



REPORT OF

THE

STATE AUDITOR

**Department of Military and Veterans Affairs
National Guard Tuition Assistance Program**

**Performance Audit
September 2004**

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Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the National Guard Tuition Assistance Program within the Department of Military and Veterans Affairs. The audit was prompted by legislative interest and conducted 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 audit was conducted in accordance with generally accepted government auditing standards and audit work was conducted from June 2004 through August 2004. We would like to acknowledge the efforts and assistance extended by management and staff from the Department of Military and Veterans Affairs, the Colorado National Guard, and the Colorado Commission on Higher Education.

This report includes findings regarding the administration of tuition assistance provided to National Guard members and the sufficiency of internal controls in the Tuition Assistance Program. The report presents our findings, conclusions, and recommendations, and the responses of the Department of Military and Veterans Affairs.

National Guard Tuition Assistance Program

Background

The Colorado National Guard is a federal and state military organization whose primary mission is to support federal, state, and local governments in times of need. The Colorado National Guard can be deployed upon the order of the Governor or the United States Department of Defense. For example, the Governor can call up National Guard members to assist in disaster (e.g., forest fire) relief, and the United States Department of Defense can deploy National Guard members to active duty (e.g., war in Iraq). The Colorado National Guard includes both the Army National Guard and the Air National Guard. As of July 2004 the Colorado National Guard consisted of about 3,100 Army and 1,400 Air members.

The Colorado National Guard Tuition Assistance Program (Program) was enacted in 1979 to assist National Guard members with attending public institutions of higher education. According to Section 23-5-111.4, C.R.S., the General Assembly intended that the Program improve the National Guard by (1) encouraging enlistments, (2) enhancing the knowledge and skills of members, and (3) retaining membership. Statutes also state that:

Any person who is a member of the Colorado national guard, upon being accepted for enrollment at any designated institution of higher education, shall be permitted to pursue studies leading toward a bachelor's degree, a postgraduate degree, an associate degree, or a certificate of completion with at least fifty percent but not more than one hundred percent of the cost of tuition paid by the department of military and veterans affairs, subject to available appropriations, for so long as such person remains a member of the Colorado national guard. [Section 23-5-111.4(2)(a), C.R.S.]

The Department of Military and Veterans Affairs (Department) administers the Colorado National Guard Tuition Assistance Program with one FTE. The Department pays funds directly to higher education institutions on behalf of the National Guard member to cover a portion of tuition-only expenses. Section 23-5-111.4(9), C.R.S., creates the Colorado National Guard Tuition Fund (Fund) in the State Treasury to be used to administer the Program. Monies in the

Fund are continuously appropriated and any monies not spent at the end of the fiscal year remain in the Fund.

Program Requirements

Section 23-5-111.4, C.R.S., sets forth several requirements that National Guard members must meet to receive tuition assistance. For example, the member:

- May not be a recipient of a full scholarship for tuition and fees.
- Must agree to serve one year in the Colorado National Guard for each semester of tuition assistance granted; the statutes state that “one semester shall be equal to fifteen semester hours or twenty-three quarter hours.”
- Shall obtain certification from the school on his or her “satisfactory academic standing.”

Section 23-5-111.4(7), C.R.S., requires the Department to promulgate rules for the administration of the Program. In response to the statutory requirement, the Department has promulgated rules that include:

- **Eligibility criteria.** A member must have served at least six months in the Colorado National Guard to be eligible for tuition assistance.
- **Definition of satisfactory academic standing.** A member must maintain a cumulative grade point average of at least 2.0 while participating in the Program.

Funding and Members Served

The Colorado National Guard Tuition Assistance Program is funded by state general funds. Between Fiscal Years 2000 and 2004, state funding appropriated to the Program decreased by 57 percent due to statewide budget reductions. During Fiscal Year 2004 the Governor’s Office provided \$250,000 in supplemental federal funds from the Jobs and Growth Tax Relief Act to the Program to compensate for the general fund reductions. Program revenues from all sources, expenditures, and fund balances for the past five years are displayed in the table below.

