PROJECT SUMMARY

Overview

Overall, the controls established over the non-federal student financial aid at Texas A&M University generally ensure resources are used efficiently and effectively and in compliance with applicable laws and guidelines and the regulations and rules of the University except in the management of departmental scholarships. Improvements are needed in the documentation that supports scholarship award decisions. Opportunities for improvement were also noted in the Scholarship On-Line Account Review (SOLAR) database and one of the University's loan programs.

During fiscal year 2010, students at the University received approximately $107 million in non-federal student financial aid through state and institutional grants, loans and scholarships. Over 15,000 students received academic scholarship awards from the University.

Summary of Significant Results

Departmental Scholarships

The documentation and maintenance of scholarship files and records need improvement to ensure adequate support for scholarship award decisions made by departments throughout the campus. University departments and colleges awarded scholarships without required applications and documented support for recipient selection. Departments also lacked written procedures for the scholarship awarding process. Without University procedures for documenting and maintaining scholarship files at the department level, the risk is increased that the University cannot demonstrate that scholarship award decisions were made on an objective basis and met donor intent.
Summary of Management's Response

Management concurs with the observations and recommendations in this report. Monitoring processes will be implemented for scholarship management purposes.

Scope

The review of non-federal student financial aid at Texas A&M University focused on state loans, state grants, institutional loans, and scholarships. Activities related to these areas were reviewed for the period from September 1, 2009 through May 31, 2010. Audit fieldwork was conducted from June to July 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Departmental Scholarships

Observation

Departmental scholarship files lacked applications, selection process support, and procedures for awarding scholarships.

The documentation and maintenance of scholarship files and records need improvement to ensure adequate support for scholarship awards by departments throughout the campus. Of the thirty scholarship awards reviewed, six (20%) were missing some documentation related to the selection process, three (10%) were missing required applications, and five (17%) lacked documented support for the award selection. In addition, eleven of the seventeen (65%) departments included in the scholarship review did not have documented procedures to support their process for evaluating and selecting scholarship recipients.

The University lacks general procedures for documenting and maintaining scholarship files for scholarship award decisions made at the department level. While the Scholarships & Financial Aid office makes award decisions for many scholarships, a significant number of institutional scholarships are awarded through the academic departments and colleges. Without procedures to lead departments, the risk is increased that the University cannot demonstrate that scholarship award decisions were made on an objective basis and met donor intent and that records are not retained to support scholarship awards. The A&M System Records Retention Schedule requires that applications of students that were not selected for an award have to be maintained for the scholarship cycle plus one year. Applications and support of decisions for students awarded must be maintained for the duration the student is attending the University plus five years. Procedures for consistent documentation and records retention to support scholarship decisions would reduce risk and enhance accountability. More than 15,000 students received 23,377 departmental scholarship awards during fiscal year 2010, totaling almost $53 million from 2,927 scholarship programs.

Recommendation

Develop procedures to provide guidance for departmental scholarship award and documentation requirements throughout the
1. Departmental Scholarships

(continued)

University. Monitor to ensure that departments retain adequate documentation to support scholarship award decisions.

Management’s Response

A Scholarship Processing Manual will be developed and readily available to all departments responsible for selecting scholarship recipients. It will include best practices for awarding procedures along with required documentation processes. Additionally, an appropriate University rule or standard administrative procedure regarding scholarship awarding and records retention will be developed. After implementation of the policy and manual, Scholarships & Financial Aid will monitor for compliance through reviews of selected departments. The manual, rule or procedure, and monitoring process will be in place by May 31, 2011.

2. Scholarship Criteria

Observation

Scholarship criteria recorded in the Scholarship On-Line Account Review (SOLAR) database was not current and complete. SOLAR, developed to provide management with a summary of all available and awarded scholarship funds at the University, also contains criteria for making the scholarship awards. In 13 of 30 (43%) scholarship awards reviewed, criteria recorded in SOLAR was inconsistent with award criteria specified in the gift agreement or donor directives establishing the scholarship:

- Six scholarships had criteria in SOLAR that were different from the gift agreement.
- Four scholarships did not have criteria in SOLAR although the gift agreement had stated criteria.
- Three scholarships had criteria in SOLAR but there was no a gift agreement to support the criteria.

There is not an effective process to ensure that information on scholarship criteria recorded in SOLAR is in agreement with and supported by a current gift agreement. The Scholarships & Financial Aid office and other University departments utilize SOLAR to track and maintain information about scholarships. Without current and accurate information, the risk is increased that timely and relevant information will not be available when needed and scholarships will be awarded improperly.
Recommendation

2. Scholarship Criteria (cont.) Establish procedures to ensure that scholarship information in the SOLAR database is in agreement with and supported by a current gift agreement or donor directives.

Management's Response

Scholarships & Financial Aid will continue to work with staff to improve the SPARTA awarding database and SOLAR scholarship information database, to include coding queries with award criteria to reduce misinterpretation and missing criteria while awarding scholarships. We will include a thorough review of gift agreements on file and obtain any missing agreements. We will work with the Association of Former Students, the Texas A&M Foundation, and Division of Finance to ensure we receive copies of all new and updated agreements. This review will be completed by May 31, 2011.

3. Little Loans

Observation

The University offers a small dollar loan program which is inefficient. The University offers “little loans” to students for amounts up to $100. These loans must be repaid within 30 days. There were 24 “little loans” awarded during fiscal year 2010. The total amount loaned was $2,350. The low participation level of “little loans” indicates the program is rarely utilized by the student body. With the availability of other short-term student loans at the University, the “little loan” program does not appear to be a needed program.

Recommendation

Evaluate the cost and benefits of offering “little loans” to students, and consider eliminating the “little loan” program or combining it with the short-term loan program.

Management’s Response

The “little loans” program will be phased out by November 30, 2010.
**BASIS OF REVIEW**

**Objective**

The objective of the audit was to review and evaluate the financial and management controls over the University’s student financial aid system for non-federal financial aid to ensure resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

**Criteria**

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas A&M University Rules, Texas Higher Education Coordinating Board 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**

Students at Texas A&M University received approximately $448 million in federal and non-federal financial assistance through scholarships, grants, loans, waivers, work-study, and on-campus student employment. Approximately 38,000 students (79%) received some form of federal and/or non-federal financial assistance. During fiscal year 2010, students received approximately $107 million in non-federal student financial aid. Federal financial aid programs at the University are reviewed annually by the State Auditor’s Office as part of the State of Texas Single Audit.
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