PROJECT SUMMARY

The financial and management controls over Texas A&M University – Texarkana’s financial aid system generally ensure resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. Opportunities for improvement exist in the areas of reconciliations and departmental scholarships. Improvements in these areas will become more important with the increase in financial aid activity due to the future growth in student enrollment from the downward expansion of the University.

For fiscal year 2008, approximately 690 of the 1,605 (43%) students enrolled at Texas A&M University – Texarkana received $3.2 million in some type of financial aid such as grants, loans, or scholarships. The three largest aid programs are the Federal Family Education Loan Program ($1.77 million), the Federal Pell Grant Program ($945,000), and scholarships ($400,000). Approximately 300 students received scholarships.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Reconciliations

Observation

A formal reconciliation of student financial aid funds is not performed.

The Office of Student Financial Aid is not completing formal reconciliations timely to ensure that all Department of Education (DOE) funds are accounted for. A formal reconciliation between the DOE cash management system, the Financial Accounting Management Information System (FAMIS), and the Student Information System is not being performed to ensure accuracy of draw downs and expenditures. Activity from each system underwent an informal review on a periodic basis, but there was no comprehensive reconciliation identifying all differences between the systems and their disposition increasing the risk that differences would not be identified and resolved in a timely manner. Additionally, secondary reviews and approvals are not occurring.
Reconciliations are necessary to identify differences between two or more sets of records or systems so that appropriate actions can be taken to resolve any discrepancies or outstanding items. Monitoring of reconciliations needs to include procedures to ensure all reconciliations are completed and reconciling items are cleared in an appropriate timeframe. Without adequate review and monitoring procedures, the risks are increased that errors or discrepancies would remain undetected from month to month.

Recommendation

Establish formal monthly reconciliation and review procedures and ensure that student financial aid fund draw downs and expenses are reconciled and any unresolved differences are cleared in a timely manner. Ensure that reconciliations are conducted between the DOE Cash Management System, FAMIS, and the Student Information System.

Management’s Response

Revised procedures have been developed and will be utilized monthly for reconciling revenues from the Department of Education and expenditures of federal funds. Reconciliation will compare transactions processed through the following electronic systems: (1) the Common Origination and Disbursement (COD) with the Department of Education, (2) draw-down of federal funds with the Department of Education (G5), (3) fund expenditures in FAMIS, and (4) fund disbursements/expenditures in Banner (SIS).

2. Departmental Scholarships

Observation

The University has not established a process for awarding departmental scholarships. We noted the following exceptions in our review of eight scholarships awarded by three University departments during fiscal year 2008:

- Three of three (100%) departments reviewed did not have written procedures for the selection of scholarship awards. Documented procedures provide guidance to ensure a fair and unbiased selection process is followed in ranking applicants and making awards.
Eight of eight (100%) scholarship awards reviewed did not have documentation of the basis for the scholarship award decisions. The lack of documentation of the basis for the scholarship award decisions increases the risk that scholarships are not awarded in a fair and unbiased manner.

Funding for the departmental scholarships reviewed was obtained from grants, departmental discretionary funds, or private donations. For the scholarships reviewed, all awardees met the basic requirements for their specific scholarships. However, no formal criteria was in place for awarding these scholarships. Departments reviewed did not require formal applications to be completed for scholarships, and awards were typically made on a first-come, first-serve basis. The University allows departments to award some scholarships because the departments prefer to have the flexibility to manage their own scholarships.

Departments should clearly document the scholarship decision-making process to better defend its position in the event it is challenged. Requiring improved documentation and record retention for departmental scholarships would be a proactive step by the University to reduce this risk and enhance accountability. Without formal administrative monitoring and procedures, scholarship awards may not be made on an objective basis or meet donor intent. Additionally, ensuring an appropriate process is in place for departmental scholarships becomes more important with the anticipated future downward expansion of the University and the anticipated growth in departmental scholarships.

Recommendation

Establish a process for all phases of departmental scholarship administration. Maintain oversight and monitor departmental scholarship awards to ensure compliance with donor requirements. Provide guidance to departments on an appropriate process to have in place for awarding scholarships.

Management’s Response

Procedures for awarding departmental scholarships have been developed by the Scholarship Office to provide guidance in establishing a process for all phases of departmental scholarship administration. The proposed procedures include the establishment of formal scholarship criteria, documentation of the decision-making process, records retention, and enhanced accountability. The procedures are under review by the Deans’ Council and will be implemented by February 28, 2010.
BASIS OF REVIEW

Objective and Scope

The purpose of this audit was to evaluate the financial and management controls over the University’s financial aid system to ensure resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Our review of student financial aid and management controls over the student financial aid system at Texas A&M University – Texarkana focused on general eligibility for all major aid programs and scholarships. To test for compliance of selected controls, computer-assisted audit techniques were used to increase audit effectiveness and efficiency and test for specific attributes of one hundred percent of the general eligibility requirements. Transactions and activities related to these areas were reviewed for the period from September 1, 2007 through October 31, 2008. Fieldwork was conducted in May 2009.

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; the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control – Integrated Framework (COSO); Texas A&M University - Texarkana Rules; and other sound administrative practices. The audit was performed in compliance with generally accepted government auditing standards and other criteria to conform 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

Texas A&M University – Texarkana has embarked upon an expansion program which has included the construction of a new campus to accommodate the expansion of degree programs and the addition of
freshman and sophomore level courses. Plans are underway for the University to begin accepting freshman and sophomore students in fall 2010.

Located on the border of Texas and Arkansas, A&M – Texarkana is currently an upper level university serving junior, senior, and graduate students. Students in Oklahoma and Arkansas attend at in-state tuition rates and approximately 26 percent of the student body is from Arkansas. The student population is comprised of both traditional students transferring from community colleges and non-traditional adult students returning to update or complete his or her education.
AUDIT TEAM INFORMATION

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