Colorado National Guard Tuition Assistance Program Department of Military and Veterans Affairs Annual Appropriations and Expenses Fiscal Years 2000 - 2004						
Fiscal Year	Approp.	Other Income ¹	Tuition Assistance	Members Served	Expense per Person	Fund Balance ²
2000	\$406,753	\$0	\$466,871	542	\$861	\$1,337
2001	\$386,000	\$45,751	\$387,192	445	\$870	\$45,896
2002	\$386,000	\$9,684	\$391,478	444	\$882	\$49,625
2003	\$255,000	\$3,743	\$253,865	339	\$749	\$53,223
2004	\$175,803	\$264,308	\$356,346	262	\$1,360	\$136,141

Source: COFRS, National Guard data.

¹ In addition to annual appropriations, the Department collects funds from prior tuition assistance recipients who fail to meet the service time requirements and must repay the assistance received. This money is placed in the Tuition Fund to be used by other members. As discussed above, the Department received \$250,000 in federal funds from the Governor's Office during Fiscal Year 2004 to be used by the Tuition Assistance Program.

² The ending fund balance for Fiscal Year 1999 was \$61,469. The fund balance includes other expenses incurred by the Department in administration of the Tuition Assistance Program.

The number of Colorado National Guard members who have received tuition assistance has declined from 542 to 262 (52 percent) between Fiscal Years 2000 and 2004, as shown in the table above. According to the Department, deployment of National Guard members for service in both Afghanistan and Iraq has reduced the number of members able to take classes and, thus, is the primary reason for the reduction in tuition assistance. For example, the Department reports that for the spring 2003 semester, 30 National Guard members applied for tuition assistance but were deployed either before or during the semester.

Federal Education Programs

In addition to the state-funded Tuition Assistance Program, Colorado National Guard members may be eligible for several federal education programs. Federal military education programs, which are enlistment benefits, include:

- **Education Loan Repayment** will repay preexisting student loans for members in certain career fields; the maximum repayments are \$20,000 for

Air National Guard members and \$10,000 for Army National Guard members.

- **Montgomery GI Bill Selected Reserve** provides up to \$282 per month for full-time enrollment. These funds are provided directly to the student for the cost of attendance, including living costs.
- **Montgomery GI Bill Selected Reserve Kicker Program** provides \$200 to \$350 per month for members in designated military classifications. These funds are also provided directly to the student for the cost of attendance, including living costs.
- **Army Continuing Education System (ACES)** provides assistance of up to 75 percent, depending on federal appropriations, of tuition and student fees for members of the Army National Guard. The Air National Guard does not have a similar program. The ACES funds are provided directly to both public and private higher education institutions on behalf of the students.

Colorado National Guard members may also be eligible for traditional financial aid programs, including federal Pell Grants. The U.S. Department of Education awards Pell Grants to financially needy students. Pell Grants are capped at \$4,050 per academic year but can be less depending on the financial need of the student. Pell Grant funds are paid to higher education institutions on behalf of the student to satisfy the cost of tuition and fees. Any remaining balance is given to the student to cover additional costs of attendance. Students must submit a Free Application for Federal Financial Aid (FAFSA) to be eligible for Pell Grants.

House Bill 04-1347

During the 2004 legislative session, the General Assembly made some substantial changes to funding mechanisms that will increase the funds available for the National Guard Tuition Assistance Program beginning Fiscal Year 2005. In addition to its line-item appropriation of about \$176,000 in the Fiscal Year 2005 Long Bill, the General Assembly enacted House Bill 04-1347, which requires National Guard members to receive first priority for state-funded tuition grants. The Bill also allows for the Fiscal Year 2005 transfer of up to \$410,000, or 0.5 percent of about \$77 million in financial aid funding appropriated to the Commission on Higher Education (Commission), to the Department for the National Guard Tuition Assistance Program. House Bill 04-1347 also provides that the Commission shall not allocate more than \$650,000 annually to the Program for National Guard tuition assistance out of the monies appropriated for state financial aid programs. The Department may continue to request a separate general fund appropriation through the Long Bill.

House Bill 04-1347 also modified statutes to require that federal and other education assistance funding sources be used to pay members' tuition before applying state funds from the National Guard Tuition Assistance Program. Specifically, according to the new statutory language:

A [National Guard] member shall be eligible for tuition assistance pursuant to this section to the extent that tuition assistance from other sources, including the federal government, first be applied to the member's tuition prior to any tuition assistance received pursuant to this section [Section 23-5-111.4, C.R.S.].

