



PROJECT SUMMARY

Overview

At West Texas A&M University, the financial and management controls over the financial aid processes generally ensure resources are used effectively and efficiently and in compliance with laws and regulations except for control weaknesses in the protection of student information used in the scholarship selection processes and Fiscal Operations Report and Application to Participate reporting process. Opportunities for improvement also exist in the accuracy of data for ad hoc reporting, contract reviews, and access to the vendor loan system.

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During fiscal year 2008, the total amount of scholarships and grants awarded was over \$10 million. In addition, students and their parents received approximately \$25 million in Federal Family Education Loans (FFEL). The three largest student financial aid programs are FFEL, Pell grants, and scholarships, respectively.

Summary of Significant Results

Distribution of Student Information for Scholarship Selections

Confidential student information was distributed to departmental scholarship coordinators in an unsecure manner. The student information, including grades and test scores, was emailed in spreadsheet format to the departmental scholarship coordinators throughout the campus in an unsecure format. Email is not a secure method of transmitting confidential information. Without a secure method to share student information, the risk is increased that confidential student information will become exposed.

Federal Operations Report and Application to Participate (FISAP)

The process for developing the University's FISAP does not ensure the information reported to the United States Department of Education is accurate. A review of the 2007-2008 FISAP found discrepancies and inconsistencies between amounts in the FISAP and amounts in the University's official financial records.

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

Summary of Management's Response

Distribution of Student Information for Scholarship Services:

Information was sent by email to specific scholarship coordinators and managers. Since coordinators and managers use secure passwords, we did not consider this transmission method to be unsecured. The university technology team is working on placing the spreadsheets in a "secured" area that only authorized coordinators and managers can access. This information will no longer be sent by email. Implementation date: November 30, 2009.

Federal Operations Report and Application to Participate (FISAP):

The Financial Aid Office is in the process of filling the vacant position that handles the Federal Work Study Program. As part of the reorganization of this position, part of the new job responsibilities is to reconcile the Federal Work Study account on a quarterly basis with the Business Office and to perform an annual reconciliation prior to the submission of the FISAP. While no other areas of the FISAP showed discrepancies, reconciliation will be performed on the Supplemental Educational Opportunity Grant (SEOG) program as well. The Business Office is already reconciling the Perkins Loan program prior to submitting the FISAP information to the Financial Aid Office. All parts of the FISAP will be reconciled prior to submission. Implementation date: August 31, 2009.

Scope

Our review of financial and management controls over the student financial aid system focused on general eligibility for all major aid programs and scholarships. To test for compliance of selected controls, computer-based audit techniques were used to increase audit effectiveness and efficiency and test for specific attributes of one hundred percent of the general eligibility requirements.

We also reviewed information security and financial controls associated with the processing of financial aid and scholarship transactions. Transactions and activities related to these areas were reviewed for the period of September 1, 2007 to August 31, 2008. Fieldwork was conducted from March 2009 through May 2009.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Distribution of Student Information for Scholarship Selections

Observation

Confidential information was distributed through an unsecure means.

Confidential student information was distributed to departmental scholarship coordinators in an unsecure manner. Student information, including student identifications, grade point averages and test scores, was emailed in spreadsheet format to departmental scholarship coordinators throughout the campus. The Family Educational Rights and Privacy Act is a federal law that protects the privacy of student education records. Email is not a secure method of transmitting confidential information. Without a secure method to share student information, the risk is increased that confidential student information will become exposed.

Recommendation

Provide scholarship coordinators with access to confidential student information through a secure means such as encrypted files or shared directory access.

Management's Response

Information was sent by email to specific scholarship coordinators and managers. Since coordinators and managers use secure passwords, we did not consider this transmission method to be unsecured. The university technology team is working on placing the spreadsheets in a "secured" area that only authorized coordinators and managers can access. This information will no longer be sent by email. Implementation date: November 30, 2009.

2. Federal Operations Report and Application to Participate (FISAP)

Observation

The FISAP process does not ensure accurate reporting.

The process for developing the University's FISAP does not ensure the information reported to the US Department of Education is accurate. A review of the 2007-2008 FISAP found discrepancies and inconsistencies between Federal Work Study amounts in the

2. Federal Operations Report
and Application to
Participate (FISAP) (cont.)

FISAP and amounts in the University's official financial records. The annual FISAP reporting process did not include a documented reconciliation and verification by both the Financial Aid Office and the Business Office for report accuracy prior to submission. The purpose of reconciliations is to identify discrepancies between two or more sets of records or systems so that appropriate actions can be taken to resolve outstanding and/or conflicting items.

