



PROJECT SUMMARY

Overview

<u>Table of Contents</u>	
Project Summary	1
Detailed Observations.....	3
Basis of Review	9
Audit Team Information.....	10
Distribution List	10

While Prairie View A&M University's Office of Student Financial Aid (OSFA) has improved its overall internal control environment since the 2004 audit, further improvement is needed in the areas of Fiscal Operations Report and Application to Participate (FISAP) reporting, scholarship management, and human resources management. OSFA's processes for developing the University's FISAP do not ensure the information reported to the Department of Education is accurate. In addition, OSFA has not developed formal,

robust monitoring processes to ensure data accuracy and integrity, optimum use of scholarship funds, and identification and resolution of exceptions to financial aid award rules. OSFA has streamlined its organizational structure, and established formal goals to enhance performance, improve compliance with federal, state, and university regulations, and promote customer service. OSFA management looks to further improve operational efficiency with the implementation of Banner's financial aid module beginning in fiscal year 2009.

A computerized data analyses of all financial aid files (approximately 7,500) for compliance with federal rules regarding general eligibility, Pell grants, disbursement timeliness, disbursement limits, etc., found an immaterial error rate of less than 1%. OSFA management should be commended for such a high compliance rate.

Summary of Significant Results

Fiscal Operations Report and Application to Participate Reporting (FISAP)

OSFA's processes for developing the University's FISAP do not ensure the information reported to the US Department of Education is accurate. A review of the 2006-2007 FISAP found discrepancies and inconsistencies between amounts in the FISAP and amounts in the University's official financial records and its student information system.

Inaccurate information reported to the Department of Education increases the University's risk for inaccurate future federal funding.

Scholarship Management

While controls over scholarships have improved since the prior audit in 2004, further improvement in effectiveness and efficiency of the scholarship management process is necessary. OSFA still has to develop a robust, formal scholarship monitoring process to ensure scholarships are awarded and managed for optimum use of available funds and that the scholarship fund information is accurate and consistent with the University's official financial records. The University has approximately 200 scholarships, a number of which have not had any activity for a long period of time.

Summary of Management's Response

Management appreciates the System Internal Audit Department's efforts to identify issues needing improvement and steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

Scope

The review of the Office of Student Financial Aid (OSFA) focused on financial and management controls over the University's student financial aid programs including federal loans, Pell, Texas grants, Federal Work Study, and scholarships. The audit also included a review of OSFA human resources management in the areas of compensatory time, employee turnover, and employee conflict of interest. Our review included data analysis of all financial aid transactions from the student information system for compliance with applicable laws and regulations. Transactions and activities related to these areas were reviewed for the period of September 1, 2006 to June 2008. Fieldwork was conducted primarily from June through August 2008.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Fiscal Operations Report and Application to Participate (FISAP) Reporting

Observation

OSFA's processes do not ensure accurate reporting.

The OSFA's processes for developing the University's FISAP do not ensure the information reported to the Department of Education is accurate. The 2006-2007 FISAP included a number of inconsistencies between accounts in the FISAP and amounts in the University's official financial records, Financial Accounting Management Information System (FAMIS), and its student information system. For example, all (7 out of 7) of the financial numbers tested did not match the corresponding data in FAMIS. The OSFA produces the FISAP from various information sources, including the University's student information system, the Human Resources department, and the University's Treasury Services. Discussions with management suggest the inconsistencies identified in the audit are mainly due to the lack of reconciliation of the original information sources to FAMIS and OSFA's insufficient supporting documentation for the report.

The FISAP is prepared annually and submitted to the US Department of Education to ensure continued funding in the areas of Federal Work-Study, Federal Supplemental Education Opportunity Grant, and Federal Perkins loans. If the University submits inaccurate information, there is a risk that future federal funding for these programs is not accurate.

Recommendation

Develop and implement a formal reconciliation process to ensure the accuracy of data used to prepare the FISAP in accordance with the Federal Student Financial Aid Handbook. The reconciliation process should document discrepancies between the different information systems, reflect adjustments made, and track pending corrections and support for the FISAP and the University's Annual Financial Report. To ensure the process is effective, it should include the following elements:

1. Fiscal Operations Report and Application to Participate (FISAP) Reporting (cont.)

- A segregation of the functions of the reconciliation preparer and reviewer. The preparer and reviewer should sign and date the reconciliations.
- Include accurate and timely reconciliation of each financial aid account between the data source used and FAMIS. This should include accounts relevant to federal, state and scholarship aid awarded in accordance with University management guidelines.
- The reconciliations and other supporting documentation should be maintained in accordance with the University's data retention rules and provide traceable support for the numbers reported in the FISAP and any adjustments, transfers, or corrections.