Prior to House Bill 04-1347, the Department was not required to consider all other sources of assistance, such as federal Pell Grants. Effective July 1, 2004, the Department must coordinate with higher education institutions to identify all sources of federal and other tuition assistance for which a member may be eligible before awarding tuition assistance. Information regarding the fall 2004 semester follows:

- 267 National Guard members (or about 6 percent of the Colorado National Guard) who are enrolled in public institutions of higher education for the fall 2004 semester have submitted applications for tuition assistance through the Program. The Department indicates that, historically, about 10 percent of members will disenroll before tuition payments are due in October. If so, enrollments for fall 2004 will be about 240 members.
- Total estimated tuition for the 240 members who are currently enrolled will be about \$290,700. The Army Continuing Education System (ACES) estimates it will pay about \$69,000 in tuition assistance for the Army National Guard members who also requested state tuition assistance. On the basis of data provided by the Colorado Commission on Higher Education, federal Pell Grant awards will also contribute about \$37,000 towards the tuition obligations for members who also applied for state tuition assistance. Therefore, the estimated tuition due, after applying federal funds, will be about \$185,000. The Program expects to pay 95 percent of this amount, or a total of approximately \$175,000, toward members' tuition during fall 2004.

There are a number of factors and assumptions that the Department must consider as it implements the new legislation, estimates needed funding, and evaluates the impact of Tuition Assistance Program changes in the future. Many of these factors are not within the Department's control, and include:

- **Enrollments.** As stated previously, Program enrollments have declined by 52 percent in recent years. The Department indicates these reductions are primarily due to the deployment of National Guard members in Iraq and

Afghanistan and to deployments stateside for backfilling the positions of military personnel sent overseas. If more troops are deployed, or if troops are withdrawn, enrollment levels could change. This, in turn, would impact the funding needed to provide tuition assistance.

- **Tuition Increases.** Statutes authorize the Program to pay up to 100 percent of a National Guard member's college tuition. As tuition increases, the amount of funding required to pay a stable percentage of members' tuition also increases.
- **Percentage Contribution.** Since the Program may pay up to 100 percent of a member's tuition, the Department has discretion in determining the percentage contribution each year. The percentage paid has varied over the years, from a low of 35 percent for the fall semester of 2003 to a high of 95 percent for the fall semester of 2004.
- **Availability of Federal and Other Funding Sources.** Since the Department now provides tuition assistance after applying funds from federal Pell Grants, the federal ACES program, and other sources of tuition funding, the Department must consider uncertainties such as federal appropriations and the ability of members to qualify for Pell Grants and other tuition assistance.

The Department is planning to report to the General Assembly in October of 2004 on the effectiveness of representative levels of tuition assistance on recruitment and retention efforts. Additionally, the Department plans to update the General Assembly on the impact of the Program and use of funds on an ongoing basis.

Audit Scope

Our review of the Tuition Assistance Program in the Department of Military and Veterans Affairs was prompted by legislative interest and was limited to the following issues:

- Department compliance with Program eligibility and service time obligations.
- The effectiveness of the Department's systems for internal control.

Overall, we found that the Department has complied with statutory requirements for tuition assistance eligibility, but improvements in the internal controls are needed. Our findings and conclusions follow in the remainder of the report.

Discharged Members

As discussed earlier, Section 23-5-111.4, C.R.S., requires members to serve one year in the Colorado National Guard for each semester of Program tuition assistance provided. Members who fail to fulfill their service obligations are statutorily required to repay tuition assistance. To determine if a member has fulfilled his or her service obligation, the National Guard first identifies discharged members. The Program then determines if the discharged members have received tuition assistance and subsequently fulfilled their service requirements.

We reviewed the Department's process for identifying discharged members owing tuition assistance repayments and found that the Department is not identifying all of these individuals in a timely manner. We also found that the Department has implemented procedures that may not maximize the statutory goals of increasing the knowledge and skills of the National Guard and retaining enlistments. Additionally, although the Department is complying with the statute for calculating service obligations, we identified issues regarding these requirements. These issues are discussed below.

Identification

The Department relies on discharge data from the Army and Air National Guard personnel offices to identify members who must repay tuition assistance, comparing discharge data from the two separate offices with its database of members who have received tuition assistance. The Department's rules (effective July 2002) require the Army and Air National Guard personnel offices to "notify the Tuition Assistance Program monthly of the pending discharge of any individual receiving tuition assistance." However, we found that neither of these offices has provided these data consistently or timely.

