees) at the six institutions ranged from 5 to 23 in the 2009-2010 academic year.

Tuition and Fee Trends

The table below shows changes in resident and nonresident tuition and fee revenues, as well as enrollment from Fiscal Years 2006 through 2010. Overall, during this period, tuition revenues increased from about \$879.3 million to almost \$1.48 billion (69 percent) and fee revenues increased from \$89.3 million to about \$216.3 million (142 percent); enrollment increased from almost 157,200 student full-time equivalents (FTE) to almost 179,700 (14 percent). According to the Department, a portion of the fee increase is due to new capital construction fees, established collaboratively by institutions and students, to compensate for significant decreases in state funding for capital projects. State support to the institutions through the College Opportunity Fund decreased from \$555.3 million in Fiscal Year 2006 to \$324 million in Fiscal Year 2010 (-42 percent). The College Opportunity Fund began in Fiscal Year 2006 after the enactment of Senate Bill 04-189, which required that direct appropriations for higher education institutions be replaced by stipends to qualifying students and fee-for-service contracts between the Commission and the individual institutions for specific educational services. The stipends can be used by resident undergraduate students to attend any of the state higher education institutions and, in limited instances, to attend private institutions. As mentioned earlier, some federal funds under the American Recovery and Reinvestment Act are available for a limited period to supplement state support to the institutions.

Resident and Nonresident Tuition¹, Fee Revenues¹, and Enrollment² Colorado's Public Higher Education Institutions Fiscal Years 2006 Through 2010 (Revenue In Millions)						
	2006	2007	2008	2009	2010	Percent Change, 2006-2010
Tuition	\$879.3	\$918.3	\$1,001.2	\$1,180.4	\$1,483.9	69%
Fees	89.3	95.6	110.8	132.0	216.3	142%
Total Tuition and Fees	\$968.6	\$1,013.9	\$1,112.0	\$1,312.4	\$1,700.2	76%
<i>Fees as Percent of Total Tuition and Fees</i>	9%	9%	10%	10%	13%	
Student Enrollment	157,152	155,664	158,157	163,410	179,656	14%
Source: Office of the State Auditor's analysis of tuition and fee revenues from the Colorado Financial Reporting System and student enrollment data provided by the Department of Higher Education. The Fiscal Year 2010 revenue figures are based on data through June 2010 before the Fiscal Year 2010 books were closed. ¹ Tuition and fee revenues include the student-paid portion of tuition and fees paid by undergraduate and graduate students, resident and nonresident. Fees include all campus-wide mandatory fees, course-specific fees, instructional fees, and user fees charged by auxiliary facilities. ² Enrollment figures represent the number of full-time equivalent students.						

Although a major revenue source, tuition and fees account for less than half of total revenues at each of the State's public higher education institutions. Other major sources of revenue at the institutions include grants, contracts, and non-fee revenue from auxiliary facilities.

The Department annually collects and publishes per-student tuition and fees from all public higher education institutions. The table below shows, for resident undergraduate students, the tuition and the campus-wide mandatory fees (i.e., fees paid by all students) charged by the institutions for academic years 2005-2006 through 2009-2010. Nonresident students typically pay higher tuition but are subject to the same amount and types of fees as resident students. As a result, fees as a percent of total tuition and fee costs are higher in the table below compared to the tuition and fee revenue table presented above. The fees in the table below do not include course-specific or instructional fees, which students may pay for some courses or programs, or user fees (i.e., fees charged by auxiliary facilities). Additionally, the chart does not include some other costs associated with attending an institution of higher education, such as room and board, books, and other supplies. For the 2009-2010 academic year, the institutions that charge course-specific fees reported to the Department that each student paid an average ranging from \$7 to \$182 in additional course-specific fees, depending on the institution and the student's courses.

Resident Undergraduate Annual Tuition and Fees¹
Academic Years 2005-2006 Through 2009-2010

Institutions	2006	2007	2008	2009	2010	Percent Change, 2006-2010
University of Colorado at Boulder						
Tuition	\$4,446	\$4,554	\$5,418	\$5,922	\$6,446	45%
Fees	926	1,089	1,217	1,356	1,486	60%
Total	\$5,372	\$5,643	\$6,635	\$7,278	\$7,932	48%
<i>Fees as Percent of Total Tuition and Fees</i>	17%	19%	18%	19%	19%	
University of Colorado at Colorado Springs						
Tuition	\$3,966	\$4,066	\$4,350	\$4,676	\$4,890	23%
Fees	923	968	1,081	1,096	1,147	24%
Total	\$4,889	\$5,034	\$5,431	\$5,772	\$6,037	23%
<i>Fees as Percent of Total Tuition and Fees</i>	19%	19%	20%	19%	19%	
University of Colorado Denver						
Tuition	\$4,224	\$4,330	\$5,054	\$5,484	\$5,712	35%
Fees	682	731	765	795	830	22%
Total	\$4,906	\$5,061	\$5,819	\$6,279	\$6,542	33%
<i>Fees as Percent of Total Tuition and Fees</i>	14%	14%	13%	13%	13%	
Colorado State University						
Tuition	\$3,381	\$3,466	\$4,040	\$4,424	\$4,822	43%
Fees	1,182	1,251	1,379	1,450	1,496	27%
Total	\$4,563	\$4,717	\$5,419	\$5,874	\$6,318	38%
<i>Fees as Percent of Total Tuition and Fees</i>	26%	27%	25%	25%	24%	
Colorado State University – Pueblo						
Tuition	\$2,903	\$2,975	\$3,184	\$3,422	\$3,732	29%
Fees	1,215	1,215	1,215	1,325	1,472	21%
Total	\$4,118	\$4,190	\$4,399	\$4,747	\$5,204	26%
<i>Fees as Percent of Total Tuition and Fees</i>	30%	29%	28%	28%	28%	
Fort Lewis College						
Tuition	\$2,462	\$2,522	\$2,648	\$2,846	\$3,102	26%
Fees	830	871	1,146	1,350	1,544	86%
Total	\$3,292	\$3,393	\$3,794	\$4,196	\$4,646	41%
<i>Fees as Percent of Total Tuition and Fees</i>	25%	26%	30%	32%	33%	
University of Northern Colorado						
Tuition	\$3,192	\$3,276	\$3,600	\$3,942	\$4,296	35%
Fees	645	674	713	738	1,155	79%
Total	\$3,837	\$3,950	\$4,313	\$4,680	\$5,451	42%
<i>Fees as Percent of Total Tuition and Fees</i>	17%	17%	17%	16%	21%	
Adams State College						
Tuition	\$1,980	\$2,030	\$2,328	\$2,496	\$2,712	37%
Fees	873	895	1,138	1,294	1,742	100%
Total	\$2,853	\$2,925	\$3,466	\$3,790	\$4,454	56%
<i>Fees as Percent of Total Tuition and Fees</i>	31%	31%	33%	34%	39%	

Resident Undergraduate Annual Tuition and Fees ¹ Academic Years 2005-2006 Through 2009-2010						
Institutions	2006	2007	2008	2009	2010	Percent Change, 2006-2010
Mesa State College						
Tuition	\$2,359	\$3,442	\$3,893	\$4,325	\$4,692	99%
Fees	721	108	262	414	704	-2%
Total	\$3,080	\$3,550	\$4,155	\$4,739	\$5,396	75%
<i>Fees as Percent of Total Tuition and Fees</i>	23%	3%	6%	9%	13%	
Metropolitan State College of Denver						
Tuition	\$2,387	\$2,447	\$2,432	\$2,615	\$2,850	19%
Fees	554	590	603	626	789	42%
Total	\$2,941	\$3,037	\$3,035	\$3,241	\$3,639	24%
<i>Fees as Percent of Total Tuition and Fees</i>	19%	19%	20%	19%	22%	
Western State College						
Tuition	\$2,352	\$2,554	\$2,688	\$2,880	\$3,140	34%
Fees	786	797	886	898	924	18%
Total	\$3,138	\$3,351	\$3,574	\$3,778	\$4,064	30%
<i>Fees as Percent of Total Tuition and Fees</i>	25%	24%	25%	24%	23%	
Colorado School of Mines						
Tuition	\$7,248	\$7,852	\$8,959	\$9,810	\$10,590	46%
Fees	896	983	1,286	1,429	1,654	85%
Total	\$8,144	\$8,835	\$10,245	\$11,239	\$12,244	50%
<i>Fees as Percent of Total Tuition and Fees</i>	11%	11%	13%	13%	14%	
Colorado Community College System						
Tuition	\$2,183	\$2,237	\$2,315	\$2,430	\$2,649	21%
Fees ²	126-593	126-593	126-594	146-612	150-595	N/A
Total	\$2,309- \$2,776	\$2,363- \$2,830	\$2,441- \$2,909	\$2,576- \$3,042	\$2,799- \$3,244	N/A
<i>Fees as Percent of Total Tuition and Fees</i>	5%-21%	5%-21%	5%-20%	6%-20%	5%-18%	
Source: Office of the State Auditor's analysis of data provided by the Department of Higher Education.						
¹ Tuition and fee rates reflect basic rates for resident undergraduate students taking 30 credit hours per year. Fees only include campus-wide mandatory fees.						
² Each community college in the Colorado Community College System charges a different amount for campus-wide mandatory fees annually. The table shows the range of these fees.						