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 process to maintain comprehensive financial records to support the numbers reported on the FISAP for a clear audit trail including a reconciliation of the FISAP amounts back to the student information system report, general ledger accounts, and the federal Grant Administration and Payment System (GAPS). The reconciliation should be approved by both the Financial Aid Office and the Business Office prior to issuing the FISAP report to the Department of Education.

Management's Response

The Financial Aid Office is in the process of filling the vacant position that handles the Federal Work Study Program. As part of the reorganization of this position, part of the new job responsibilities is to reconcile the Federal Work Study account on a quarterly basis with the Business Office and to perform an annual reconciliation prior to the submission of the FISAP. While no other areas of the FISAP showed discrepancies, reconciliation will be performed on the SEOG program as well. The Business Office is already reconciling the Perkins Loan program prior to submitting the FISAP information to the Financial Aid Office. All parts of the FISAP will be reconciled prior to submission. Implementation date: August 31, 2009.

3. Data Accuracy for Ad Hoc Reporting

Observation

Data extracted from the student information system was not reliable.

The University was unable to supply auditors with accurate student data regarding attempted and earned hours, class level and grade point averages. Auditors requested corrected data several times during the audit. One hundred seventeen of 390 sample items tested during the audit had one or more incorrect data fields. An adequate portion of the data was not reviewed by University staff to ensure data integrity prior to submission to the auditor for testing. Data inaccuracies create concern as to whether ad hoc reports generated from the system are reliable. The auditors were able to determine that the data maintained in the student information system is accurate. The problems occur when the data is extracted incorrectly, causing errors in the data fields. Accurate information is necessary for management to make informed decisions that ensure the organization meets its goals and objectives.

Recommendation

Review data extracted from the student information system for ad hoc reporting or data analysis to ensure data accuracy.

Management's Response

The Financial Aid Office will review all future ad hoc reports submitted by the University's IT Department for accuracy and completeness. Implementation date: August 31, 2009.

4. Perkins Loan System Vendor Contract

Observation

The vendor contract did not have review for legal sufficiency.

The contract with the third-party vendor managing Perkins loans and institutional emergency loan records was not reviewed and approved by the System Office of General Counsel. The vendor maintains detailed loan records and does billing and collection functions for the University. Although the contract does not involve stated or implied consideration of \$50,000 or more per year, it does involve management of detailed student loan accounts and the collection and remittance of loan principal and interest that have a significant level of risk. Without legal review to ensure that the contract contains any necessary insurance, bond, nondisclosure, or audit requirements, the risk is increased that the University may be exposed to unexpected liabilities.

Recommendation

4. Perkins Loan System
Vendor Contract (cont.)

Ensure that the management contract for Perkins and emergency loans is reviewed and approved by the System Office of General Counsel for legal sufficiency.

Management's Response

The University has sent the contract to the Office of General Counsel for review. A new contract will be developed to include new additional requirements such as the Red Flag Rules. Implementation date November 30, 2009.

5. Access to Vendor Loan System

Observation

There was no formal process for granting and managing access to the vendor's student loan management system.

No formal process exists for granting and managing University employee access to the vendor's student loan management system. The University employee administering Perkins and emergency loans also has update access to the system, and is responsible for contacting the vendor and coordinating University employee access, software installation, and software training. There are no documented authorizations for access and no periodic review of employee access for relevance to current job duties. The University Information Technology Division's Standard Administrative Procedure for Account Management states, "An approval process is required prior to granting access authorization to an information resource. The approval process shall document the acknowledgement of the account holder to follow all terms of use and the granting of authorization by the resource owner or their designee. All access privileges to information resources must be reviewed at least bi-annually by the owners (department heads or administrators), and documented as such." Without a process to adequately manage employee access to the system, there is an increased risk of loss or misuse of funds and/or confidential student loan information.

Recommendation

Establish a formal process for granting and managing (periodically reviewing) University employee access to student loan systems maintained by the vendor.

Management's Response

5. Access to Vendor Loan System (cont.)

The University Controller has established a process for granting University personnel access into the student loan systems maintained by third-party vendors. This will be reviewed at least semi-annually. Estimated implementation date will be August 31, 2009.

BASIS OF REVIEW

Objective

The objective of this audit 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 Texas Administrative Code (TAC) 202; 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); West Texas 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

The University facilitates students in meeting their higher education goals through a variety of grants, scholarships, loans and other means of financial assistance. During fiscal year 2008, 7,508 students were enrolled at the University. The total amount of scholarships and grants awarded was over \$10 million. In addition, students and their parents received approximately \$25 million from federal loan programs. The largest student financial aid programs in actual dollars are Federal Family Education Loans, Pell Grants, and scholarships, respectively.

AUDIT TEAM INFORMATION

Auditors Assigned to the Review

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