We compared Army discharge data for the period of January 2003 through June 2004 with Department tuition assistance data. Due to data inaccuracies, we could not make any determinations regarding Army National Guard members. After we brought this to the Department's attention, the Department worked with the Army National Guard to correct the problem. We also reviewed Air National Guard data for the period of October 2002 through March 2004 and found that only 16 out of 79 (20 percent) discharged Air National Guard members were identified by the Department as of June 2004. The Department needs to identify discharged members timely by developing and implementing policies to reconcile the lists of discharged members with tuition assistance recipients on a regular basis.

Service Time Owed

According to statutes, the goals of the National Guard Tuition Assistance Program are to encourage enlistments, enhance the knowledge and skills of the Guard, and retain membership (Section 23-5-111.4, C.R.S.). Statutes promote the goal of retention by requiring each member receiving assistance to agree to serve one year in the Colorado National Guard for each semester of tuition assistance granted. One semester is defined by statutes as 15 semester hours. We believe the method implemented by the Department for determining the amount of service time required may not maximize the knowledge and skills obtained by members receiving tuition assistance at higher education institutions. Furthermore, the method may not maximize the legislative goal of retaining membership in the National Guard, because the Department includes all service time, including time served prior to awarding tuition assistance, when calculating statutory service time requirements.

We identified several instances where the Department's methodology resulted in members' receiving tuition assistance but not owing any additional service time beyond their original service contracts. Specifically, we identified one member who had an original service agreement of 72 months and received tuition assistance requiring the member remain in the National Guard for 70 months. Therefore, the member could leave before the end of his or her service contract and not be required to repay any tuition assistance. The service requirement structure should be tailored to accomplish the program goals and meet the intent of the General Assembly.

Service Time Calculation

Once a discharged member is identified, the Department uses a formula to determine the amount of time and tuition assistance, if any, owed by the member. A member can either repay the tuition assistance or fulfill the service time requirement. We found that the Department's formula for calculating the amount of time owed and tuition assistance to be repaid, although in accordance with statutes, needs to be simplified to better align the formula with the methods most state colleges and universities use to charge tuition and to ensure that time owed and repayment requirements are equitable among members.

Currently many state colleges and universities have a flat full-time tuition rate that applies to a range of credit hours. For example, the University of Colorado at Boulder applies a flat full-time tuition rate when a student enrolls for nine or more credit hours. Since Department rules provide that tuition assistance cannot exceed the minimum cost of full-time tuition at any school, the amount of tuition assistance provided to a member enrolled in 9 credit hours at the University of Colorado at Boulder is the same as the assistance provided to a member enrolled in 18 credit hours.

Although the two members in the illustration above each received the same amount of tuition assistance, they will not owe the same service time or repayment amount under current statutory provisions. Statutes provide that a semester equals 15 credit hours and that members owe one year of service for each semester of tuition assistance. Thus, the amount of service time owed by the member enrolled in 9 credit hours will be substantially less than the member enrolled in 18 credit hours. Similarly, if the members discharge before completing their service time, the amount owed by the member enrolled in 9 credit hours will be less than the member enrolled in 18 credit hours. These differences are displayed in the table below.

Colorado National Guard Tuition Assistance Program Department of Military and Veterans Affairs Service Time Calculation		
	Member A	Member B
Total Credit Hours	9	18
Tuition Assistance Provided	\$1,357	\$1,357
Months Required	7.2	14.4
Months Served	12	12
Months Owed	0	2.4
Amount Owed	\$0	\$226
Source: Office of the State Auditor's analysis.		

We found 11 instances from January 2000 through March 2003 in which the Department's calculations, although in compliance with statutes, did not result in fair and equitable repayment amounts. Based on our analysis, these 11 instances should have resulted in either an additional 35 months of service time or \$1,900 in tuition repayments.

We identified other states that have implemented policies and procedures to simplify the calculations for time owed and repayments due when members discharge before meeting service obligations:

- Kansas members are required to add three months onto their existing National Guard contract for each term of assistance provided.
- Washington members are required to add an additional year onto their existing National Guard contract for each academic year of assistance

provided. If a member leaves prior to the expiration of the existing contract, he or she is required to pay the entire amount of assistance owed plus 8 percent interest. If the member leaves after the existing contract has expired, but before serving all of the additional time, the amount owed will be prorated based upon the amount of additional time served.

- Wyoming members are required to serve two years in the Wyoming National Guard after the last academic term for which they receive assistance. If a member fails to serve the additional two years, he or she is required to repay the entire amount of assistance provided.