As the table above shows, campus-wide mandatory fees at Colorado's public higher education institutions constitute a significant portion of the costs of tuition and fees for resident undergraduate students. For example, in the 2009-2010 academic year, fees as a percent of total tuition and fees ranged from 13 percent to 39 percent at four-year institutions, and from 5 percent to 18 percent at two-year institutions. In addition, for 7 of the 12 four-year institutions in the table, the increase in fees from the 2005-2006 to the 2009-2010 academic year outpaced the increase in tuition, also suggesting that fees are becoming a more important expense to students and source of revenue for these institutions.

Audit Scope and Methodology

We conducted this audit in response to a legislative request asking for a review of student fee policies and procedures. The request also raised concerns about the level of student input on fees. To address these issues, our audit work included a review of relevant statutory provisions, Commission policies, the Department's role, and institutional fee policies and practices. As stated previously, we visited a sample of six public higher education institutions: Colorado School of Mines, Colorado State University (Fort Collins), Mesa State College, Metropolitan State College of Denver, Northeastern Junior College, and Pikes Peak Community College. During our visits we interviewed staff and examined documents related to the institutions' fee-setting practices, including their procedures for ensuring student input on fees. We also analyzed fee revenues and tested a sample of expenses supported by these revenues to determine if the expenses were appropriate given the purpose of the fee.

This page intentionally left blank.

Assessment and Use of Student Fees

Chapter 2

Statute [Section 23-13-102, C.R.S.] expresses the General Assembly’s intent that students and their families have a cost-effective choice for obtaining higher education. As noted in Chapter 1, statute [Section 23-1-123(1), C.R.S.] gives the Commission authority to adopt policies, consistent with institutional roles and missions, concerning the definition, assessment, increase, and use of student fees. Further, the Commission revised its fee policies to address questions raised in Senate Joint Resolution 08-037 regarding whether new policies were needed to “to create a transparent, uniform, and consistent process for the setting of student fees and the overall fee structure” across the entire higher education system.

The governance structure of student fees is complex and balances the policy-making authority of the Commission, the implementation responsibilities of the Department, and the authority given to the institutions to independently handle their budgets and finances. Specifically, statute [Section 23-1-101, C.R.S.] establishes the Commission as a “central policy and coordinating board” with express powers and duties delegated by the General Assembly. The Department has responsibilities under statute for implementing the Commission’s policies. It is important to note that although the Department has implementation responsibilities, statute does not provide the Department with enforcement authority. Finally, in delegating express powers to the Commission, the General Assembly specifically recognizes “the constitutional and statutory responsibilities of duly constituted governing boards of state-supported institutions of higher education” [Section 23-1-101, C.R.S.].

The recommendations in this report have been crafted to acknowledge the respective roles of the Commission, Department, and institutions of higher education. The recommendations ask the Department, as an implementation body, to work with the institutions to address the concerns identified in the report and to make recommendations to the Commission, as appropriate, when changes to student fee policy are needed.

Our audit examined the student fee structure in place across the State’s higher education institutions, including student input on fees, fee assessments, the uses of fee revenues, fee disclosure, and the implementation of Commission fee policies and monitoring of institutions’ fee practices by the Commission and the Department. Overall, we concluded that existing controls governing the fee structure should be improved to help ensure that the General Assembly’s goal of cost-effective access to higher education is being met. Additionally, the

transparency and consistency of Colorado's current public higher education fee structure could be improved. Specifically, we identified concerns with the opportunities afforded to students for input on the imposition of new fees or fee increases and with some institutions' practices for monitoring fee amounts and using fee revenues. We also found that institutions do not always provide complete information on their websites to prospective students about their fees. Finally, we found that the Department needs to improve its review of student fee information.

Student Input

The General Assembly clearly intends for students to provide input into the assessment of fees at public higher education institutions. Section 23-1-123(3), C.R.S., requires the Commission to establish a policy "concerning the minimum level of student involvement in assessing and setting the amount of fees and determining the purposes for which institutions of higher education shall use the revenues obtained from fees." Statute does not define "level of student involvement," but this involvement typically includes actions such as the approval of fees by the entire student body, the student government, or a special committee with student representation. Also, statute [Sections 23-1-123(5)(e) and (f), C.R.S.] requires that the student body vote on non-course-specific administrative and "nonpermanent student purpose" fees that are either new or being increased above the rate of inflation. Statute does not define administrative fees, but does define nonpermanent student purpose fees as being "**other than** permanent student purpose" fees [emphasis added]. According to statute [Section 23-1-123(7)(e), C.R.S.], permanent student purpose fees are fees for "student centers, recreational facilities, parking lots, intercollegiate athletics, child care centers, campus health clinics, contract health services, student government, and similar facilities and services, and [include] any general fee, the revenue from which is to be appropriated by student government for a specific purpose."

We reviewed Commission policies to determine whether the Commission has established minimum guidelines for student input into all fees. We also reviewed the level of student input into all fees charged from the 2006-2007 through the 2009-2010 academic years at the six institutions we visited to assess the variation in student input on fees at different institutions and to evaluate institutions' practices for implementing statutory provisions requiring full student body votes on fee rates, where required. We found that the Commission has delegated the task of outlining the minimum levels of student involvement for all fee types primarily to the individual institutions. The institutions have developed policies for student input consistent with Commission policies; however, institution policies vary widely. As a result, we found that students do not have the same opportunity to provide input into similar fee decisions from one institution to another. We also found that, while institutions are complying with their internal

policies on minimum student input, it is unclear whether some of the fees charged by institutions should have been subject to the specific statutory requirements for full student body referenda. These issues are discussed below.

First, we found that for fees not specifically requiring a student vote under statute, the level of student input on fees at the six institutions that we visited varies significantly. For example, two of the six institutions allowed the full student body to vote on new capital construction fees, while two other institutions implemented new capital construction fees without seeking the approval of the full student body – although they did consult with their student governments. The remaining two institutions did not implement new capital construction fees during the review period. Similarly, three of the six institutions that we visited allow a limited level of student input (e.g., votes by student government or a student fee committee) on course- and program-specific fees, while the other three institutions do not provide for any student input on these types of fees. In addition, at one of the six institutions that we visited, a full student body referendum only occurs if the student government decides that a referendum is needed.

Second, it is unclear whether some of the fees charged by institutions should be subject to the statutory provisions requiring approval by full student body referenda. Statute requires that non-course-specific administrative and nonpermanent student purpose fees that are new or increased above the rate of inflation be subject to a student body vote. We found that for the 2009-2010 academic year only 14 of Colorado's 25 public higher educational institutions classified any of their fees as either administrative or nonpermanent student purpose. Given the General Assembly's intent expressed in statute that students be able to vote on the implementation of certain types of fees, it is a concern that only 14 institutions currently classify fees into the two categories that provide for a full student body referendum. Furthering our concern, out of a total of 215 fees we examined covering the 2006-2007 through 2009-2010 academic years at the six institutions that we visited, we identified 31 (14 percent) that could be considered administrative or nonpermanent student purpose fees and, if so, would have required approval by a full student referendum to implement or increase above the rate of inflation. However, 29 of these 31 fees (94 percent) were not approved by a full student body referendum. For example:

- One institution increased an enrollment fee from \$60 to \$75 (25 percent). The inflation rate at the time was 3.8 percent. This fee covers both orientation and administrative costs. The institution classified this fee as a "Charge for Service," a category that, as we discuss later in the chapter, the Commission has established for certain charges that are not considered fees and, thus, are not subject to the requirements in statute or Commission policy that apply to fees. We believe the enrollment fee could reasonably be classified as either an administrative fee or a

nonpermanent student purpose fee and, thus, would have been subject to a full student body referendum.

