

SECTION I — SUMMARY OF INDEPENDENT ACCOUNTANTS' RESULTS

Financial Statements

Type of independent accountants' report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? none reported
- Significant deficiency identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? none reported

Federal Awards

Internal control over major programs:

- Material weakness identified? yes
- Significant deficiency identified that are not considered to be material weaknesses? yes

Type of independent accountants' report issued on compliance for major programs:

Research and Development Cluster unmodified
Student Financial Aid Cluster qualified for:
Special Tests and Provisions – Verification
Special Tests and Provisions – Enrollment Reporting
Reporting – Common Origination and Disbursement System

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of major programs:

Student Financial Aid Cluster (CFDA 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, 84.379, 84.408, 93.342, and 93.364)
Research and Development Cluster (CFDA various)

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? no

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

SECTION II — FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

None reported.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

RESEARCH AND DEVELOPMENT CLUSTER FINDINGS

FINDING 2013-001 – Reporting (Repeat finding 2012-01)

Federal Programs

Research and Development Cluster

University of Nevada, Reno: CFDA 81.049 (Award DE-SC0008834).

Desert Research Institute: CFDA 12.000 (Award W912HZ-12-C-0048).

Award year ended June 30, 2013

Criteria

Federal Acquisition Regulation clause 52.204-10(c)(1) outlines prime recipient reporting requirements for the Federal Funding Accountability and Transparency Act (FFATA). The requirement reads, “unless otherwise directed, by the end of the month following the month of award of a first-tier subcontract with a value of \$25,000 or more, the Contractor shall report” relevant contract information.

Condition

We noted that both the Desert Research Institute (DRI) and University of Nevada, Reno (UNR) did not report sub-recipient contracts timely.

Context

Testing at the DRI identified that one out of one FFATA report examined was filed late.

Testing at the UNR identified that one out of six FFATA reports examined was filed late.

Questioned Costs

\$0

Effect

Failure to submit required reports timely fails to honor the intent of the federal agency to provide transparency for the sub-awards on usa.spending.gov, the website where reported information is available for public viewing.

Cause

The internal control environment did not prevent the untimely filing.

Recommendation

We recommend that the Institutions design and implement processes and controls to ensure FFATA reporting are communicated timely to those individuals responsible for reporting them under the FFATA requirements. Furthermore, when technological problems prevent timely reporting, we recommend these individuals document their attempts to report as well as their communications with sponsoring agencies.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-001 – Reporting (Repeat finding 2012-01) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

DRI Response

Unfortunately, the sudden death of the responsible manager near the time when the report should have been filed prevents us from knowing whether there was a timely attempt and what precluded a timely submission. In the subsequent restructuring of this function we have put controls into place to ensure FFATA reports are filed on time.

DRI Follow-Up Response

- **What will be done to avoid the identified problems and issues in the future;**
Each time a subcontract is issued in excess of \$25,000 DRI must enter a FFATA (Federal Funding Accountability and Transparency Act) into the FSRS (FFATA Subaward Reporting System) within the following month. The federal agency must have entered the award data before the subaward can be entered and frequently that has not yet occurred which results in a delay which should be documented for audit purposes. Due to the sudden death of the responsible manager we are unable to determine if this particular delay was due to an agency or DRI delay for lack of documentation. DRI revamped the procedures for FFATA reporting in May 2013.
- **How compliance and future good management and practice will be measured, monitored and assured;**
This will be determined by the measurement of prompt report filing or documentation of delays outside of DRI control.
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise;**
A lead accountant position is being filled to take on the duties of the former manager but ultimate responsibility for timely reporting rests with the Asst Vice President/Controller.
- **When the measures will be taken and on what schedule compliance and good practice will be secured; and**
FFATA Procedures were updated in May 2013 prior to the audit but subsequent to the delayed report
- **How compliance and performance will be documented for future audit, management and performance review.**
Report timeliness is routinely reviewed as part of the A-133 audit report

UNR Response

UNR agrees with this recommendation. We understand the importance of timely reporting and have added an additional control that will allow us to check to make sure that all reports are being filed timely. We anticipate all future reports will be timely, but if situations arise in the future that impact timely submission full documentation will be retained.