Additionally, of the 10 states we contacted, 5 (Arizona, Montana, Nevada, Oklahoma, Texas) do not require members to serve any additional time in exchange for receiving tuition assistance.

The Department needs to implement procedures to ensure the timely identification of discharged members. Further, the Department should evaluate how best to meet the statutory goals for the Tuition Assistance Program of enhancing the knowledge and skills and retaining enlistments in the National Guard by reviewing the need for possible statutory changes. For example, the Department could simplify the formula for calculating service requirements or could propose statutory changes to remove the service requirement.

Recommendation No. 1:

The Department of Military and Veterans Affairs should ensure the intent of the General Assembly is met and improve the processes used for administering the Tuition Assistance Program by:

- a. Implementing procedures to ensure more timely and accurate identification of discharged National Guard members who have received tuition assistance.
- b. Evaluating options for maximizing the statutory goals for the Tuition Assistance Program.
- c. Working with the General Assembly on any needed statutory changes, including simplifying or eliminating service time requirements.

Department of Military and Veterans Affairs Response:

- a. Agree. Implementation Date: November 2004.

The Department will investigate the root causes of the delays and implement procedures to reduce the time from discharge to notification.

- b. Agree. Implementation Date: February 2005.

- c. Agree. Implementation Date: January - May 2005.
-

Delinquent Accounts

As discussed above, the Department calculates the amount of money or time the member is required to repay for failure to complete his or her service requirement. It attempts to collect delinquent accounts by contacting the discharged members through a series of letters. After these initial contact attempts (whether successful or unsuccessful), some of these accounts are forwarded to the Department's accounting office where they are entered into the Colorado Financial Reporting System (COFRS) as a receivable. Upon notification by the Tuition Assistance Program, the accounting office forwards the accounts to Central Collection Services (Central Collections) in the Department of Personnel & Administration for debt recovery services. We found the Department of Military and Veterans Affairs has not effectively administered the accounts of members who have failed to fulfill their service or repayment requirements, as discussed below.

Waivers

State agencies are not allowed to write off debts that have not been forwarded to Central Collections. According to the Accounts Receivable Collections Administrative Rule, accounts greater than \$50 can only be written off when they have been determined by Central Collections to not be collectible and agencies have obtained the consent of the State Controller and State Treasurer. We found the Department has not complied with these requirements for writing off some delinquent accounts. From Fiscal Years 1999 through 2002, the Department wrote off or waived five accounts, none of which had been sent to Central Collections.

According to the Department, it waived these five accounts because the amount due was less than \$100; these accounts ranged from \$53 to \$94. The Department did not

maintain any supporting documentation for these accounts. None of these accounts were referred to the Department's accounting office. The Department needs to ensure that it follows all rules and procedures for receivables. Write-off of accounts is an area subject to risk of fraud and abuse.

Additionally, we found two instances where the Department issued deferments to members who failed to meet their service time requirements. The Department has promulgated rules allowing individuals who are mobilized by the National Guard or who enter other military duty (e.g., Army Reserves) to defer repayment of tuition assistance. The rule requires the member to commit to return to the Colorado National Guard and fulfill the service time obligation. In one instance, a member requested deferment in March 2001 of repayment of \$718 in tuition assistance, but has not committed to return to the Colorado National Guard. As a result, the Department should initiate collection efforts for recovering this tuition assistance.

In the other instance, a member stated in a memo to the Department that he would return to Colorado after his retirement from active Army service to fulfill his "alleged obligation of 36 months to the Colorado National Guard" rather than repay over \$2,800 in tuition assistance. The Department needs to establish a system to track individuals who have deferred the repayment of tuition assistance to ensure either collection of assistance or fulfillment of service time obligation.

Notification

The Colorado Fiscal Procedures Manual requires agencies to implement policies and procedures that ensure prompt payment of debts due the State. We found the Department does not promptly notify members who owe tuition assistance because it has not established procedures for when the notification should occur. As discussed earlier, the Department identifies members who have been discharged and have received tuition assistance. After identifying these individuals, the Department determines if the member has fulfilled his or her service obligation. If the member has not fulfilled the service obligation, the Department sends a notification letter stating the amount of service time or tuition assistance owed to the Colorado National Guard.