- Another institution implemented a new \$100 late registration fee. The institution classified this fee as a Charge for Service. However, according to staff, the fee covers administrative costs. If the fee had been classified as an administrative fee, it would have been subject to a full student referendum.

To ensure that institutions give students the opportunity to provide input into fee decisions as intended by statute, the Department needs to work with the institutions to evaluate fee policies addressing student input and make recommendations to the Commission regarding any changes found necessary in the Commission's student fee policy. The Department and the institutions should consider possible changes to the fee policy in two areas. First, the Department and the institutions should consider whether the current level of variation in the minimum levels of student input for similar types of fees among schools is acceptable. Some level of standardization in the minimum level of input for similar types of fees could help ensure that opportunities for student input are more consistent across institutions.

Second, the Department and the institutions should evaluate whether changes to the Commission policy are needed to more clearly define fees used for non-course-specific administrative costs and fees used for nonpermanent student purposes, and ensure that these definitions comply with definitions and requirements set forth in statute. As noted previously, statute requires that these two types of fees be subject to a full student body referendum before institutions can implement or increase them above the rate of inflation. Further, the designation of a fee as administrative or nonpermanent student purpose should be applied consistently across the higher education system. However, without specific guidance in the Commission policy, each individual institution has defined these terms and determined whether a particular fee is one of these types. As noted before, for the period we reviewed only 14 of Colorado's 25 public higher education institutions classified any of their fees as either administrative or nonpermanent student purpose. The lack of fees classified as either administrative or nonpermanent student purpose is a concern because, as our testing results above show, the six institutions that we visited currently charge fees that could be considered either an administrative or a nonpermanent student purpose fees. With so few of the student fees being defined as administrative or nonpermanent student purpose, this raises the concern that the intent of the General Assembly that students vote on these types of fees is not being met.

Finally, the Department needs to improve its monitoring of student participation to meet its statutory duty for identifying problems or inconsistencies with the institutions' implementation of Commission policy. Currently the Department

does not annually review the fee changes at all institutions to determine whether a full student body referendum was required and, if so, was held. Through its annual fee survey, the Department receives information from institutions about new fees and changes in fee amounts. The Department could review these surveys to identify whether fees for administrative costs or nonpermanent student purpose fees have been newly implemented or raised above the rate of inflation and follow up with institutions to verify that such fees and fee changes have been approved by a full student referendum. Alternatively, the Department could work with institutions to revise the annual fee survey so that institutions identify the fees requiring student votes and attest that a full student referendum was held before approving each of these fees or fee increases.

Student participation in fee setting both increases the transparency of the institutions' fee structure and acts as an important control over the imposition of new fees or large increases in fees by giving students input into the assessment of new or additional fees. By evaluating student input policies and practices across institutions, the Department and institutions can better ensure that students are being provided the opportunity for input into the fee assessment process as required by statute.

Recommendation No. 1:

The Department of Higher Education should work with the institutions of higher education to evaluate whether students have sufficient input into fee assessments. This evaluation should consider the following questions:

- a. Whether there should be more consistency among institutions in the level of student input required for specific types of fees, such as course-specific, technology, and capital construction fees.
- b. Whether the Commission's student fee policy should include guidance regarding what constitutes "a fee used for administrative costs" in order to provide more clarity and help ensure that these fees are approved through a full student body referendum.
- c. Whether the definition of nonpermanent student purpose fees should be clarified to provide examples of the types of fees that should be included in this category and, therefore, be approved through a full student body referendum.
- d. Whether changes could be made to the institutions' annual reporting process to the Department to better ensure that students are being provided the appropriate level of input into student fee decisions.

The Department should work with the Commission, as appropriate, to institute any changes.

Department of Higher Education Response:

Agree. Implementation date: March 2011.

The Department will work with the institutions of higher education to evaluate the adequacy and fairness of student input for fee assessments but wants to emphasize the importance of institution flexibility given the unique role and mission of the institutions and the independence of the governing boards. The institutions meet unique student needs around diverse areas such as capital construction, technology upgrades, and thousands of distinct course offerings, and statute does not currently specify a level of student approval for these types of fees.

The Colorado Commission on Higher Education has noted that the needs of students are not met through a “one-size-fits-all” approach to student fees but instead emphasizes the larger goal of providing fair opportunities for student input and oversight as needed.

The Department will work with institutions on providing greater clarity around fees for administrative costs and nonpermanent student purposes but notes that any categorical list of examples provided should be used to illustrate and not be considered an exclusive listing.

The Department will explore improvements to the annual reporting process with the institutions to provide stronger assurance of appropriate student input in ways that will not overburden limited resources or create additional administrative costs.

Fee Assessments

Statute [Section 23-1-123(2), C.R.S.] requires institutions to specify the reason for any new student fee or increase in an existing fee and the purposes for which the institution will use the additional revenues received from the new fee or the fee increase. Accordingly, a clear link should exist between the amount of the fee and the identified purpose being supported by the fee. If institutions do not set fees at an appropriate rate, students may pay higher fees than are needed to accomplish the stated purpose. In some instances, a specific fee and the related expenses are recorded in a separate cash fund. In these cases, one method for determining whether a fee is set appropriately is to review the fund balance of the cash fund on a regular basis. Fund balances associated with fees may vary from

year to year depending on operational planning fluctuations, and large capital outlays may require a few years of building a reserve prior to procurement. However, a large or growing fund balance may also indicate that the fee is set higher than necessary and should be decreased.

At the six institutions we visited, we reviewed the revenues, expenses, and fund balances for 20 fees for Fiscal Years 2006 through 2009 to determine whether the fees were set higher than necessary to cover the associated expenses. For many non-higher education cash funds, statute [Section 24-75-402(3)(c), C.R.S.] establishes a 16.5 percent threshold as an adequate fund balance, which approximates two months' expenses. This statute does not apply to higher education institutions' cash funds, but it is used for the remainder of this section as a benchmark for evaluating the reasonableness of fund balances. Using this benchmark, we calculated for each fiscal year, from Fiscal Years 2006 through 2009 whether the ending fund balances for the fees exceeded 16.5 percent of that fiscal year's expenses.

Based on these results, a number of the fees we reviewed appeared to be set higher than necessary to cover related expenses. Specifically, 5 of the 20 fees (25 percent) exceeded the 16.5 percent threshold for two or more years, including two fees that exceeded the threshold all four years. We did not find evidence that the institutions took any steps to reduce these five fees to ensure that the revenues more closely correlated with the associated expenses.

Two of the five fees that may have been set too high were of particular concern:

- One institution charged a fee of about \$11 per student per semester to provide and support team sports, recreation programs, special events and tournaments; sustain outdoor rental equipment inventor; and replace and support Fitness Center equipment and facility improvements. From Fiscal Years 2006 through 2009, the fee's average annual revenues (almost \$143,400) exceeded average annual expenses (more than \$81,800) by more than \$61,500 (75 percent). As a result, the fee's fund balance grew 51 percent—from \$346,300 to \$523,000—during the four-year period. Staff reported that the institution intends to use approximately \$500,000 of the fund balance to build a new addition to its recreation center. We question whether construction of a new addition meets the purpose of the fee, which is to support the costs of operating recreation programs and facility improvements to the existing recreation centers. Also, this addition was not planned when the fee was implemented, but was instead decided upon as a way to use the excess revenues that were accumulating. Many of the students who paid the fee (i.e., those from at least the past four graduating classes) will not receive any benefit from the new addition, as they will have graduated before the new addition is built.

- Students at a second institution instituted a fee of \$1 per semester beginning in Fiscal Year 2007 to support environmentally or socially conscious campus improvement projects, such as a premature birth awareness event. This fee was initiated at the request of the students and approved by a full student referendum to replace an expiring fee that supported a wind power project. Students have control over the expenditures of this fee. However, we found that the revenue from this fee is not being used or set aside for specific projects. From Fiscal Years 2007 through 2009 the fund's average annual revenues were about \$12,000, but average annual expenses were about \$1,000. Further, the majority of the expenses (\$750 of the \$1,300 total) in Fiscal Year 2009 was not for environmental projects; rather, the expenses were used for indirect administrative costs charged by the institution for maintaining the fund on the institution's books. Because only \$550, or 42 percent of the total fee expenses, has been used for non-administrative costs, we question not only the fee assessment amount, but also the reasonableness of charging the fee when specific plans for its use were not in place. Although students oversee the use of this fee, we believe institutions have a responsibility to review the use of all fees and ensure that the fees are accomplishing their approved purposes.