UNR Follow-Up Response

We agree with this recommendation and have instituted the following procedures.

When the FFATA reporting is completed it is logged by the Grants and Projects Analyst on the sub-agreement log maintained in the office. The Grants and Projects Analyst runs a report at the end of each month for the Post Award Manager to review to assure all reporting has been completed.

The Grants and Projects Analyst is responsible for making sure the FFATA reporting is completed in the month the sub-award is issued. The Post Award Manager reviews the sub-award log monthly to assure the

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-001 – Reporting (Repeat finding 2012-01) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

UNR Follow-Up Response – Continued

reporting has been completed. If a report is not submitted timely the Post Award Manager will investigate and resolve the issue.

This new process has been added to the FFATA procedures.

FINDING 2013-002 – Reporting

Federal Programs

Research and Development Cluster

University of Nevada, Reno: *Financial Reports*: CFDA 81.087 (Award NV-EE0002850)

Award year ended June 30, 2013

Criteria

Pursuant to 2 CFR 215.52(1)(iv), quarterly and semi-annual reports shall be submitted no later than 30 days after the end of the each reporting period.

Condition

We noted that the UNR did not submit a required SF-425 financial report.

Context

Testing at the UNR identified one out of ninety-two financial reports tested was not filed.

Questioned Costs

\$0

Effect

Failure to submit required reports fails to honor the intent of the federal agency to have accurate records of expenditures under Federal awards as well as progress of projects utilizing Federal funding.

Cause

The responsible parties did not submit the report due to the lack of a process to monitor required filings.

Recommendation

We recommend that the Institution design and implement processes and controls to ensure timely reporting to the Federal agency.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNR Response

UNR agrees with this recommendation. We have added an additional control that will allow us to check to make sure that all reports are being filed timely to the Federal agency.

UNR Follow-Up Response

We agree with this recommendation and have instituted the following procedures.

The Grants and Projects Analysts are responsible for making sure the SF-425 reports are completed on time. The Post Award Manager runs an SF-425 report monthly to assure all reporting has been completed on time

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-002 – Reporting - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

UNR Follow-Up Response – Continued

and identifies any reports that have not been submitted. The Post Award Manager reviews the SF-425 monthly report. If a report is not submitted timely the Post Award Manager investigates and assures that the report is completed, and takes any necessary action to assure that this does not recur.

The new process has been added to the Procedures for Expenditure Monitoring.

FINDING 2013-003 – Reporting

Federal Programs

Research and Development Cluster

University of Nevada, Las Vegas: *Financial Report*: CFDA 81.122 (Award DE-FC26-08NT02873).

Award year ended June 30, 2013

Criteria

Pursuant to 2 CFR 215.21(b)(1), requires accurate, current and complete disclosure of the financial results of each federal-sponsored project or program.

Condition

We noted that the University of Nevada, Las Vegas (UNLV) submitted a financial report that included an incorrect entry related to the indirect cost base.

Context

Testing at the UNLV identified that one out of ninety-one financial reports examined included financial information that did not agree to the accounting records.

Questioned Costs

\$0

Effect

Failure to submit required reports accurately fails to honor the intent of the federal agency to have accurate records of expenditures under Federal awards as well as progress of projects utilizing Federal funding.

Cause

The responsible parties did not submit the reports accurately due to oversight by the preparer which was not identified by the reviewer before sending the report to the sponsor.

Recommendation

We recommend that the Institution design and implement a process and controls to review filings to ensure accurate reporting to the Federal agency.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNLV Response

UNLV agrees with this finding. We understand the importance of accurate reporting, and while the data entry error did not impact the financial payment, we have incorporated processes to assure all data fields are reviewed prior to signature and report submission. We anticipate this oversight will not occur again.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-003 – Reporting - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

UNLV Follow-Up Response

Correction plan fully implemented prior to initial response.

The Office of Sponsored Programs has incorporated evaluation processes to ensure research accountants review all data fields prior to signature and report submission.

