

**UNIVERSITY OF CALIFORNIA, DAVIS
INTERNAL AUDIT SERVICES**

**Student Affairs
Non-Resident Tuition
Project #13-11**

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MANAGEMENT SUMMARY

As part of the fiscal year (FY) 2013 audit plan, Internal Audit Services (IAS) performed an advisory service to assess policies, procedures and practices at the Office of the University Registrar (OUR) designed to ensure that the proper California (CA) residence status was determined for newly arriving students. Additionally, our review assessed whether the resulting assessment of tuition for those students was consistent with their OUR determined status and the approved tuition for their area of study.

Each year approximately 10,000 new students, comprised of approximately 7,000 undergraduates and 3,000 graduate and professional school students come to the University of California, Davis (UCD). A residence determination must be made for each of those students in order to establish the appropriate level of tuition to be charged to the students. For FY 2012, approximately \$323 million in regular tuition, \$32 million in professional degree supplemental tuition, and \$35 million in non-resident supplemental tuition (NRT) was assessed.

The residence determination for a new student is facilitated by completion of an on-line Statement of Legal Residency (SLR). Based upon the student's answers to a series of seven initial questions in the SLR, residence determination is automated (auto-classed) for approximately 60% of new students. The remaining 40% must go through a manual review process performed by an OUR Residence Deputy. To manage and expedite the review of incoming students OUR has developed a web based tool, Inside OUR. This tool is used to monitor and process final determinations which then affect the student's Banner record through an interface process.

To complete our review, we obtained an understanding of the *University of California (UC) Residence Policy and Guidelines*; interviewed OUR, Undergraduate Admissions and University of California Office of the President (UCOP) Office of General Counsel (OGC) staff; and gathered and analyzed data from Banner, the Student Information System (SIS) and OUR's web based tool, Inside OUR. The scope of our review included residence determinations and tuition assessed during the academic year 2011-2012.

Overall, we found the Resident Deputy(s) not only proficient in both the knowledge of the UC residence policy and the application of manual determinations, but also performed their duties with care and in the spirit of the Principles of Community.

We found that the auto-class process is working as intended based upon the answers students provide to the seven questions in the SLR. However, there is no after-the-fact validation of any of the student responses that are the basis for the auto-class. Additionally, the seven SLR questions do not ask whether the student intends to remain in CA after their UC education is complete, though intent is a required component of the residence determination per the *UC Residence Policy and Guidelines*. We recommend that auto-class determinations be validated on a sample basis, and that UCD consider adding another question to the SLR that specifically addresses student intent to remain in CA after their education is complete.

We also identified a group of students who arrived late in the term or who initially attended summer session that did not complete a SLR and thus did not receive a residence determination. We recommend review of the affected students to determine the appropriate residence classification. We also recommend that OUR utilize automated tools currently available to identify new students with missing or incomplete SLR's and ensure a residence determination is ultimately provided.

We also identified two issues related to Banner. First, Banner users other than the OUR Residence Deputies have the ability to change the residence code in a student's Banner profile, and there are no audit reports designed to detect unauthorized changes to the residence code. We recommend that audit reports be developed to monitor for unauthorized changes to the residence code in Banner. Second, generic Banner user accounts were shared by Undergraduate Admissions personnel. Undergraduate Admissions has already deactivated these generic Banner accounts.

Finally, we noted that Graduate Studies did not end the waiver of non-resident tuition for several non-resident post-doctoral students after the standard three-year waiver period was over. We recommend that Graduate Studies work with OUR to develop an automated process to identify and reverse waivers of non-resident tuition in Banner when the waiver period has expired.

Additional information is contained within the body of this report.

I. OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS

A. AUTOMATIC CLASSIFICATION PROCESS

- 1. The automatic classification process designed to streamline the residence determination provides no assurance that incoming students are answering the seven determining questions accurately.**

The *UC Residence Policy and Guidelines* require that all new students receive a residence determination based on clear and convincing evidence that they were a CA resident for at least 366 days prior to the residence determination date and intend to reside in CA after they have completed their UC education. The UC Campuses, with guidance from the UC OGC, opted to streamline the residence determination process through a set of six (expanded by UCD to seven) pivotal questions¹ inserted at the beginning of the required SLR, that if answered “yes”, would allow the student to be automatically classified (auto-classed) as a CA resident for tuition purposes. If the new student answered “no” to any one of the seven questions, they would be required to complete the entire SLR and be subject to a manual review of their residence status by one of the OUR Residence Deputies. Currently about 6,000 out of the approximate 10,000 new students each year are auto-classed as CA residents for tuition purposes, with no additional evidence collected or reviewed by OUR to support their responses. Thus UCD is relying solely on the accuracy of the student’s self-reported SLR data for determination of appropriate tuition assessment for approximately 60% of its student population.