We compared the members' discharge dates with the notification letter dates for 75 accounts to determine the timeliness of the notification. We found the average number of days elapsed between the discharge date and the letter date was 585 days, with a median of 558 days or about 1 ½ years. Further, we found that the longer the delay, the poorer the collection rate. The recovery rate for accounts for which the notification letter was sent in 558 days or less from the discharge was 69 percent. However, the recovery rate for accounts in which the letter was sent more than 558 days after discharge was 47 percent. The Department needs to ensure that it notifies

discharged members who owe tuition assistance immediately after it identifies any outstanding balances.

Collection Deadlines

Section 24-30-202.4, C.R.S., states "all state agencies shall refer to the [State] controller debts due the state which the agency has been unable to collect within thirty days after such debts have become past due, together with the data and information necessary for the controller to institute collection procedures." According to the Fiscal Procedures Manual and Department of Personnel & Administration Accounts Receivable Collections Administrative Rule:

- State agencies must establish a due date that provides reasonable assurance of prompt payment.
- Due date is defined as the date when payment for invoiced goods or services must be made to the State.
- Past due is defined as the debt has not been paid by the close of business on the due date.
- State agencies must refer all debts to the State Controller for collection when the debt is 30 days past due. However, a debt may be referred earlier if the state agency has made a valid effort to collect without success or if the state agency has lost contact with the debtor.

We found the Department has not met the statutory collection referral deadlines for the 32 accounts referred to Central Collections from Fiscal Years 2002 through 2004. The Department did not set a due date for repayment in the notification letter sent to the member. The notification letter only contained a date by which the member should contact the Department. The lack of effective internal controls increases the risk of fraud and abuse.

Additionally, the Department did not comply with the statutory requirement to refer debts to Central Collections when the debt is 30 days past due. To determine the Department's timeliness of referring accounts to Central Collections, we compared the response date in the notification letter with the date the account was referred to Central Collections. On average, the Department took 245 days from the date the response from the member was due to when the account was referred to Central Collections; the median was 208 days.

Collection Fees

Section 23-5-111.4(6), C.R.S., states “any person who fails to serve the required one-year period in the Colorado National Guard for each semester of tuition assistance granted . . . shall be required to repay to the Department of Military and Veterans Affairs the tuition assistance granted for each such year and any and all collection fees incurred by the Department.” We found the Department has not added the costs of collection to the delinquent accounts submitted to Central Collections. Central Collections charges state agencies 15 percent of the amount collected for the recovery of delinquent accounts. If the collection fees are not added to the principal, the costs of collection are deducted from the principal with the remaining balance remitted to the agency. By adding collection fees, the Department would be able to receive all of the principal recovered. As of July 1, 2004, we found \$13,400 was collected for 32 accounts sent to Central Collections, including the collection fees retained by Central Collections. If the collection fees had been added to the principal, the Department would have received this full amount. However, Central Collections retained fees of \$2,000 and remitted \$11,400 to the Department.

Delinquent Account Reconciliation

The Department’s accounting office maintains a list of the accounts that have been sent to Central Collections and the accounts that have established payment plans with the Department directly. The accounting office only reconciles the accounts that have been forwarded to Central Collections. We found the accounting office records included a total of 65 delinquent tuition assistance accounts for Fiscal Years 2001 through 2004. This includes 33 accounts where the member had established payment plans directly with the Department. However, the reconciliation process only compares the activity reports provided by Central Collections with the list maintained for the accounts forwarded to Central Collections. This process does not include reconciling activity on the accounts for which the member has established a payment plan directly with the Department. Also, the process does not include formal documentation of the account activity with data in COFRS. The lack of a complete reconciliation process for all delinquent tuition assistance accounts increases the risk of errors and irregularities.

As a result of the problems we found regarding the administration and collection of delinquent tuition assistance accounts, we believe the Tuition Assistance Program should provide the information on the delinquent accounts to the Department’s accounting office for processing. The Tuition Assistance Program must determine the amount the member is required to repay; however, the Department’s accounting office should be responsible for all additional accounting and administration of delinquent accounts. Placing the responsibility for administration of these accounts

solely in the Department's accounting office will eliminate waivers for delinquent tuition assistance accounts and unnecessary delays in forwarding the accounts to Central Collections.