This error was a result of a clerical error in the indirect cost base included on the sponsor financial report that was not identified by supervisory review before transmission to the sponsor. As noted in our original response, although this clerical error did not result in an underpayment or overpayment from the sponsor, we understand the importance of accurate reporting and the corrective action was implemented at that time.

The Associate Director of Post Award is responsible for this area and we anticipate this oversight will not occur again.

FINDING 2013-004 - Equipment and Real Property Management

Federal Programs

Research and Development Cluster

University of Nevada, Las Vegas: CFDA #81.087 (Award #RF-06-FCAST-001)

Award year ended June 30, 2013

Criteria

OMB Circular A-110, Subpart C, .34(g) states, when the recipient no longer needs the equipment, the equipment may be used for other activities in accordance with the following standards. For equipment with a current per unit fair market value of \$5,000 or more, the recipient may retain the equipment for other uses provided that compensation is made to the original Federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment. If the recipient has no need for the equipment, the recipient shall request disposition instructions from the Federal awarding agency. The Federal awarding agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported to the General Services Administration by the Federal awarding agency to determine whether a requirement for the equipment exists in other Federal agencies. The Federal awarding agency shall issue instructions to the recipient no later than 120 calendar days after the recipient's request and the following procedures shall govern.

Condition

We noted that the UNLV did not consistently fulfill these requirements.

Context

Testing at UNLV identified one equipment disposal out of nine tested that had a fair value of more than \$5,000 at the time of the disposal but we were not able to verify that there was communication with the awarding agency regarding its appropriate federal share.

Questioned Costs

\$15,979

Effect

The compliance requirement to request disposition instructions and/or compensate the original Federal

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-004 - Equipment and Real Property Management - Continued

Effect - Continued

awarding agency for equipment with a current fair market value of \$5,000 or more at the time of disposal was not achieved one item.

Cause

The responsible parties do not retain documentation of communication with the awarding agency regarding disposal of the questioned asset.

Recommendation

We recommend the Institution train those responsible for compliance with above mentioned requirements to eliminate instances of noncompliance.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNLV Response

UNLV agrees with this finding. We have implemented a process to review all equipment disposition requests that involve equipment purchased from federal funds with a current fair market value of greater than \$5,000, but there was a single occurrence where there was a misunderstanding by one individual regarding what constituted the sponsor granting "title" to the university. We are implementing mandatory training to address the entire equipment process as well as the federal regulations associated with equipment. New employees will also be trained in this area as they are hired to avoid a reoccurrence.

UNLV Follow-Up Response

Correction plan in progress and will be fully implemented prior to the end of FY14.

In conjunction with Inventory Control, the Office of Sponsored Programs has implemented a process to review all equipment disposition requests that involve equipment purchased from federal funds with a current fair market value of greater than \$5,000, but there was a single occurrence where there was a misunderstanding by one individual regarding what constituted the sponsor granting "title" to the university. The new training should resolve this issue and we do not anticipate the error will occur again.

Very few transactions typically occur in this area each year and so the FY13 audit sample included 100% of federal equipment disposals with a fair market value greater than \$5,000.

The Executive Director of Sponsored Programs is responsible for this area and we anticipate this oversight will not occur again.

STUDENT FINANCIAL AID CLUSTER FINDINGS

FINDING 2013-005 - Special Tests and Provisions: Disbursements To or On Behalf of Students

Federal Programs

Department of Education & Department of Health and Human Services
Student Financial Aid Cluster - CFDA 84.268
Award year ended June 30, 2013

Criteria

Pursuant to 34 CFR 668.19(b)(1) If a student transfers from one institution to another institution during the same award year, the institution to which the student transfers must request from the Secretary, through National Student Loan Data System (NSLDS), updated information about that student so it can make the

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-005 - Special Tests and Provisions: Disbursements To or On Behalf of Students

- Continued

Criteria - Continued

determinations required under paragraph (a) of this section; and (2) The institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS, and the information it receives allows it to make that disbursement..

Condition

UNLV was unable to provide documentation supporting the Institution's requests for updated student information from NSLDS for students that transferred to UNLV for the spring semester or that the disbursements were made at least seven days after the request.