The seven questions are structured such that respondents could answer incorrectly either in error or in a deliberate attempt to be classified as a resident for tuition purposes. During the course of our review, we identified seven students who had been auto-classed as residents because of their “yes” responses on their SLR, though their Banner student profiles contained information regarding length of CA residence for the student and or their parent(s) that contradicted the SLR responses. There is other data in Banner, such as the location of the student’s high school and parent addresses, which could also provide an indication of possible misclassification of resident status if OUR were to perform similar analyses using that data.

If a non-resident undergraduate were incorrectly classified as a resident, UCD would lose approximately \$23,000 per year in revenue from non-resident tuition or approximately \$92,000 over the course of a student’s four year enrollment because the determination is generally only made upon enrollment. If for example, just 22 students have an incorrect determination, this would be the equivalent of \$2,000,000 in lost tuition revenue over the

course of the students' careers. For graduate students (excluding non-resident professional school fees), lost revenue from non-resident tuition would be approximately \$15,000 per year.

Recommendation

OUR should review the residency determinations of the seven students identified by IAS as potentially being non-residents. Additionally, OUR management should strengthen controls over auto-class process to dissuade and minimize the potential for students to provide inaccurate responses that result in erroneous residence classifications.

Management Corrective Actions [Suggested]

- a. OUR will follow-up on the seven students identified by IAS as potentially being non-residents to determine if the current "resident" status is appropriate or not. If needed, OUR will also develop a plan to appropriately address any student found to be misclassified. These actions will be completed by January 15, 2014.
- b. OUR will implement an annual review process for auto-class residence determinations. This review process will include:
 1. Identification and follow-up on high-risk residence determinations through the use of data analytics that detect residence determinations that are inconsistent with data in Banner student profiles. The data analytics will be developed and the process implemented by April 15, 2014.
 2. Implementation of a sampling plan that identifies students for whom documentation supporting their auto-class residency status will be requested and reviewed. The sampling plan will be implemented by April 15, 2014.
- c. OUR will clearly disclose to students that their SLR responses will be selected for verification depending on student responses. This disclosure will be placed on the OUR website and the SLR by March 15, 2014.
- d. If the results of the sampling plan indicate that the benefits of requiring supporting documentation for SLR responses for all applicants outweigh the costs of collecting, storing and reviewing such documentation, then OUR will discuss with campus leadership ways to implement such a program. The evaluation of the sampling plan will be completed by November 15, 2015.

- 2. The seven determining questions used in the auto-class process do not explicitly address the student’s intent to remain in CA after completing their UC education.**

UC Residence Policy and Guidelines state that “Intent to make California one’s permanent home is a required element of residence for purposes of tuition and fees. Although physical presence and intent must be established simultaneously, intent is evaluated separately from physical presence.”

The seven determining questions used in the auto-class process do not explicitly ask the student about their intent to remain in CA after completing their UC education. Instead, the student’s intent has historically been inferred by UC campuses from the answers to the six (seven for UCD) questions regarding citizenship and length of residence in CA for the student and his/her parents.

Recommendations

UCD should consider revising the seven questions contained in the SLR and used for the auto-class of residence status to include an explicit question regarding student intent to remain in CA.

Management Corrective Action [Suggested]

OUR will replace an existing question currently found on the SLR and used in the auto-class process, with a question relating to intent. .
The question will be added to the SLR by March 15, 2014.

B. FINAL RESIDENCE DETERMINATIONS NOT PERFORMED

Not all new students receive a final residence determination by the Residence Deputy as required by policy.

Except for the self-supporting professional schoolsⁱⁱ, new students¹ are required by the *UC Residence Policy and Guidelines* to complete the SLR. Also per policy, if the student fails to complete the SLR, the student shall be classified by the Residence Deputy as a non-resident for tuition purposes. Completion of the SLR, or assignment of non-resident status if an SLR is not completed, is indicated in a student’s Banner record by population of a “Gain Code”.

¹ Newly admitted students, students returning to campus after a leave of absence, transfer students and continuing students who wish to petition for a resident classification must also complete the SLR.

To ensure all new students have received a residence determination, OUR has developed an automated process which is run in mid-August just prior to the final filing deadline to identify those students who have not completed their SLR based on an empty Gain Code. The automated process will classify these students as non-residents in their Banner student profile and also insert a Gain Code in their Banner record indicating this action.