Our results raise concerns that institutions may be assessing students higher fees than necessary to carry out the purposes for which the fees were intended. Although statute [Section 23-1-104(3)(a), C.R.S.] grants the institutions the authority to carry over fund balances from one year to the next, statute also requires that institutions base fee rates on specific purposes. Further, the General Assembly has stated its concerns about the rising costs of higher education generally, and increases in fees specifically. Assessing fees at higher-than-necessary amounts is counter to the General Assembly's intent and not good public policy.

Commission policy does not address the issue of large fee fund balances at the institutions. Instead, Commission policy states that when a governing board exceeds its appropriation for fees set by the General Assembly, the Department will review the reason for the increase in revenue and determine the need for a supplemental appropriation request. However, the policy does not discuss reviewing individual fees and whether collections may be excessive. Of the 215 student fees charged by the six institutions we visited, the assessment rates of only three mandatory fees has been lowered since the 2007-2008 academic year. Accordingly, the Department should work with the institutions to explore or develop a mechanism for reviewing fees and fee fund balances on an ongoing basis to ensure that the fee amounts are set appropriately. One option is to establish thresholds or trigger points that would initiate an examination of the fee's fund balance. As noted later in our discussion of Recommendation No. 3, institutions sometimes commingle student fee revenues with revenues from other

sources in their fee fund accounts. As a result, the mechanism developed by the Department and the institutions will need to address how these reviews will occur for fund accounts with multiple revenue sources. Finally, the mechanism should specifically consider the question of whether the fee needs to be adjusted or, alternatively, whether appropriate plans are in place for using the excess fee revenue.

Recommendation No. 2:

The Department of Higher Education should work with the institutions of higher education to explore how to establish a mechanism for reviewing whether fees are set at appropriate rates. Elements that should be considered include:

- a. Establishing thresholds or trigger points that would initiate an examination by the institution into whether fees are being charged at rates higher than necessary to meet the stated purpose of the fee.
- b. Establishing a regular review process that institutions could use to identify fee fund balances that exceed the thresholds or trigger points. This process should also address student fee revenues that are comingled with other revenue sources.
- c. Establishing a reporting function that would provide the Department with assurance that institutions have performed a review of their fees and that fee rates have been adjusted, as appropriate, or specific plans are in place for the use of excess student fee revenue.

The Department should work with the Commission, as appropriate, to institute any changes.

Department of Higher Education Response:

Agree. Implementation date: March 2011.

The Department agrees to work with the institutions of higher education to explore how to establish a mechanism for reviewing whether fees are set at appropriate rates. Any discussion around student fee rates and fund balances needs to appreciate the significant range of fees and their uses; large, cyclical, or unexpected expenditures; and the impact of fluctuations in enrollment. For example, students benefit more from the strategic use of fee revenue (e.g., using technology fee revenue to upgrade a server every four years), instead of zeroing out fund balances every year.

Use of Fees

As mentioned previously, statute [Section 23-1-123(2), C.R.S.] requires institutions to specify, for every new fee assessment or increase in fees, the reason for the assessment or increase and the purpose for which the institution will use the fee revenues. In addition, Commission policy requires that institutions establish clear and complete descriptions of the allowable uses of each student fee. Such descriptions help to ensure that fee revenue is used only for those expenses related to the intended purpose of the fee. At the six institutions in our sample, we reviewed 217 student fee expenses (totaling almost \$832,000) made during Fiscal Year 2009 from 20 of the student fees charged by the institutions. We determined whether each of these student fee expenses was appropriate, given the stated purposes of the fee. To determine the purpose of each fee, we primarily used fee definitions found in the institutions' student fee plans. If no definition was available in the fee plans, we used definitions from the institutions' websites. For example, if an institution's student fee plan indicated that a fee was assessed to support the operations of a child care center, we expected that corresponding fee revenues would be spent exclusively on goods or services that supported the operations of the child care center. We also relied on Commission policy in determining the appropriateness of expenses for course-specific fees. This policy states that course-specific fees must be used to pay for direct and unusual course expenses, such as lab equipment or art supplies.

For almost one-quarter of the fee expenses tested, the institutions could not demonstrate that the fee revenue was spent appropriately for the purposes set forth in the institutional fee plans or as required by Commission policy. Specifically, of the 217 expenses we reviewed, we identified concerns with 50 (23 percent), totaling almost \$29,000. We found problematic expenses at five of the six institutions we visited. The expenses of concern fall into two categories: (1) unallowable expenses and (2) questionable expenses.

To test the use of the fee revenue, we requested that the institutions provide information on how the fees were spent for the 20 fees in our sample, and the institutions provided documentation for these 217 expenses. It is important to note that our audit only assessed the use of fee revenues in relation to the specific purpose of the fee. We did not assess whether these expenses would have been appropriate uses of other revenue sources, such as unrestricted donor contributions.

Unallowable Expenses. Out of the 217 expenses provided by the institutions, we found 30 (14 percent)—totaling more than \$21,300—that appear to represent unallowable uses of student fees. That is, the expenses either did not match the institution's stated purpose for the fees or violated the Commission's policy for course-specific fee expenses, which requires that these expenses only pay for

direct and unusual costs associated with a course. The unallowable expenses included:

- Students at one institution used revenue from a student-controlled fee that supports operations at the student recreation center for six expenses, totaling about \$7,000, to assist an on-campus food pantry. The stated purpose of the fee included providing and supporting team sports, recreation programs, special events and tournaments; sustaining outdoor rental equipment inventory; replacing fitness center equipment; and making facility improvements. Supporting an on-campus food pantry was not a stated purpose of the fee.
- One institution used revenue from a technology fee for five expenses, totaling more than \$1,400, that did not match the fee's stated purpose, which is to support and maintain student-based technology services such as email accounts and student laboratories. For example, the institution paid two expenses, totaling about \$700, for management and leadership skills training for four institution employees.
- Two institutions used revenues from course-specific fees for 19 expenses, totaling about \$13,000, that were not consistent with the definition of course-specific fees contained in the Commission's fee policy. Under the Commission's policy, course-specific fees are to be charged only for direct and unusual costs related to the course the student is taking. In other words, the expenses we identified as unallowable were not used for costs related specifically to the individual course for which the fee was charged (direct), and were not used for costs that other courses would not also be subject to (unusual). Additionally, in one case the fee was not used for costs that benefited all of the students taking the course. One institution used an English course fee to subsidize the operations of a tutoring center. The other institution used a science course fee to support the general instruction expenses of an academic department by, for example, purchasing furniture for a laboratory.

Questionable Expenses. Out of the 217 expenses provided by the institutions, 20 (9 percent)—totaling more than \$7,400—appear to represent questionable uses of student fees. The questionable expenses, some of which exhibited more than one concern, included the following:

- One institution used revenues from a fee supporting its athletics department to pay six expenses totaling almost \$3,500 that did not directly benefit students. For example, two expenses, totaling \$120, paid for country club membership price increases for employees. Another expense of \$350 was a lease payment for an athletic department vehicle that was

made available for the use of athletic department employees. The fund used for these expenses commingled revenues from student fees, support from the institution, donor contributions, and ticket sales. Accordingly, we could not determine whether student fees directly funded these questionable expenses. Further, the institution did not have a method for identifying which source of revenue was used to pay which of the expenses recorded in this fund. Institution staff said they believed that these transactions complied with the purpose of the athletics fee. However, we noted that this fee's purpose, which is stated as supporting the operating costs of the athletics department, is defined so broadly that it allows the institution to spend the fee revenue on nearly anything, which adds to the difficulty of determining how the use of fees directly benefits students.

- Another institution used revenues from a fee overseen by students and supporting student services to pay eight expenses, totaling about \$1,160, that did not directly benefit students. For example, one expense of \$280 was for a Denver Nuggets playoff ticket that was later purchased for \$100 by a faculty member rather than a student; another expense of about \$550 was for a golf tournament entry fee for four institutional employees. As in the previous example, the fund account used for these expenses commingled revenues from multiple sources, so it was not possible to determine whether student fees directly supported these questionable expenses. This institution also lacked a method for tracking how each revenue source was used. Institution staff said they believed that these eight transactions complied with the purpose of the student services fee. However, we noted that this fee's purpose, which is stated as supporting the activities of and in the Student Center, is defined so broadly that it allows the institution to spend the fee revenue on nearly anything.
- Another institution used revenues from a fee supporting student government to pay for six expenses, totaling almost \$2,800, that were questionable. For example, three expenses totaling \$2,750 were for the salaries of student officers. However, the institution's student constitution does not authorize salaries for student officers.