CSN did not perform the necessary requests for updated student information from NSLDS prior to disbursing funds for students that transferred to CSN during the year that received the PELL grant.

Context

For six of six students selected for testing at UNLV, the required request for updated student information from NSLDS for transfer students could not be supported and therefore we could not determine that the request occurred.

For nine of nine students selected for testing at CSN, the required request for updated student information from NSLDS for transfer students receiving PELL grants was not completed.

Questioned Costs

\$0

Effect

The Institutions do not comply with the specific requirements of Federal Regulations with respect to requesting student information from NSDLS as required.

Cause

At UNLV, the PeopleSoft system was not set-up to maintain documentation of when the requests were made. Also, the NSLDS website only includes a listing of students currently waiting for requested information; it does not include past information.

At CSN, policies and procedures did not include the necessary policy to review PELL grant activity on the NSLDS website.

Recommendation

We recommend the Institutions implement processes to ensure documentation is maintained of the Institutions' compliance with the above requirements.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNLV Response

UNLV agrees with this finding. UNLV used the PeopleSoft delivered process to make requests through NSLDS as required on a weekly basis. However, as noted in the finding, the job, as delivered by Oracle in PeopleSoft, did not maintain the history of transactional data. The alert flag report from NSLDS was reviewed in a timely manner based upon our weekly job to prevent federal aid from disbursing prematurely; however, demonstrating with appropriate documentation this actually occurred within the system was problematic for the 2012-2013 school year based upon Oracle programming.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-005 - Special Tests and Provisions: Disbursements To or On Behalf of Students
- Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

UNLV Response - Continued

A warning flag has now been created in the system. The warning flag has a date and time stamp associated when the job runs. The transactional data history of this process is now maintained to ensure documentation of the process is available to satisfy this requirement going forward.

UNLV Follow-Up Response

Correction plan fully implemented prior to initial response. UNLV updated the PeopleSoft configuration to retain date and time stamped record of NSLDS interactions to ensure documentation is available to demonstrate compliance with this requirement.

In order to prevent transfer students from receiving over-awards within Federal Pell grant and Federal student loan programs, a review process called Inform, Monitor and Alert was conducted weekly with the National Student Loan Data System (NSLDS). Once the NSLDS review process had concluded, the financial aid hold was released and appropriate financial aid was disbursed to students. As noted in the finding, UNLV lacked the ability to demonstrate historical NSLDS activity from weekly reviews that actually occurred. Every time the electronic NSLDS report file was generated, any previous transactional history was lost based upon the delivered programming within PeopleSoft.

The situation was promptly rectified once identified as an audit finding. Programming changes are currently in production. The office is now able to demonstrate date and time stamps for any student identified under the NSLDS Inform, Monitor and Alert process and this should no longer be an audit issue.

The Director of Financial Aid and Scholarships is responsible for ensuring compliance with this process.

CSN Response

CSN concurs with this recommendation. CSN has an internal policy in place that occurs prior to a student receiving a Pell Grant Award. The manual procedure includes a step whereby the Financial Aid staff views the National Student Loan Database (NSLDS) student information for each student recipient, including those who have transferred from another institution. This procedure was designed to eliminate the possibility of over-award by ensuring that a student's Lifetime Eligibility Limit (LEU) has not yet been reached.

Although a part of CSN's established manual process, CSN was unable to provide the records to verify that this step had been completed. CSN will develop, and/or update as appropriate, policies, procedures and guidelines to add a specific reference to the current procedure directing the Financial Aid staff to review the NSLDS Database for students transferring to CSN from another institution. In addition, a verification mechanism will be incorporated into these procedures.

CSN has undertaken several corrective actions to address the deficiencies noted in the 2012-13 A-133 audit process. These actions include utilizing an external consultant to perform a comprehensive external and independent review of operations and associated functionality within the Financial Aid Department to ensure effectiveness and efficiency.

The external assessment and operational review encompasses all aspects of activities required of higher education financial aid offices and departments. The scope of review includes:

- Conducting a review of the people, processes and technology within the financial aid operations to assess departmental program management, administrative capability, and overall effectiveness for administering

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-005 - Special Tests and Provisions: Disbursements To or On Behalf of Students

- Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

CSN Response - Continued

Title IV federal student aid programs;

- Provide deliverables that support the review and assessment, including recommendations for enhancing processing efficiency and effectiveness within the financial aid operations at CSN.