Management's Response

We agree with the recommendation and are developing and implementing a formal reconciliation process to ensure the accuracy of data used to prepare the FISAP in accordance with the Federal Student Financial Aid Handbook.

Financial Aid management has already conducted the following:

- 1. Collaborated with pertinent offices (i.e. Office of Sponsored Programs, Budget and Reconciliation, Student Employment Office, etc.) to make sure that FAMIS is correct (i.e. properly reflects funds transferred between years) and that the amounts reported are indeed accurate. Financial Aid Management will continue to work with other offices in subsequent years to complete the FISAP.*
- 2. Proposed the reorganization of the Financial Aid Office to create personnel dedicated to the reconciliation of all funds under its purview.*
- 3. As directed by the Vice President of Business Affairs, monthly reconciliation reports will be provided to representatives in Budget and Reconciliation to ensure compliance with federal and university mandates.*

In addition to the aforementioned actions, Financial Aid management proposes the following procedures to insure accuracy in FISAP reporting:

- 1. Create detailed reconciliation procedures for review by the Budget and Reconciliation department (Business Affairs).*

1. Fiscal Operations Report and Application to Participate (FISAP) Reporting (cont.)

2. *Provide additional training for representatives from Budget and Reconciliation.*
3. *The Financial Aid Specialist will be responsible for preparing the FISAP.*
4. *The Assistant Provost will then review the FISAP and supporting documents associated with its preparation to ensure accuracy.*
5. *The Assistant Provost will then forward all documents to the Assistant Vice President for Financial Accounting, Reporting, and Procurement for review.*
6. *Once approved, the Assistant Vice President for Financial Accounting, Reporting, and Procurement will return the document to the Assistant Provost.*
7. *The Assistant Provost will then forward the FISAP to the Office of the President for his signature.*

This process will be implemented by October 15, 2009.

2. Scholarship Management

Observation

Scholarship management processes require improvement.

While controls over scholarships have improved since the prior audit in 2004, further improvement in the effectiveness and efficiency of the scholarship management process is necessary. OSFA now requires prior approval of scholarships by the Assistant Provost for Student Financial Aid and performs some tracking of scholarship funds. However, it still does not have a formal scholarship monitoring process to provide assurance that scholarships are awarded and managed for optimum use of available funds. As a result, available scholarship funds are generally not optimally used. The University has more than 200 scholarships, a number of which have not had any activity for a long period of time. Some scholarship funds still show significant portions as unspent. For example, as of May 2008 undergraduate scholarship funds had over \$250,000 as opposed to over \$179,000 in May 2004 of unspent funds. Graduate scholarship funds had over \$178,000 unspent in May 2008 as opposed to over \$25,000 in May 2004. In addition, the accuracy of scholarship fund information could not be verified, because the fund had not been reconciled to FAMIS.

OSFA management is aware of the problems in this area and has begun to review the scholarship fund with the assistance of the

2. Scholarship Management
(cont.)

University's Compliance department and the System Office of General Counsel for inactive scholarship accounts to determine if they can be consolidated with others of similar criteria. OSFA management also attributes the lack of tracking and reconciliation of the scholarship fund to employee turnover and a lack of qualified staff to effectively develop and perform the necessary reconciliation and monitoring procedures.

Recommendation

Improve scholarship management by:

- Developing and implementing a process to track and monitor unused funds by scholarship account.
- Completing the current scholarship consolidation process. OSFA should maintain documentation of any consolidation proposals by the System Office of General Counsel and donor or donor representative agreements that document changes to scholarship criterion.
- Developing and implementing a formal reconciliation process to ensure scholarship data is accurate. Perform a reconciliation on each scholarship account and fund balance. The reconciliation process should document discrepancies between all the systems in use (scholarship database, Banner and FAMIS), reflect adjustments made, track pending corrections and ensure adequate documentary support of reconciling items. The reconciliation process should include evidence of a preparer signature and completion date, evidence of a review and approval (signature and date) by someone other than the preparer, and accurate and timely resolution of reconciling items for each account in accordance with University management guidelines.