Commission policy requires the governing board of each public higher education institution to approve fees and their purposes. If the uses of a student fee do not conform to the stated purpose of the fee and also benefit students, the transparency of the student fee system is impaired, even if the expenses are for legitimate educational purposes. Transparency decreases because of the lack of clarity about whether the fee revenues are being used to support purposes approved by an institution's governing board.

We identified several reasons for the problems we found with the use of student fee revenue. In addressing these problems, the Department and the institutions will need to consider the cost-benefit of instituting additional controls.

Unclear definition of “student purpose.” Statute [Section 23-1-123, C.R.S.] uses but does not define the term “student purpose” in relation to student fees, and the Commission policy has not provided clarification by defining the term. Consequently, there are no requirements that institutions consider whether student purpose fees directly benefit students when establishing the definition and purpose of the fee. As previously mentioned, some institutions have defined fees so broadly that they can spend fee revenue in nearly any manner, regardless of whether the expenses directly benefit students. Recommendation No. 1 discusses the need for the Department and institutions to consider whether the definition of a “nonpermanent student purpose” fee should be clarified. As part of this effort, consideration should also be given to whether the definition for the term “student purpose” should specify that fee revenues for student purpose fees are used to directly benefit students.

Student fee revenues and related expenses not tracked separately. As we noted above, a significant number of the exceptions in our transaction testing resulted because institutions commingled fee revenues with revenues from other sources. As a result, we could not determine whether student fee revenues funded expenses that clearly did not benefit students, such as a sports playoff ticket for a faculty member and country club fees for staff. The Department should work with the institutions regarding whether institutions should track student fee revenues and associated expenses separately. To accomplish such tracking, institutions could establish separate funds for student fees or use other tracking mechanisms if fees and expenses are commingled with other types of revenues and expenses.

Lack of independent review. Fees are distinct from other revenue sources, such as tuition, because they are assessed for specific purposes. Therefore, the institutions should have procedures to ensure that student fee revenues are only used for the purposes for which the fees were assessed. While student fee expenses are subject to the normal review procedures institutions have in place prior to payment, periodic expense reviews by an independent party, such as the institution’s internal audit function, could help ensure that fee revenues are used only for their stated purpose. We found that the institutions did not conduct independent reviews of any of the expenses that we identified as unallowable or questionable to determine whether the expenses complied with the defined purposes of the fees. The Department should work with the institutions to consider whether institutions should periodically conduct independent reviews of student fee revenues and related expenses. These procedures could include using student review panels or the institutions’ internal auditors to review the

supporting documentation for expenses to ensure that they comply with the purpose of each fee.

Purpose of fee not clearly defined by the institution. Commission policy requires that each institution define the purpose of each student fee it charges. Defining the purpose of each fee should establish the allowable uses of revenue from the particular student fee. These definitions promote accountability by making clear the types of expenses for which fee revenues will be used. As we noted above, our expense testing found that institutions had not always sufficiently defined the purpose of the fees in our sample. We also reviewed the current fee plans submitted by all institutions to the Department and found that only 9 (36 percent) of the 25 institutions have specific definitions for all fees. The Department should work with the institutions to consider whether to recommend that Commission policy be strengthened to require more specific descriptions of the allowable uses of each fee in institution fee plans.

Recommendation No. 3:

The Department of Higher Education should work with the institutions of higher education to strengthen the policies and procedures that ensure that all expenses from student fee revenues conform to the purpose of each fee. Specifically, the Department and the institutions should consider:

- a. Whether the definition of “student purpose fees” should specify that the fees must directly benefit students.
- b. Whether institutions should establish a periodic, independent review of student fee expenses to confirm that the use of fee expenses complies with the purpose of the fees as stated in the fee descriptions in their respective institutional student fee plans.
- c. Whether institutional student fee plans should include a specific description of the allowable uses of each of its student fees.
- d. Whether institutions should have a mechanism to track the revenues and related expenses for each student fee separately from other types of revenues and expenses.

The Department should work with the Commission, as appropriate, to institute any changes.

Department of Higher Education Response:

Agree. Implementation date: August 2011.

The Department will work with the institutions of higher education to strengthen the policies and procedures that ensure all expenses from student fee revenues conform to the purpose of each fee.

The Department will work with the institutions on defining “student purpose fees,” as there is no definition in statute. The Department, the Commission, and institutions have concerns about how to show that students will benefit directly from every type of fee. As noted in the report “there are no requirements that the institutions consider whether student purpose fees directly benefit students when establishing the definition and purpose of the fee” in statute or policy. Institutions make substantial efforts to ensure that student fee revenues are used in a way that benefits students. Construction timelines mean that some students may not benefit as directly from fees for capital improvements, but up-to-date facilities support high-quality instruction and ultimately increase the value of the degree conferred. Likewise, there are student fees for activities like intramural sports that some students do not benefit from directly but they benefit the entire student body.

The Department will work with institutions on an independent review of fee expenses and improvements to descriptions of allowable expenditures in institutional fee plans.

The Department supports improvements that will reduce opportunities for the comingling of dedicated funds and will allow for better management and tracking of dedicated funds.

Institutions’ Procurement Controls

Public entities, such as Colorado’s public institutions of higher education, are responsible for having adequate controls in place to safeguard assets and ensure that resources are used effectively, efficiently, and for authorized purposes. During the expense review discussed in the previous section, we identified areas where procurement controls could be improved at three institutions: Colorado State University, Mesa State College, and Metropolitan State College of Denver. A proper procurement system includes procedures for (1) identifying and approving the need for goods or services, (2) making purchases, (3) verifying that

goods or services ordered are received, and (4) approving invoices to ensure that expenses are appropriate and comply with applicable procurement rules.

Our expense review found weaknesses in the procurement procedures at the three institutions identified above. These weaknesses involved expenses for 5 (45 percent) of the 11 fees we reviewed at these institutions during our site visits. The weaknesses were related to (1) insufficient procurement card expense approval procedures, (2) inadequate procedures to ensure that expenses are appropriate, and (3) a lack of procedures to ensure that all required documentation is maintained.

Colorado State University

For one of the fees we reviewed at Colorado State University (CSU), the department responsible for the fee did not comply with institutional procurement card rules in three areas. First, the supervisor responsible for reviewing and approving monthly procurement card statements, which included expenses related to the fee we reviewed, did not complete this review within the period specified by CSU's procurement card rules. Specifically, one statement was not approved until four months after the employee had submitted the statement, and another statement was not approved until seven months after its submittal. CSU staff indicated that the late approvals occurred because the employee who made the purchases could not provide all the supporting documentation (e.g., receipts) for the statements. However, CSU procurement card rules require approving officials to file a missing documentation form when receipts are missing so that the procurement card statement can be approved within 30 days, as required by CSU's procurement card rules. This form was not filed for the late statements we reviewed. The two late statements we reviewed covered 117 transactions that totaled about \$48,000, including 2 transactions totaling more than \$1,500 that were in our original fee expenses sample.

Second, we found an instance in which staff did not adhere to CSU procurement rules prohibiting the use of procurement cards to pay a single vendor more than \$3,000 in a single fiscal year. This threshold applies whether the vendor receives payment from one or multiple CSU procurement cards. We identified two procurement card transactions in Fiscal Year 2009 totaling \$3,200 to a single vendor—a speaker who trained students and staff on collegiate athletics rules and regulations.

Third, we found one instance in which department staff did not comply with CSU procurement rules requiring that an official function form be completed and approved before payment is made for training sessions. This exception involved the \$3,200 speaker transaction identified above.

Mesa State College

We found that Mesa State College's (Mesa) procurement card approval process may not adequately ensure against possible misuse or fraud, because the process does not require supervisory review of purchases made using procurement cards. Instead, Mesa relies on two other review procedures: (1) the cardholder is responsible for reviewing all of his or her own purchases, and (2) Mesa's business department conducts an audit of procurement card purchases that reviews each department every three to four years with more frequent audits of departments with the highest usage. These procedures are not sufficient to ensure that all purchases made using procurement cards are reasonable, necessary, and for official state business purposes. The Department of Personnel and Administration's suggested minimum guidelines for procurement cards state that an approving official should review all procurement card statements and that cardholders should not act as their own approving officials. Further, the best practices supplement to the suggested minimum guidelines recommends that approving officials review all purchases each month. We found that all five of the other institutions in our sample require that approving officials review and approve all purchases made with procurement cards on a regular basis. While we did not find any questionable or inappropriate purchases in the sample of 7 procurement card expenses we tested at Mesa, the lack of a routine review and approval process for all procurement card purchases increases the risk that state funds may not be used appropriately.