Once completed, the assessment process will provide recommendations that guide the strategic development of CSN financial aid operations including quality control and assurance processes. The assessment is anticipated to be completed by mid-November 2013, and the consultant's final report will be forthcoming within the following 60 days. The outcomes of the assessment process are envisioned to address operational deficiencies that have resulted in repeated findings identified through the external/independent audit. The consultant's final report recommendations will be reviewed and implemented by the College as appropriate.

CSN Follow-Up Response

CSN's Institutional Student Information Record (ISIR) import and packaging processes automatically prevent students from being awarded Federal Pell Grant funds in excess of their Lifetime Eligibility Used (LEU). However, this information is only accurate as of the date the ISIR was completed. If a student receives Pell at another school in the fall and then does not enroll at CSN until the spring or summer term, CSN will not take the student's updated Pell information into account in packaging. CSN is not currently using the Transfer Monitoring function in PeopleSoft, which would provide updated information on students' Pell Grant usage throughout the aid year. Transfer Monitoring will be implemented this year to ensure compliance. CSN receives Multiple Reporting Reports(MRR) from the U.S. Department of Education and reviews them on a weekly basis to ensure that students are not simultaneously receiving Pell Grants at other schools. Documentation is being maintained to provide demonstrable compliance with this requirement and will be available for audit staff to review during field testing in the next audit cycle.

CSN continues to work through an extensive operational assessment with the third-party consultant. One of the outcomes of this process is a comprehensive Corrective Action Plan (CAP). The CAP will address policy, procedures, technical improvements and quality control measures designed to address enhancements to the CSN Financial Aid Department to achieve strict adherence to Department of Education requirements, industry best practices, i.e., National Association of Student Financial Aid Administrators (NASFAA), and corrective actions to resolve audit findings. A comprehensive list of policies and procedures that are being developed for the Financial Aid Department has been forwarded to NSHE Internal Audit for inclusion in the audit file.

Responsible party to ensure compliance: Director of Financial Aid

Established procedure requires the Director of Financial Aid to confirm the completion of the NSLDS review and the availability of supporting documentation. This confirmation will be provided to CSN administration upon completion of the NSLDS review.

FINDING 2013-006 - Internal Control over Compliance

Federal Programs

Department of Education & Department of Health and Human Services

Student Financial Assistance Cluster

Award year ended June 30, 2013

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-006 - Internal Control over Compliance - Continued

Criteria

Office of Management and Budget (OMB) Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal Laws, regulations, and program compliance requirements.

Condition

At UNR, we noted deficiencies in security administration controls related to the automated/activity-level controls in the PeopleSoft application. Specifically, controls were lacking around restriction of access and segregation of duties as it relates to the PeopleSoft application over the student financial aid assistance program.

Context

During our testing of the automated/activity-level controls in the PeopleSoft application, we noted the individual who authorizes access to the Student Financial Aid Disbursement Calendar makes changes to the disbursement calendar settings. Ideally these duties should be segregated to mitigate the risk of errors or inappropriate actions. Management described to us that monitoring does take place to ensure changes made to the system are appropriate but we saw that any monitoring is not documented and could not be verified. In addition we noted that the individual who authorizes access to the student aid award data also makes changes to the query settings. Ideally these duties should be segregated to mitigate the risk of errors or inappropriate actions. The mitigating control that reduces the risk of inappropriate changes to the query is the audit tracker that is imbedded within PeopleSoft. The monitoring over this process is informal and not properly documented.

The deficiencies in security administration controls could impact compliance requirements related to disbursement processing.

Questioned Costs

\$0

Effect

Student data within the PeopleSoft application may be affected by users having conflicting roles or access levels, and accountability may not be established. Student data may be affected by unauthorized, inappropriate, or untested changes to the system which could result in non-compliance with student, disbursement processing.

Cause

The issues identified are part of the lack of proper controls at the activity level in the PeopleSoft Application.

