Prarie View A&M University: Review of Student Financial Aid

PROJECT SUMMARY

Overview

Prairie View A&M University continues to need improvements in its student financial aid programs to better serve its students, and ensure compliance with related laws, policies, regulations and rules. Significant weaknesses in controls were identified in the areas of reconciliations, data accuracy, and compliance with federal and state requirements. Additional improvements are also needed in the areas of departmental band scholarships, cash handling, and financial aid procedures.

Prior year student financial aid audits also identified significant weaknesses in the University’s processing of student financial aid and scholarships. A review of prior audits concluded that two of the three prior audit recommendations in the 2008 Review of Student Financial Aid completed by System Internal Audit have not been fully implemented, and there are two prior audit recommendations from the State Auditor’s Office 2007 and 2009 reports that have yet to be fully implemented. While the University is not currently in danger of losing federal program eligibility due to excessive student loan default rates, the University’s student loan default rate is trending upward in recent years.

The University has experienced significant turnover in the leadership over its student financial aid programs with six directors of the Office of Student Financial Aid and Scholarships (Financial Aid) in the past eight years, three of which were hired within the past three years. The current director of Financial Aid was hired in fall 2010. In addition, a new student information system, Banner, was implemented in 2008. This high turnover in departmental leadership and change in information systems has resulted in the constant changing of operational procedures and a general state of flux in Financial Aid.

In order for the University to establish and maintain an effective control environment over its student financial aid programs it will need to demonstrate stability in student financial aid leadership; continued emphasis for all departments to comply with procedures.
related to financial aid and scholarships; and an effective and appropriately staffed financial aid office. Over 90% of the 8,423 students enrolled at Prairie View A&M University in academic year 2010-2011 received some type of financial aid such as grants, loans, or scholarships. The University awarded over $90 million in federal grants and loans, and approximately $6.5 million in TEXAS grants. In addition, students received $15 million in scholarships.

Summary of Significant Results

Reconciliations

Reconciliation processes do not include formal reconciliations of all financial aid accounts or a formal, comprehensive reconciliation of the information used to prepare the annual Fiscal Operations Report and Application to Participate (FISAP) report. Although improvements have been made since the prior audit, the monthly account reconciliation process is not fully completed. In addition, the reconciliation of information reported on the FISAP is not documented. Formal, documented reconciliation processes are important to ensure that errors or discrepancies are detected and corrected in a timely manner.

Data Accuracy

There are data inaccuracies between the various modules within the Banner student information system. Discrepancies were noted in student social security numbers, birth dates, citizenship status, and academic records. Without accurate information the risk is increased that students may not be awarded aid appropriately and in compliance with requirements.

Non-compliance with Financial Aid Requirements

Several areas of non-compliance with state and federal student financial aid requirements were noted in the areas of satisfactory academic progress, Pell grants, annual loan limits, TEXAS grants, and student eligibility verifications. Without adequate controls to ensure compliance with financial aid requirements, the University is at increased risk for penalties, sanctions, and reduction or loss of financial aid funding due to non-compliance.

Summary of Management’s Response

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

All recommendations are scheduled to be implemented by February 28, 2013.

Scope

The review of student financial aid at Prairie View A&M University focused on federal and state aid, scholarships, verifications, withdrawals, cash management and reconciliations. The audit period focused primarily on activities from September 1, 2010 to August 31, 2011. Fieldwork was conducted from January to April, 2012.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Reconciliations

Observation

Formal reconciliations are not performed for all financial aid accounts and the annual FISAP reporting process.

While monthly account reconciliations have been established for many scholarship and financial aid accounts since the prior student financial aid audit, there is no formal monthly reconciliation of Pell grant accounts or the direct loan accounts and there is no evidence that monthly account reconciliations are reviewed for accuracy. In addition, there is no formal reconciliation between all responsible departments (Financial Aid, Business Affairs, Sponsored Projects) and information systems involved in preparing the annual FISAP report. These systems include the University’s financial accounting system and student information system, and the Department of Education’s systems for grant and direct loan processing and fund management. Procedures for preparing and reconciling the various systems to the FISAP report are not documented.

Although detailed account reconciliation procedures have been established, the process for reviewing monthly reconciliations is not complete. The prior interim director of Financial Aid prepared a formal reconciliation for the fiscal year 2009-2010 FISAP report, but that process was not repeated when the fiscal year 2010-2011 FISAP report was prepared.