Metropolitan State College of Denver

We identified one procurement concern at Metropolitan State College of Denver (Metro). Specifically, Metro's procurement procedures do not fully ensure proper segregation of duties over purchases. We found that Metro's procurement procedures do not segregate the requisition, purchase, and receipt of goods and services. For example, at one department, one employee identified the need for a good, purchased the good, and received the good. Supervisory oversight occurs after the fact when the procurement card statement is reviewed and approved a month later. Of the 30 fee expenses we reviewed at Metro, 14 totaling about \$3,500 occurred in departments with a lack of segregation of duties over procurement. Metro should consider strengthening its procurement policies and procedures to better ensure proper segregation of all duties throughout the purchasing cycle.

Recommendation No. 4:

Colorado State University should improve adherence to university procurement card rules by:

- a. Ensuring that supervisory approving authorities review all documentation and approve procurement card statements within one month following the statement period.
- b. Requiring approving authorities and cardholders to complete the unavailable transaction documentation form for missing documentation, as necessary, to facilitate timely approvals of the procurement card statements.
- c. Ensuring that approving authorities do not approve multiple procurement card payments to individual vendors for services in excess of \$3,000 in any one fiscal year.
- d. Using proper documentation for official functions.

Colorado State University Response:

Agree. Implementation date: August 2010.

Colorado State University's procurement rules and procedures provide for efficient and effective use of funds and adhere to state fiscal and procurement rules. This recommendation was reviewed and discussed with the respective department business manager who will ensure that proper procurement card procedures are followed with regard to documentation for official function forms, monthly statement reviews, and missing documentation forms. In addition, CSU's rules are specific in that a cardholder should not split a transaction to circumvent his or her approved single order limit. The department will also review the procurement card charges for services on a monthly and yearly basis with respect to potential split purchases.

Recommendation No. 5:

Mesa State College should improve its procurement card policies by requiring approving officials to review and approve all monthly procurement card statements within a specific timeframe following the statement period.

Mesa State College Response:

Agree. Implementation date: December 2010.

All cardholders are pre-approved to make small-dollar purchases through the program only after completing and signing a Procurement Credit Card Cardholder Agreement, agreeing to comply with the Mesa State College's

comprehensive Procurement Card Handbook, and completing a procurement card training session. Additionally, Mesa sets purchasing dollar limits by both transaction and monthly total, and limits purchases to only appropriate commodity types related to department duties and responsibilities. Since implementation of the procurement card program, annual procurement card audits have not detected any instances of fraud, embezzlement, or material non-compliance with established policies. Mesa agrees with the Auditor's recommendation and believes this recommendation will further strengthen the college's procurement program and will proceed to implement the recommendation.

Recommendation No. 6:

Metropolitan State College of Denver should strengthen controls over procurement by ensuring the proper segregation of duties throughout the purchasing cycle.

Metropolitan State College of Denver Response:

Agree. Implementation date: June 2011.

Metropolitan State College agrees that the segregation of duties is an important control for any organization. We will strengthen our procedures by requiring departments to develop a process for faculty and staff members to request items, and another individual to approve the request prior to the use of the procurement card.

Fee Disclosure

Students, parents, and other stakeholders (e.g., policymakers, high school counselors, interested nongovernmental groups, etc.) currently do not have easy access to complete information on the full cost of attendance at Colorado's public higher education institutions, specifically with respect to the cost of student fees at the different institutions. Statute [Section 23-13-102, C.R.S.] declares that students and their families should have the information they need to choose the most cost-effective method of obtaining higher education in the state. Therefore, the Department and the institutions should publicize accurate and complete information on all student fees so that the public can easily determine the full cost of attendance at higher education institutions.

We examined the Department's and all of the institutions' websites to determine whether students, families, and other stakeholders can easily obtain sufficient

information on the full cost of all student fees at each institution. We found that neither the Department's nor the institutions' websites always provide complete information on student fees. As a result, students and parents are not easily able to identify the most cost-effective options for attaining higher education. Specifically, we found the following: (1) the Department website provides information only on campus-wide fees, not on course- or program-specific fees, (2) not all institution websites inform viewers that the institution assesses course- or program-specific fees, (3) not all institution websites provide the viewer with the actual cost of course- or program-specific fees, and (4) some institution websites are difficult to navigate and thus hinder an individual's ability to easily determine the full cost of fees.

Information provided by the Department's website. We reviewed the Department's website for all available student fee information and reports and found that the Department does not provide information about the total cost of student fees at each institution. Instead, the Department provides links to annual reports containing the campus-wide fees at all 25 institutions. These reports do not provide information on any of the non-campus-wide fees, such as course- or program-specific fees, nor do the reports indicate that such fees exist. As we discuss below, institutions charge a significant number of non-campus-wide fees. By not reporting these fees, the Department provides an incomplete picture of the total cost of student fees.

Information provided by the institutions' websites. We reviewed each of the 25 state higher education institutions' websites and found that the fee information available on institution websites does not always allow students, families, and stakeholders to both easily and accurately determine the full cost of student fees. Additionally, the available information varies widely among institutions. To review the institutions' websites, we located the webpage on each institution's website that provides the total cost of campus-wide fees and searched the webpage for additional fee information related to non-campus-wide fees, such as instructional fees (e.g., program- or college-specific fees), as well as for links to other webpages containing fee information. We examined each institution's webpage that explains the campus-wide fees and determined whether the page either provided a link to non-campus-wide fees or mentioned that non-campus-wide fees may also apply. We then compared the information found on these webpages and links to the fee information we collected during the audit to determine whether an institution that charged non-campus-wide fees posted these fees on its website. Using this methodology, we found deficiencies in the information available for the 24 institutions that charge course- or program-specific fees (1 institution does not charge course- or program-specific fees):

- 4 institutions (17 percent) did not indicate that course- or program-specific fees existed and that a student may incur them, depending on the student's course selections or declared major.

- 16 institutions (67 percent) did not provide the actual or average costs of course- or program-specific fees.
- 1 institution's website was significantly more difficult to navigate than the others. Specifically, this institution charged students campus-wide mandatory fees, instructional fees (e.g., course- or program-specific fees), and course-specific fees, but it listed the campus-wide fees on two separate webpages, the program-specific fees on a third webpage, and did not mention or provide a link to the course-specific fees.

Student fees can make up a significant portion of the total cost of higher education—up to 39 percent of the combined cost of tuition and fees in some cases—and while the Department and institutions provide the total costs of all campus-wide fees, they do not consistently provide the full costs of non-campus-wide fees. These non-campus-wide fees could cost a student nearly \$370 per semester for instructional fees, and the average cost of course-specific fees can be as much as almost \$182 per semester, depending on the institution. Without information about these additional expenses, students, parents, and other stakeholders cannot easily compare the expenses of higher education or plan and budget accurately.

The Department should work with the institutions to consider how to ensure that complete fee information is consistently available on the Department's and institutions' websites. One option would be for each institution to provide a cost calculator on its website that would allow the user to determine the likely expenses, based on variables such as academic major, likely classes, and class level (e.g. freshmen or sophomore). Not only would a cost calculator provide better information about fees to consumers, it would also bring the institutions into compliance with the 2008 federal Higher Education Opportunity Act, which requires each institution that receives federal Title IV funding to post a cost calculator on its website by November 2011. The federal law requires that the cost calculator enable current and prospective students, families, and consumers to determine an estimate of a current or prospective student's individual expense to attend a particular institution. During our website review, we identified the University of Colorado at Colorado Springs' (UCCS) website as an example of a best practice, as it provides a cost calculator that allows stakeholders to easily determine the full expense of all student fees. For example, UCCS' cost calculator allows a viewer to accurately calculate all campus-wide, instructional, course-specific, and other fees. The cost calculator allows the viewer, whether a first-year student, a fourth-year student, or a graduate student, to obtain an accurate cost of all the fees that will apply to him or her.

Given that consumers are becoming increasingly reliant on the Internet as a medium of communication and that Colorado's public higher education institutions have widely differing fee structures, the Department and institutions

should work to ensure that students, families, and other stakeholders have easy access to the full expenses of student fees on their websites. The Department and institutions should consider whether to recommend to the Commission that requirements be established for the Department's and institutions' websites.