Recommendation No. 2:

The Department of Military and Veterans Affairs should improve the administration of the delinquent tuition assistance accounts and maximize collections by:

- a. Complying with the Accounts Receivable Collections Administrative Rule for waiving delinquent tuition assistance accounts and establishing a system to track individuals who have deferred repayment of tuition assistance.
- b. Implementing procedures to ensure more timely notification of members who have failed to meet their service obligations.
- c. Establishing due dates for delinquent tuition assistance accounts and complying with statutory requirements and the Accounts Receivable Collections Administrative Rule on the submission of delinquent accounts to Central Collections.
- d. Adding the collection fees to the delinquent tuition assistance accounts forwarded to Central Collections.
- e. Formally documenting the reconciliation to COFRS and including delinquent tuition assistance accounts that are maintained at the Department in the process.
- f. Requiring the Department's accounting office to process the delinquent tuition assistance accounts in compliance with all appropriate statutes and regulations after initial identification by the Tuition Assistance Program.

Department of Military and Veterans Affairs Response:

- a. Partially Agree. Implementation Date: September 2004.

The Department has already implemented the first part of this recommendation. The Department will research the practical feasibility of tracking deferments.

- b. Agree. Implementation Date: November 2004.

The Department will investigate the root causes of the delays and implement procedures to reduce the time from discharge to notification.

- c. Agree. Implementation Date: September 2004.

The process for handling delinquent accounts has already been changed so that once a delinquent account has been identified it is turned over to the Department's accounting office for processing.

- d. Agree. Implementation Date: September 2004.

The Department has already implemented this suggestion. All future delinquent accounts will be charged collection fees in accordance with Central Collections current fees.

- e. Agree. Implementation Date: September 2004.

This has already been implemented by the Department's accounting office.

- f. Agree. Implementation Date: September 2004.

Already Implemented.

Internal Controls

Organizations must establish systems of internal controls to provide reasonable assurance that their overall goals and objectives are achieved efficiently and effectively. We reviewed the Department's controls for the Tuition Assistance Program and found that the Department has not implemented adequate internal controls to ensure the applications for tuition assistance are processed correctly. We reviewed a sample of 50 applications and corresponding award letters from the fall 2003 and spring 2004 semesters. We tested the applications for the attributes reviewed annually by our statewide financial audit team and additional attributes developed for the current audit for a total of 16 attributes per application packet. We identified exceptions in two areas:

- **Tuition Assistance Cannot Exceed 100 Percent of Allowable Tuition:** Section 23-5-111.4(2)(a), C.R.S., prohibits the Department

from paying more than 100 percent of the cost of tuition. Additionally, Section 23-5-111.4(3), C.R.S., requires that tuition assistance at the University of Colorado Health Sciences Center be based on the amount of in-state tuition for general studies at the University of Colorado, Boulder. Furthermore, the July 1, 2002, National Guard Tuition Assistance rules state that tuition assistance will be awarded based on undergraduate rates, as opposed to graduate rates. We found 3 instances out of 50 (6 percent) where the Department failed to comply with one of these statutes or rules. As a result, the Department overpaid allowable tuition assistance by a total of \$1,470. The Department provided more than the allowable tuition for one member who was enrolled in a master's degree program and another member who was enrolled in classes at the University of Colorado Health Sciences Center. Further, the Department provided more than 100 percent of the costs for a member's class in a continuing education program. While the overall dollar amount is small, these instances indicate a need to improve internal controls and minimize risk of errors or irregularities.

- **Agree to Serve One Year in the Colorado National Guard for Each Semester:** Section 23-5-111.4(2)(b)(IV), C.R.S., requires that a member receiving tuition assistance serve one year in the Colorado National Guard for each semester of tuition assistance. Further, the tuition assistance application includes a certification that the member agrees to all criteria set forth in Section 23-5-111.4, C.R.S., and Department of Military and Veterans Affairs regulations. The certification also includes language on the requirement for the member to serve two years for every year of tuition assistance received and that failure to serve this time will result in repayment of the tuition assistance. However, we found 2 instances out of 50 (4 percent) where the application was not signed by the recipient. This could potentially limit the Department's ability to require individuals to meet their service obligations.

The problems we identified indicate a need to improve internal controls for the processing of applications for tuition assistance and to minimize the risk of errors and the potential for fraud.

Recommendation No. 3:

The Department of Military and Veterans Affairs should improve internal controls for processing applications and administering the Tuition Assistance Program to ensure compliance with all statutory and regulatory requirements.

**Department of Military and Veterans Affairs
Response:**

Agree. Implementation Date: May 2005.

The Department appreciates the recommendation of the audit team and will investigate ways of strengthening and increasing internal controls for processing and administering the Tuition Assistance Program.

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