Recommendation

Management should logically segregate duties, and management should consider documenting the performance of monitoring controls.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNR Response

The Financial Aid Office has defined a process for approval of change and documentation of this approval and a record of the actual changes made in the system. The director approves the change and keeps a record of the individual who makes the changes in the system.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-006 - Internal Control over Compliance - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

UNR Follow-Up Response

We have reviewed and agree with the recommendation and as a result we have implemented the following procedures.

An email system of approval for changes of the disbursement calendar and packaging settings has been implemented. The Assistant Director of Compliance sends an email to the Director of Financial Aid for approval. A copy of the approval is scanned and filed. In addition, a spreadsheet with changes and approvals is maintained.

The Director of Financial Aid ensures that this process is in place. The Director calls for a monthly meeting with people that have access to setting up pages to ensure changes go through the approval process.

FINDING 2013-007 - Special Tests and Provisions: Disbursements To or On Behalf of Students (Repeat finding 2012-10, 2011-15, and 2010-15)

Federal Programs

Department of Education & Department of Health and Human Services
Student Financial Aid Cluster - CFDA 84.268
Award year ended June 30, 2013

Criteria

CFR 668.165(a) Notices (2) Except in the case of a post-withdrawal disbursement made in accordance with §668.22(a)(5), if an institution credits a student's account at the institution with Direct Loan, FFEL, Federal Perkins Loan, or TEACH Grant Program funds, the institution must notify the student or parent of—(i) The anticipated date and amount of the disbursement; (ii) The student's right or parent's right to cancel all or a portion of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan, the TEACH Grant proceeds returned to the Secretary. However, if the institution releases a check provided by a lender under the FFEL Program, the institution is not required to provide this information; and (iii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement.

Condition

The College of Southern Nevada (CSN) and Truckee Meadows Community College (TMCC) did not provide the required notification to students after every Direct Loan disbursement.

Context

For seventeen out of twenty-five students selected for testing at the CSN, the required notification noted above was not sent to the student after disbursements made subsequent to the initial fall disbursement. For three out of one hundred fifty-one students selected for testing at the TMCC the required notification noted above was not sent to the student for a second disbursement made in one payment the same semester.

Questioned Costs

\$0

Effect

The Institutions did not comply with the specific requirements of Federal Regulation with respect to sending notifications to students for the Direct Loans.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

**FINDING 2013-007 - Special Tests and Provisions: Disbursements To or On Behalf of Students
(Repeat finding 2012-10, 2011-15, and 2010-15) - Continued**

Cause

The PeopleSoft system's query utilized to send loan disbursement notification letters excluded students with disbursements in certain instances and this was not identified by the respective Institution's system of internal controls.

Recommendation

We recommend the Institutions enhance controls to ensure the required notifications are sent to students receiving Direct Loans. Management should evaluate the existence of this issue of non-compliance in the remaining population and remediate as necessary.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

CSN Response

College of Southern Nevada concurs with the recommendation. CSN was identified in repeat findings for Award Years 2010-11, 2011-12, and 2012-13. In Award Year 2010-11, the daily notification transmission was a manual one and an error occurred when one daily e-mail notification transmission was duplicated the day after the original mailing, and the student notification that should have been sent on the second day was not sent at all. It was thought that with the implementation of PeopleSoft that a number of the problems experienced with manual processes such as the disbursement notification would be resolved. In the new system, once the loans are awarded, the MyCSN system automatically generates an email notification to the student which eliminated the previous error or a missed or duplicate notification.

In Award Year 2011-12, the external audit identified that during the implementation of PeopleSoft, the system was not set up properly to send notifications with the required information. The College worked with consulting firm Cedar Crestone to solve the technical problem associated with the 30-day loan notifications and it was verified that the system was working correctly.

The most recent audit for Award Year 2012-13 identified a sample of students who received disbursements in fall and subsequent semesters. While the initial notification was made, the subsequent and modified notifications were not properly noted within the setup program.

With the notification of the finding, CSN reviewed the program that selects the students who are to receive a disbursement notification. A programming error was found that caused the students who received a fall disbursement notification to be excluded from future notifications when they received subsequent disbursements. CSN's internal staff are reviewing queries and conducting testing to ensure that notifications to students receiving subsequent disbursements are generated as required.