Recommendation No. 7:

The Department of Higher Education should work with the institutions of higher education to improve the transparency of information available on the total cost of higher education by:

- a. Considering how the Department's and the institutions' websites could be improved to provide better access to information on all student fees, including course- and program-specific fees.
- b. Considering whether minimum requirements should be established for the Department's and institutions' websites.

The Department should work with the Commission, as appropriate, to institute any changes.

Department of Higher Education Response:

Agree. Implementation date: December 2010.

Institutions already provide complete information on course and program fees in their course catalogs, which are available online. The Department will provide a footnote in its compiled tuition and fee survey explaining that only mandatory campus-wide fees are listed in this report, that other fees may be incurred depending on the course of study selected or courses chosen, and directing individuals to consult the institutions' course catalogs for information on specific course or program fees.

The Department recognizes the importance of fully disclosing the costs associated with higher education. The Department will work with the institutions to determine whether improvements can be made to how course- and program-specific fees are presented.

Department Review Process

As discussed in Chapter 1, statute charges the Commission and the Department with specific responsibilities with respect to student fees. Section 23-1-108, C.R.S., requires that the Commission establish policies related to student fees based on institutional role and mission, and that institutions set fees consistent with these policies. Section 23-1-101, C.R.S., states the Department is responsible for implementing the policies of the Commission, including those related to student fees. With respect to student fees, the Department has the responsibility to review all student fees charged by each institution. We found that the Department's review procedures should be improved to ensure that inaccuracies or discrepancies with statutes or Commission policy are identified, and that the Department should work with the institutions to resolve any issues.

Commission policy requires each institution to file a fee plan with the Department, and to report on all fee rates annually and certify by September 1 that its fee policies comply with Commission policy. Since at least 2006, Commission policy also requires the Department to prepare a report summarizing tuition and fee decisions made by the institutions and analyzing the consistency of these decisions with Commission policy. According to Commission policy, the Department must submit this report to the General Assembly by December 15 of each year. We identified three problems with the Department's efforts to meet these requirements.

First, the Department's process for reviewing institutional fee plans does not adequately identify instances in which an institution's fee plan lacks any of the specific components listed in the Commission policy. Specifically, the Department reviewed all of the institutions' student fee plans in 2008 in response to Senate Joint Resolution 08-037 and found that all the plans substantively met the requirements of Commission policy. We performed a similar review of all 25 state institutions' current fee plans, only five of which had been revised since 2008, and found that 21 of the 25 plans (84 percent) did not contain all of the components listed in Commission policy. For example, only 9 of the plans contained specific descriptions of all fees that were being charged to students during the period. Additionally, only 16 of the plans established procedures for student input in setting instructional and course-specific fees. Our results suggest that the Department's review was not adequate to determine whether all of the institutions' student fee plans contained all of the components listed in the Commission's fee policy.

Second, the Department has not prepared and submitted to the General Assembly a report that analyzes the consistency of institutional fee policies with Commission policy—a report that the Commission has required since at least 2006. In 2009 the Department produced a report that summarized some

institutional tuition and fee decisions, but that report did not evaluate the consistency of institutional fee plans with Commission policy. As of the end of our audit, the Department had not provided to us any report for 2010 related to this requirement. As a result, it appears the Department is not determining whether institutional fee policies are consistent with Commission policy on an ongoing basis.

Third, for the period of our review, the Department did not provide evidence that it had received complete fee rate information from the institutions. We reviewed the annual fee surveys for Fiscal Years 2008 through 2010 submitted to the Department by the six institutions we visited and found that the institutions' reporting was not complete or accurate. For example, the surveys did not provide any information alerting the Department about the new implementation or increase in 91 (42 percent) of the 215 student fees charged by the six institutions during this period. We also found that the Department's annual fee survey tool does not capture any information about the "Charge for Service" category or complete information on program-specific fees. A Charge for Service is a fee-like expense imposed on students that Commission policy exempts from the requirements for student fees. As discussed in more detail later in the chapter, the distinction between a student fee and a Charge for Service is not always clear; therefore, it would be prudent for the Department to collect information about the Charges for Service being imposed by institutions to help ensure that these charges are not in fact fees. For program-specific fees, the survey only captures the total number of program-specific fees charged by the institutions and the average amount of these fees. The survey does not capture any detailed information about individual program-specific fees, such as their amount. Finally, we found that the Department's annual fee survey does not capture accurate information on which fees the institutions have classified as being academic or academic facility fees. Without this information, the Department cannot verify that the institutions are classifying all of their academic and academic-facility fees appropriately. Specifically, we found that 15 of 25 (60 percent) institutions incorrectly reported some fees as academic or academic-facility fees in the annual fee survey. For example, one institution reported in the Fiscal Year 2010 survey that all of its campus-wide fees were academic or academic-facility fees even though most of these fees were clearly not academic-related. Without complete and accurate information about student fees, the Department cannot adequately review all aspects of the institutions' increases in fees or new fee assessments, such as whether the fees should be defined in the student fee plan or whether student approval was granted through the referendum process. Additionally, the proper classification of fees as academic or academic-facility fees is important to ensure that the correct fees are included in the appropriations request.

As mentioned previously, statute requires the Department to implement the duly adopted policies of the Commission. To address the concerns we have identified,

the Department needs to strengthen its review of student fees in the following ways:

- Expand and formalize its annual review of the institutional fee plans to determine whether all fees being charged are in compliance with all statutory and policy requirements. Department staff stated that their current review consists of scanning the plans for inconsistencies and then asking the institutions for explanations or corrected information, as necessary. As our review of the institutional fee plans shows, the Department's informal review is not sufficient or systematic enough to identify gaps in the fee plans. One approach the Department should consider is to develop a checklist of criteria based on requirements from Commission policy and then review the institutional fee plans against these criteria.
- Complete and submit to the General Assembly the annual report on student fees, as required by Commission policy. The Department could use this report as an opportunity to document all of its findings regarding the student fee system. This report could also be used to highlight any areas in which the Department finds that institution fees are not consistent with statute or Commission policy.
- Expand the survey to include information about "Charge for Service" and program-specific fees. Additionally, the Department should ensure that academic and academic facility fees are correctly classified and complete. If the Department identifies inaccuracies in the survey information submitted, it should work with the institutions to obtain updated information.

Improvements in the Department's review and reporting of institutional fee practices will help ensure that both the Commission and the General Assembly have better information on student fees.

Recommendation No. 8:

The Department of Higher Education should improve its review and reporting of student fees charged by institutions of higher education by:

- a. Developing criteria from the Colorado Commission on Higher Education's policy and reviewing the institutional fee plans annually for compliance against these criteria and documenting the results.

- b. Using the annual evaluation in part “a” as the basis for submitting to the General Assembly the annual report on student fees, as required by Commission policy.
- c. Enhancing the data collected through the annual fee survey by including detailed information about “Charge for Service” and program-specific fees from each institution and ensuring that information on academic and academic facility fees is accurate and complete. The Department should follow up with the institutions to resolve inaccuracies identified.

Department of Higher Education Response:

Agree. Implementation date: September 2011.

The Department agrees to improve its review and reporting of student fees charged by institutions. It is worth noting that the Department recognizes several different levels and types of fee plans and guidance. There are: statutory restrictions placed upon types and uses of fees, Commission policies that affect types and uses of fees, institution-wide fee plans that state broad frameworks for practices and procedures at an institution, and individual fee-specific plans that state additional rules and guidance on fee uses. The Department annually receives information on tuition and fee rates as defined in policy:

5.01 By September 1 of each year, each governing board is required to submit institutional tuition and fee rates to the Commission, along with evidence of their consistency with the above listed policies on forms provided by CCHE. A report summarizing tuition and fee decisions and analyzing their consistency with Commission policy will be prepared by the CCHE staff for approval by the Commission and distribution to the General Assembly no later than December 15 of each year.

The Department will continue to focus its efforts on the collection of more complete rate information and to focus its Tuition and Fee Report on the issues deemed pressing by the Commission and General Assembly. The Department will discuss with institutions the possibility and appropriateness of more frequent institution fee plan reviews in conjunction with Commission policy, but leave individual fee-specific plan review to the governing boards and institutions.