Periodic 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 needs to include procedures to ensure reconciliations are completed, all differences are explained and reconciling items cleared in an appropriate timeframe. Without adequate review and monitoring procedures, there is an increased risk that errors or discrepancies occur and are not detected and corrected.

Recommendation

Establish monitoring procedures to ensure that all financial aid accounts are formally reconciled and reviewed. Develop and implement a formal reconciliation process to ensure the accuracy of data used to prepare the FISAP report and document this reconciliation process.
Management’s Response

We agree with your recommendations. Student Financial Aid and Scholarships management will conduct the following:

1. Collaborate with pertinent offices (i.e. Reconciliation and Student Employment offices, etc.) to make sure that FAMIS properly reflects funds transferred between years and that the amounts reported are indeed accurate. Student Financial Aid and Scholarship management will continue to work with other offices in subsequent years to complete the FISAP.

2. Reorganize the Student Financial Aid and Scholarships Office to create supervisory personnel dedicated to the reconciliation and review of all funds under its purview.

3. The Student Financial Aid and Scholarships Office will download a list of all financial aid accounts into an Excel spreadsheet. This documentation will be used by the Student Financial Aid and Scholarships Office to track and report the status of reconciliations. The Student Financial Aid Reconciliations Supervisor will forward the status report to the Director of Student Financial Aid and Scholarships on a bi-weekly basis.

This process will be implemented by February 28, 2013.

In addition to the aforementioned actions, Student Financial Aid and Scholarship management propose the following procedures to insure accuracy in FISAP reporting:

1. Update detailed reconciliation procedures for review by the Reconciliation Office (Business Affairs).

2. Obtain additional training for representatives from the Reconciliation Office (Business Affairs).

3. The Director of Student Financial Aid and Scholarships will be responsible for obtaining supplemental information from the Budget, Treasury Services, Registrars, Human Resources, and Student Employment offices.
4. The Director of Student Financial Aid and Scholarships will prepare the FISAP report utilizing the supporting documents associated with its preparation to ensure accuracy.

5. The Director of Student Financial Aid and Scholarships will provide the FISAP report along with supporting documents to the Associate Vice President for Financial Administration to review.

6. The Director of Student Financial Aid and Scholarships will submit the completed FISAP to the Office of the President for his signature.

This process will be implemented by December 31, 2012. However, the overall implementation for recommendation number one will be February 28, 2013.

2. Data Accuracy

Observation

Data discrepancies exist between modules within the Banner student information system. Discrepancies were identified in student data provided from modules within the Banner student information system. There were numerous discrepancies in student information between the data retrieved from the financial aid module and the student module. These data discrepancies included dates of birth, social security numbers, citizenship status, high school diploma/GED, and prior degrees. Information in each module of Banner is obtained from different sources. Although there are processes within each module to resolve any student data errors within that module, processes do not exist to resolve differences between modules and ensure information is consistent and accurate. In addition, when the University converted from the old student information system to Banner, all relevant information in the old system was not converted and brought forward into Banner.

Different departments throughout the University depend upon accurate student information to make informed decisions and ensure compliance with state and federal requirements. Without processes to detect and correct data discrepancies throughout the Banner modules, there is an increased risk that errors will be made and students will receive aid for which they are not eligible.
2. Data Accuracy (cont.)

**Recommendation**

Establish procedures to ensure data accuracy and consistency of student information between the different modules within the Banner student information system.

**Management’s Response**

*We agree with your recommendations.*

The Office of Information Technology has developed a tool to perform daily tests for data discrepancies between various modules in the Banner system including social security numbers, citizenship status, birth dates, high school diploma and prior degrees. The results of these daily tests are distributed to key personnel in the offices of Student Financial Aid and Scholarships and Enrollment Management to research and reconcile these discrepancies. A weekly progress report showing a summary of the daily test is distributed to managers of these areas.

Representatives from the offices of Student Financial Aid and Scholarships and Enrollment Management, and other departments as needed, will cooperatively develop procedures to ensure data accuracy and consistency of information. This process will include but not limited to, researching and reconciling each data element for the data retrieved from different sources in a timely manner.