Students continue to arrive after the automated process is completed in mid-August. At that point, the Residence Deputy manually identifies those students who have not completed an SLR by searching within Banner for missing Gain Codes and then processes their residence determination manually. The Residence Deputy sometimes inserts the residence determination directly into Banner instead of utilizing the Inside OUR tool² and does not always include the corresponding Gain Code. This makes it increasingly harder to identify late arriving students who have not completed their SLR because a missing Gain Code is no longer a true indicator of the need for a residence determination, and some students who need a residence determination are overlooked and do not receive one. Once a student continues on into the following term, they are not considered “new” and would not be identified through the OUR process that looks for missing Gain Codes.

There is a similar issue with new students who begin their student career during summer session. Although newly arriving summer students are required to complete the SLR, they do not always do so. The automated process used to address missing Gain Codes is not run consistently for summer session, so students who have not completed an SLR must be located and their residence determinations processed manually. Because summer session coincides with the heavy workload period for manual reviews of residence determinations for incoming fall students, sometimes missing Gain Codes for summer session students are not addressed. Students continuing on and enrolling in the fall term are no longer considered “new” students and would not be identified through the OUR process that looks for missing Gain Codes.

When a residence determination is not made by OUR either through an automated process or manual review, the Banner residence classification is based upon data contained in the student’s UC Application. The information in the UC application allows for less rigorous classification as a resident, and is not prepared under penalty of perjury like the SLR. In addition this allows for residence classifications via Banner to escape review by OUR.

Our data analysis revealed 48 new active students that did not have Gain Codes present at the end of their first term. Nineteen were new summer session students and 29 were new regular session students.

² If the Inside OUR tool is used to process the manual determination, it will interface with Banner and populate the Residence Code and Gain Code in Banner automatically.

- Of the 19 summer session students five went on to enroll in regular session, and ultimately received a residence determination. The remaining 14 students only attended summer session.
- Of the 29 regular session students six ultimately received a residence determination during a later term. During the course of our review, OUR looked at another six of the twenty-three students who had not received a formal residence determination and concluded that one appeared to be a non-resident.

Recommendations

OUR should follow-up on the 23 students identified as not having a residence determination. Additionally, OUR management should strengthen controls over the residence determination process to ensure that all students receive a residence determination.

Management Corrective Action [Suggested]

1. OUR will follow-up on the 23 regular session students identified by IAS as not having a residence determination to ensure that a Residence Deputy makes a formal residence determination and that the residence code in Banner is correct. This will be completed by January 15, 2014.
2. OUR will run the automated processes that identifies students with incomplete SLRs via the missing Gain Codes throughout the term with the last run taking place at the end of the term, for all terms including summer terms, to ensure all new students receive a residence determination. The first cycle will be completed by February 15, 2014.
3. If a manual determination is made for late term arrivals, the Inside OUR tool will be used to record the determination, and an appropriate Gain Code inserted to indicate the determination has been made. This will ensure the appropriate information is contained within Inside OUR and is automatically fed into Banner. This process will be completed by December 15, 2013.

C. BANNER

1. **Banner users, other than the OUR Residence Deputies, have the ability to change the Residence Code in a student's Banner profile.**

Only the Residence Deputy is authorized to provide the final residence determination for new students. The determination is ultimately recorded in the Residence Code field in the Banner record for the student. This Residence Code drives the assessment of resident versus non-resident tuition.

We found as many as 120 Banner users that have the ability to change the Residence Code, because they have update ability to the forms that hold this field. We learned access to the Residence Code field cannot be restricted to Residence Deputies only, and additionally we found no audit reports designed to identify if the Residence Code in Banner records has been changed.

We performed limited analytics to determine if the Residence Code found in the Banner student profile was the same as the residence determination made by OUR as documented in Inside OUR. As noted in B above, there were instances where a residence determination was not made and/or documented in Inside OUR. When residence determinations were documented in Inside OUR, we did not find any discrepancies between the residence determinations in Banner and Inside OUR. However we only compared the Banner residence code to the OUR determination for the same term the OUR determination was made. Risk increases as the student continues into successive terms, in that the Residence Code may change due to operator error or intentional manipulations.

Recommendations

OUR management should strengthen controls over changes to student Residence Codes in Banner.

Management Corrective Action [Suggested]

OUR will work with Banner Programmers to restrict access to the Residence Code field once it has been populated through the admissions process. After that, only OUR Residence Deputies will have the ability to edit this field during their determination process. This will ensure the final determination of the Residence Deputy cannot be inappropriately altered. This programming change will be completed by January 15, 2014.