Student Fee Framework

In this chapter we have identified several areas where improvements could be made to better identify and resolve discrepancies and areas of concern with respect to statutes or Commission policy. In some instances we have noted areas where the Department and institutions need to work together to consider whether recommendations should be made to the Commission regarding the need for clarifications in Commission policy. These include:

- Clarifying the definitions for administrative and nonpermanent student purpose fees to better ensure that students are afforded opportunities to participate in fee-setting decisions as intended by statute.
- Considering whether the definition of “student purpose fees” should specify that the fees must provide direct benefits to students.

In addition to these issues, we identified several other aspects of the student fee framework that may contribute to the inconsistent application and use of student fee revenues: (1) there is no clear distinction between costs that should be paid from tuition as opposed to student fees, and institutions use student fee revenues for similar purposes as tuition revenues; and (2) there is no clear distinction between administrative fees and another category of fee-like charges in Commission policy called “Charge for Service.” We describe these problems below.

Overlap between student fees and tuition. During our site visits, we found evidence that institutions are using student fees to cover similar costs as tuition revenue. For example, staff at four of the institutions we visited stated that student fees are currently being used to fund expenses that had previously been funded by tuition. Specifically, one institution expanded the definition of its technology fee to incorporate expenses, such as staffing, that had previously been supported by tuition revenue. Staff at the three other institutions told us that instruction fees have been recently implemented to pay for expenses that had previously been supported by tuition revenue. Additionally, institutions use both tuition and fees to fund more expensive academic programs. For example, some institutions assess “differential” tuition to students who have declared majors in certain programs, while other institutions assess instructional or course-specific fees to fund the added costs of programs or courses.

Currently neither statute nor Commission policy defines the purposes for which institutions may use tuition revenues. Also, as mentioned previously, the statutory definition that allows student fee revenues to fund both academic and nonacademic purposes effectively places no limits on the uses of student fees.

Based on the Department's 2008 review of student fees, the Commission created a standard definition of appropriated fees and added fee category descriptions to the student fee policy, as discussed in earlier. However, the Department's review did not identify as a concern the lack of a boundary between the uses of fee and tuition revenues. The Department should work with the institutions of higher education to consider whether changes are needed to clarify the distinction between tuition and fees. Establishing a statutory definition that more clearly distinguishes between tuition and fees could make the use of these revenues more consistent and promote a common understanding of the purpose of fees and tuition. The increased flexibility provided to institutions through Senate Bill 10-003 provides an opportunity for the State's higher education system to create a more rational tuition and fee system.

Overlap between "Charge for Service" and administrative fees. The Commission's student fee policy creates a category of student expense called "Charge for Service." Commission policy defines Charges for Service as "charges to cover the costs of delivering specific services which are incidental to the instructional activities." Commission policy also states that a Charge for Service can include, but is not limited to, "application fees, add/drop fees, fines and penalties, late fees, orientation fees, and room and board charges." Commission policy specifically exempts a Charge for Service from the controls that the policy and statute place on student fees. For example, institutions do not have to report to the Commission the Charges for Service they impose on students or any increases in those charges. In addition, neither statute nor Commission policy requires student input into the authorization of new or increased Charges for Service, unlike student fees, and the General Assembly does not appropriate Charges for Service.

We found that the use of the Charge for Service category appears to overlap with uses of student fees authorized by statute and Commission policy. For example, all six institutions we visited classify registration fees as Charges for Service; however, statute [Section 23-1-123(7)(b)(VII), C.R.S.] defines student fees to include "providing administrative services, including **registration fees**" [emphasis added]. Additionally, the definition for the Charge for Service category includes application and add/drop fees, even though such fees appear to be administrative in nature and could thus be classified as fees for providing administrative services. Four of the six (67 percent) institutions we visited classify application and orientation/matriculation fees as Charges for Service.

According to the Department, some of the fees listed above are categorized as Charges for Services rather than fees because, while administrative in nature, these charges do not meet the statutory definition of a student fee. Statute [Section 23-1-123(7)(b), C.R.S.] defines student fees as being campus-wide (i.e., charged to all students); in contrast, some of the fees classified as Charges for

Services, such as add/drop fees or orientation fees, apply only to specific groups of students, such as fees charges only to new or graduating students.

The Department should work with the institutions to determine whether to clarify the distinction between Charges for Services and other types of fees and recommend changes to Commission policy or statute. This determination should also consider whether statutory revisions are needed to clarify the authority of institutions to charge fees that apply to select groups of students and, thus, do not meet the statutory definition that fees be “campus-wide.” Because of the overlap between the Charge for Service category and administrative fees, criteria could be established to clearly distinguish between these two types of charges. One possibility is to focus on whether a charge is mandatory. Because the General Assembly has expressed concerns over higher education expenses, it would be reasonable to include any administrative charge that a student must pay to attend or graduate from a higher education institution in the administrative fee category, since fees in that category receive greater scrutiny from students, the Department, and the Commission. Examples of such mandatory fees—which some institutions currently classify as a Charge for Service—include registration fees, matriculation fees, and graduation fees. Conversely, a Charge for Service could refer to any amount that a student does not automatically incur while attending an institution. Such charges could include fines, late fees, and add/drop fees, which students pay only if they perform certain actions that can be avoided.

Recommendation No. 9:

The Department of Higher Education should work with the institutions of higher education to consider ways to improve the transparency and consistency of Colorado’s public higher education student fee system. Elements to be considered include:

- a. Whether statutory and/or regulatory changes are needed to help distinguish the uses of student fee revenues from the uses of tuition revenues.
- b. Whether the definition for Charge for Service should clearly distinguish between a Charge for Service and an administrative fee.

The Department should work with the Commission and the General Assembly, as appropriate, to institute any changes.

Department of Higher Education Response:

Agree. Implementation date: September 2011.

The Department will work with the institutions of higher education on ways to improve the transparency and consistency of Colorado's public higher education student fee system.

The Department believes that the statutory changes needed to help distinguish between the uses of student fee revenues from the uses of tuition revenues have been accomplished through Senate Bill 10-003. The intent of the General Assembly through Senate Bill 10-003 is to provide as much flexibility as possible to governing boards to generate revenues rapidly in light of expected reductions in state support. This significant increase in tuition flexibility does not diminish the need for student fees to be implemented fairly with an appropriate level of input and oversight.

The Department will work with institutions of higher education and the Commission to determine whether there is a need for a policy revision to more clearly articulate the differences between a Charge for Service and an administrative fee. Currently the statutory requirements on administrative fees are that they be campus-wide. When the Commission adopted the current policies it specified that a "Charge for Service" is used to cover specific incidental services, such as late fees, orientation fees, and other such costs that are paid by those using such services and not levied across the entire campus. The Commission and Department see this as distinct from the campus-wide administrative fees specified in statute as requiring approval by student vote on campus, and that this category is under the statutory discretion of the Commission to provide policies for fees used for different purposes.

Appendix

This page intentionally left blank.

Appendix A

Colorado's Public Institutions of Higher Education		
Institution	Location	Student FTE Academic Year 2009-2010
Four-Year Institutions		
Adams State College	Alamosa	2,169
Colorado School of Mines	Golden	4,594
Colorado State University ¹	Fort Collins	22,812
Colorado State University - Pueblo	Pueblo	4,211
Fort Lewis College	Durango	3,487
Mesa State College	Grand Junction	5,928
Metropolitan State College of Denver	Denver	17,333
University of Colorado at Boulder	Boulder	27,332
University of Colorado at Colorado Springs	Colorado Springs	7,046
University of Colorado Denver	Denver	15,495
University of Northern Colorado	Greeley	9,958
Western State College	Gunnison	1,858
Two-Year Institutions²		
Arapahoe Community College	Littleton	5,333
Colorado Northwestern Community College	Rangely	845
Community College of Aurora	Aurora	4,172
Community College of Denver	Denver	7,619
Front Range Community College	Westminster	12,778
Lamar Community College	Lamar	734
Morgan Community College	Fort Morgan	1,087
Northeastern Community College	Sterling	1,457
Otero Junior College	La Junta	1,297
Pikes Peak Community College	Colorado Springs	9,646
Pueblo Community College	Pueblo	4,750
Red Rocks Community College	Lakewood	6,130
Trinidad State Junior College	Trinidad	1,583
Source: Office of the State Auditor's compilation of Department of Higher Education data. ¹ Colorado State University's Global Campus is not listed as a separate institution. ² Institutions included in the Colorado Community College System.		

This page intentionally left blank.

The electronic version of this report is available on the website of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303.869.2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 2046

Report Control Number 2046