*This process will be implemented by February 28, 2013.*

3. Non-compliance with Financial Aid Requirements

**Observation**

Several areas of non-compliance with state and federal student financial aid requirements as well as University procedures were identified during our review of student records. The following specific issues were noted:

- The satisfactory academic progress review and appeal process needs improvement. Twenty-eight of 97 (29%) student records reviewed had exceptions related to satisfactory academic progress. Twelve appeals reviewed were denied yet they were coded as approved in Banner. Sixteen appeals reviewed did not have the necessary appeal requests on file. Appeals were granted by individual counselors, rather than by an appeals committee. A process was not in place to ensure appeal decisions were accurately
3. Non-compliance with Financial Aid Requirements (cont.)

coded in Banner. A prior State Auditor’s Office report recommended improving controls over satisfactory student academic progress appeal processes.

- Pell grant award exceptions to a few students were identified through our data analysis work. Four students received Pell grants although they had already received an undergraduate degree. Pell grants are only available for students enrolled in undergraduate degree programs. Another student received a Pell grant although the student’s expected family contribution exceeded the limit for Pell grants, and two students received Federal Supplemental Educational Opportunity Grants (FSEOG) although they did not receive a Pell grant. Although these errors represent a very small percentage of the overall population of students receiving Pell grants, these funds should be returned to the Department of Education (Pell $14,569 and FSEOG $3,000). A prior State Auditor’s Office report recommended improving controls over processes to ensure correct eligibility status in awarding Pell grants and FSEOG.

- Annual loan disbursement limits were exceeded for 75 students. Although this did not cause students to go over their cost of attendance, they are still in non-compliance with federal loan regulations. Processes were not in place to prevent and detect the over-awards.

- The student eligibility verification process was not operating effectively to ensure awards were made and disbursed in compliance with federal regulations and University procedures. Four students were given TEXAS grants even though the verification was completed and the corrected expected family contribution exceeded the limit of $4,000. Changes were not made to awards based upon verified information.

  Funds were disbursed to students before the verification process was completed. Three of 15 (20%) verifications reviewed had disbursements made prior to completion of the verification. In addition, a review of Pell grants revealed that 104 Pell awards were distributed prior to completion of verification. While interim disbursements of Title IV aid is allowed according to federal regulations, the University’s verification procedure states that the University does not make interim disbursements. Students must complete the verification process before aid is awarded or disbursed.

  The University has not established effective controls to detect errors and non-compliance with financial aid requirements (state, federal,
3. Non-compliance with Financial Aid Requirements (cont.)

University) prior to disbursement of aid to students. Without controls and monitoring processes in place to identify and correct errors and non-compliance, the University is at risk of penalties, sanctions, and possible reduction or loss of financial aid for students.

**Recommendation**

Establish processes and controls to ensure student financial aid is awarded in compliance with state and federal regulations and University rules and procedures. Return funds that were awarded in error.

**Management’s Response**

*We agree with your recommendations.*

*Student Financial Aid and Scholarships management will modify the system to enforce and track compliance with state and federal regulations. In addition, controls will be modified to ensure all documents are received before awarding aid, reports will be developed and desk reviews will be conducted weekly to monitor compliance with regulations. These reviews will be maintained in the Student Financial Aid and Scholarships Office.*

*Student Financial Aid and Scholarships management has developed a satisfactory academic progress (SAP) committee that meets periodically to determine awards. In addition, staff access will be reviewed and limited based on their responsibilities regarding SAP approval.*

*Student Financial Aid and Scholarships management will review their records and return all funds that were awarded in error.*

*This process will be implemented by November 30, 2012.*

4. Departmental Band Scholarships

**Observation**

Band scholarship processes need improvement. Four of 15 departmental scholarships tested in this audit were band scholarships. Two of these scholarships had supporting documentation; however, two did not. In addition, five University band students complained to the media that they had not received band scholarships that had been promised to them. Band scholarships for fall 2011 were not paid to four of these five students until December 2011 and January 2012. Spring 2012
4. Departmental Band Scholarships (cont.)

Band scholarships were paid after the students’ complaints appeared in the news media. Student complaints about the band scholarship process have continued. During the last academic year, the band awarded 73 band scholarships totaling approximately $182,000.