Management's Response

We agree with the recommendation and are implementing the following procedures to ensure proper management of scholarships:

- 1. Reassigned former Scholarship Manager.*
- 2. Reassigning a more 'seasoned' financial aid counselor to this area.*

**2. Scholarship Management
(cont.)**

3. *Continued to work with staff to incorporate more of the scholarships into the automatic award process, thereby ensuring all students have an opportunity to reduce their long-term student loan debt and receive more scholarship funds.*
4. *Proposed the reorganization of the Financial Aid Office to create personnel dedicated to preparing a formal reconciliation process for all the funds under its purview.*

In addition to the aforementioned action, Financial Aid Management proposes the following procedures to facilitate the tracking and monitoring of unused scholarship funds:

1. *Continue to work with the Compliance Office to complete the centralization of accounts with low balances.*
2. *Collaborate with Developments and various academic offices to revise criteria for certain scholarships (i.e. race based, etc.).*
3. *After a legal review, new criteria should be proposed and used for scholarships with no criteria.*

This process will be implemented by December 15, 2009.

3. Compensatory Time Management

Observation

Compensatory time and employee turnover need management attention.

OSFA management performed a reorganization based on employee skills, education, and experience. To improve employee accountability, annual performance evaluations have been revised to incorporate goals and objectives to ensure employees understand management expectations. This should improve OSFA's effectiveness and efficiency. However, additional management attention is needed in the areas of compensatory time management.

OSFA does not have a comprehensive, consistent process to record, maintain, track and monitor compensatory time/leave records. The current system is manual and lacks the sophistication/capability to accurately track expired compensatory time. Twenty-eight percent (4 of 14) of the employees who had earned compensatory time from February 2007 to August 2008 did not have a compensatory time tracking log.

3. Compensatory Time Management (cont.)

A review of four files under the current compensatory time record system initiated in February 2007, found inconsistencies between individual timesheets and the tracking log with respect to a number of issues, including the opening and ending leave balances. The current manual process does not ensure accurate calculation of compensatory leave earned. A number of records were not appropriately approved, in accordance with department rules. This is partly due to a lack of employee compensatory time management training. Inaccurate compensatory time balances could result in the University owing its employees more than actual time worked.

Recommendation

Improve compensatory time management by:

- Developing and implementing compensatory time guidelines for staff.
- Developing and implementing a training program to ensure all OSFA staff understand how to calculate compensatory time and use the electronic timesheet accurately.
- Monitoring and verifying the accuracy of compensatory time records. OSFA should consider having one individual perform this function for improved consistency.

Management's Response

We agree with the recommendation and are implementing the following procedures to ensure adequate compensatory time management:

- 1. Develop and implement a training program.*
- 2. Specify one individual to track compensatory time.*
- 3. Compensate employees for unused compensatory time at the end of the fiscal year.*

BASIS OF REVIEW

Objective

The objective of this review was to evaluate the financial and management controls over the University's student financial aid system to ensure resources are used efficiently and effectively and in compliance with laws, policies, and regulations.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Federal Code of Regulations and the Federal Student Financial Aid Handbook, Prairie View A&M University rules and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing."

Additionally, 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Approximately 90% of the 8,400 students enrolled at Prairie View A&M University in academic year 2007-2008 received some type of financial aid, such as grants, loans, or scholarships. The University awarded over \$86 million in federal grants and loans, and approximately \$5 million in Texas grants. In addition, students received \$22 million in scholarship awards.

AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Amanda Jenami, CPA, Project Manager
Lori Ellison
Nora Miles, CPA
Katie Rannebarger

Contact Information

For questions regarding this review, contact Dick Dinan, Director.

E-Mail: D-Dinan@tamu.edu
Phone: (979) 458-7144
Fax: (979) 458-7111
Web Site: <http://www.tamus.edu/offices/iaudit/>

The Texas A&M University System
System Internal Audit Department
1200 TAMU
College Station, TX 77843-1200

200 Technology Way, Suite 2192
College Station, TX 77845-3424

DISTRIBUTION LIST

Dr. George C. Wright, President
Dr. E. Joahanne Thomas-Smith, Provost and Senior Vice
President for Academic and Student Affairs
Ms. Mary Lee Hodge, Vice President for Business Affairs
Dr. Carlos Clark, Assistant Provost for Student Financial Aid
Ms. Lydia Cavanaugh, Manager of Compliance