2. Six generic Banner user accounts were shared by Undergraduate Admissions personnel.

During our review, we noted six generic Banner accounts that were shared by Undergraduate Admissions personnel to allow access to Banner forms

for designated people (general assistants, student assistants, etc.) who do not have a Banner account of their own. These accounts were no longer being used at the time of our review, but remained in Banner as active accounts.

The practice of sharing accounts violated UC Davis Policy and Procedure Manual, 310-23, *Electronic Communications—Allowable Use*, Exhibit A, Section V.C.1 states, “A user who has been authorized to use a password-protected account shall not disclose the password or otherwise make the account available to others without authorization.”

Password access establishes accountability to and for the user, and the sharing of a generic account protected by a token password reduces this accountability.

Recommendations

IAS has confirmed that Student Affairs has already deactivated these six generic accounts.

Management Corrective Action

No further action is necessary.

D. GRADUATE STUDIES NON-RESIDENT TUITION WAIVER

Graduate Studies failed to charge non-resident supplemental tuition for a small portion of its students.

Non-resident doctoral students who have advanced to candidacy by the first day of the term will receive a 100% non-resident tuition remission and may receive the waiver for a maximum of three years. Any student who continues to be enrolled or who re-enrolls after receiving the waiver for three years will be charged the full non-resident tuition rate that is in effect at that time. For academic year 2011-12, an average of 350 Doctorial Candidates received this waiver each term.

When students exceeded the three year non-resident tuition waiver deadline, Graduate Studies must manually insert a code into their Banner student profile to start the non-resident tuition assessment. For four students that exceeded the three year waiver period, Graduate Studies did not insert the code to start the non-resident tuition assessment. The four students continued to receive the non-resident tuition waiver for a combined 14 terms, resulting in lost revenue of \$70,476 to Graduate Studies.

IAS identified this issue through its data analysis but in subsequent discussions we learned that Graduate Studies had already recognized the problem with non-resident tuition waivers.

Recommendations

Graduate Studies management should enhance controls over the tracking of non-resident tuition waivers to ensure they do not exceed the allowable waiver period.

Management Corrective Action [Suggested]

1. Graduate Studies will work with the Office of the Registrar to develop an automated process to track the length of the waiver for all non-resident doctoral students who receive a waiver. Once the deadline has arrived, the automated process will insert the appropriate code into the Banner record to start the NRT assessment. The automated process will be completed by May 15, 2014.
2. If exceptions are allowed to the three-year waiver policy, an edit report will be developed to allow Graduate Studies to monitor all non-resident tuition waivers that extend beyond three years. The edit report will be developed by May 15, 2014.
3. If Graduate Studies finds that the automated process is not feasible, we will develop a manual process to track the implementation and reversal of non-resident tuition waivers. If required, the manual process will be implemented by May 15, 2014.

E. OFFICE OF THE UNIVERSITY REGISTRAR POLICIES AND PROCEDURES

We found the internal policy and procedures used by the Residence Deputy in need of revision to reflect current practices.

The residence determination processes changed in 2010 from a manual paper based operation to an automated online system. The internal operating policies and procedures have not been revised completely to document current requirements, guidelines and responsibilities.

The OUR operating unit, as well as the University may be adversely affected if Residence Deputies who possess undocumented knowledge leave OUR.

Recommendations

OUR should revise and complete the internal operating policies and procedures to ensure proper guidance is provided for future use.

Management Corrective Action [Suggested]

OUR will revise and complete its policies and procedures using a risk based approach by May 15, 2014.

NOTES

ⁱ In 2004, in order to streamline the residence determination process for those campuses that were moving to the online Statement of Legal Residence (SLR) processing, UC campuses developed a set of six questions that if answered in the positive would determine the residence status and intent for new students. The following is the set of seven questions used at UCD at the beginning of the SLR that would allow the student to be auto-classed as a resident if all questions were answered with “yes”.

1. Do you claim to be a resident of California?
2. Are you a citizen of the United States?
3. Is your Father a citizen of the United States?
4. Is your Mother a citizen of the United States?
5. Have you been physically present in California for the past three years?
6. Has your Father been physically present in California for the past three years?
7. Has your Mother been physically present in California for the past three years?

ⁱⁱStudents with the following majors (programs) are not required to submit an SLR:

- University Extension
- Clinical Research
- Forensic Science
- Maternal & Child Nutrition
- Part time MBA program - Sacramento
- Part time MBA program - Bay area
- Part time MBA program - Course work only
- Master of Laws