Financial Aid provides guidance and oversight for departmental scholarship awards. However, the band managed scholarship awards more independently, managing their own accounts and issuing their own award letters. The band did not have documented procedures for making and processing scholarship awards and information was not communicated timely and accurately between the band, students, and Financial Aid. Without following established procedures and oversight processes there is an increased risk that student scholarships are not being processed accurately and timely.

Recommendation

Establish procedures for managing band scholarship awards. Ensure that scholarship awards are disbursed timely and in accordance with scholarship award notifications made to students.

Management’s Response

We agree with your recommendations.

Student Financial Aid and Scholarships management has established procedures for managing band scholarships and these processes are in place for the fall semester. Student Financial Aid and Scholarships management will provide the Business Affairs Budget Office with a report of awards prior to awarding aid. This process will be monitored in the fall to ensure awards are disbursed timely and in accordance with scholarship award notifications.

This process will be implemented by November 30, 2012.

5. Cash Handling – Scholarship Checks

Observation

Financial Aid’s cash handling procedures need improvement. Scholarship checks received in Financial Aid from external parties are not restrictively endorsed by the department. The transfer of custody of these checks within the department is not documented and departmental transmittal forms are not completed. Financial Aid personnel have not received training in cash handling...
5. Cash Handling – Scholarship Checks (cont.)

Financial aid procedures on the University’s web site are not consistent and accurate. The Texas A&M University System Internal Audit Department Third Quarter for Fiscal Year 2012 Page 11

5. Cash Handling – Scholarship Checks (cont.)

procedures and are not aware of the A&M System regulation regarding cash handling procedures. The A&M System regulation requires that checks are to be restrictively endorsed upon receipt and the transfer of custody of funds is to be documented. Financial Aid’s departmental procedures require the completion of a transmittal form for all scholarship checks received; however, this form is not consistently completed. Without appropriate cash handling procedures, the risk is increased that funds will be lost or misappropriated.

Recommendation

Provide training in cash handling procedures to Financial Aid personnel. Ensure that checks are endorsed and that transfers and transmittal forms are completed in accordance with A&M System regulations and Financial Aid departmental procedures.

Management’s Response

We agree with your recommendations.

Student Financial Aid and Scholarships management will contact the Financial Services department to schedule and complete training in cash handling. Upon completion of this training, Student Financial Aid and Scholarships management will ensure checks are restrictively endorsed, transfers are documented, and transmittal forms are completed and submitted to the University Cashier’s Office in Financial Services.

The University Cashier’s Office in Financial Services will validate the receipt of all checks attached with the transmittal form to ensure proper disbursement to each student’s account.

The University Cashier’s Office in Financial Services will then deposit the checks with the University’s financial institution in accordance with A&M regulations and University procedures.

This process will be implemented by August 31, 2012.

6. Financial Aid Procedures

Observation

There are inconsistent and inaccurate procedures for student financial aid posted on the University’s web site. The Prairie View A&M University Office of Student Financial Aid Manual of Financial Aid Policies and Procedures that is posted on the
University's policy web page is outdated and has inaccurate information. Current financial aid procedures are posted on the University's Financial Aid web page. There is no process to coordinate information between the two web pages. The two web pages have inconsistent and conflicting information which increases the risk that students, parents, and University personnel will not have accurate information necessary for decision-making purposes.

**Recommendation**

Provide consistent, accurate financial aid information and procedures on the University’s web site.

**Management’s Response**

*We agree with your recommendations.*

Student Financial Aid and Scholarships management has removed outdated procedures from the University’s policy library. The current financial aid information and procedures are stated on the Financial Aid web site.

Student Financial Aid and Scholarships management and University management will review all University administrative procedures related to scholarships and ensure all criteria accurately reflects the current criteria.

This process will be implemented by November 30, 2012.
BASIS OF REVIEW

Objective

The objective of the audit was to review the processes and controls over the University’s student financial aid system to determine if strategic and operational results and outcomes are achieved in an efficient and effective manner, and to determine compliance with laws, policies, regulations, and 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; Prairie View A&M University Rules and Procedures; the Federal Code of Regulations and the Federal Student Financial Aid Handbook; and other sound administrative practices. This audit was conducted in conformance 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

The Office of Financial Aid and Scholarships is comprised of approximately 30 individuals and reports to the Office of Academic Affairs. The mission of Financial Aid is to offer coordinated delivery of comprehensive student aid programs that are supportive of the recruitment of academically talented and diverse students.
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