Once the testing is complete, CSN will implement the updates to production and will generate all required communication letters for spring and summer 2013 semesters respectively, and will verify that the current year communications are generating correctly. The completion date for the testing is October 18, 2013; students will be sent their updates no later than October 25, 2013.

CSN has also undertaken several corrective actions to address the deficiencies noted in the 2012-13 A-133 audit process. These actions include utilizing an external consultant to perform a comprehensive external and independent review of operations and associated functionality within the Financial Aid Department to ensure effectiveness and efficiency.

The external assessment and operational review encompasses all aspects of activities required of higher education financial aid offices and departments. The scope of review includes:

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-007 - Special Tests and Provisions: Disbursements To or On Behalf of Students (Repeat finding 2012-10, 2011-15, and 2010-15) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

CSN Response - Continued

- Conducting a review of the people, processes and technology within the financial aid operations to assess departmental program management, administrative capability, and overall effectiveness for administering Title IV federal student aid programs;
- Provide deliverables that support the review and assessment, including recommendations for enhancing processing efficiency and effectiveness within the financial aid operations at CSN.

Once completed, the assessment process will provide recommendations that guide the strategic development of CSN financial aid operations including quality control and assurance processes. The assessment is anticipated to be completed by mid-November 2013, and the consultant's final report will be forthcoming within the following 60 days. The outcomes of the assessment process are envisioned to address operational deficiencies that have resulted in repeated findings identified through the external/independent audit. The consultant's final report recommendations will be reviewed and implemented by the College as appropriate.

CSN Follow-Up Response

As was noted in the initial response, the MyCSN queries were reviewed and updated to ensure that all required communication letters are provided to students. These notifications were completed for spring and summer semesters 2013, and the testing for the current award year has been processed in a timely manner.

CSN continues to work through an extensive operational assessment with the third-party consultant. One of the outcomes of this process is a comprehensive Corrective Action Plan (CAP). The CAP will address policy, procedures, technical improvements and quality control measures designed to address enhancements to the CSN Financial Aid Department to achieve strict adherence to Department of Education requirements, industry best practices, i.e., National Association of Student Financial Aid Administrators (NASFAA), and corrective actions to resolve audit findings. A comprehensive list of the policies and procedures (including loan processing and notification) that are being developed for the Financial Aid Department has been forwarded to NSHE Internal Audit for inclusion in the audit file.

Responsible party to ensure compliance: Assistant Director of Financial Aid/IT

Established procedure requires the Director of Financial Aid to review loan notifications to ensure that they are completed for initial and subsequent award terms. The Director will provide confirmation to CSN administration once the loan notification review is completed.

TMCC Response

TMCC agrees with this finding and recommendation. We corrected this immediately by changing the selection criteria of the underlying query. Students were receiving notices but in the case when two disbursements happened on the same day only one amount was listed in the notification. Students continue to receive a letter every time they receive a disbursement, and the letter now shows all current disbursements for the semester and all prior disbursements.

TMCC Follow-Up Response

TMCC agrees with the finding and recommendation. The Financial Aid Director for TMCC directed the change in the selection criteria of the underlying query immediately. Students were receiving notices but in the case where two disbursements happened on the same day, only one amount was listed in the notification. Students continue to receive a letter every time they receive a disbursement, and the letter now shows all current disbursements for the semester and all prior disbursements.

TMCC is committed to address audit findings related to financial aid disbursements. Every year the TMCC

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-007 - Special Tests and Provisions: Disbursements To or On Behalf of Students (Repeat finding 2012-10, 2011-15, and 2010-15) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

TMCC Follow-Up Response – Continued

Financial Aid (FA) Director reviews the A-133 findings, even for years in which we were not audited, and compares findings with TMCC procedures to ensure that the same issues do not exist at TMCC. In addition, NSHE A-133 audit findings are reviewed annually during the NSHE Financial Aid Directors' quarterly meeting. Solutions are discussed and shared. In addition, the FA policies and procedures (P &P) are reviewed regularly by the Financial Aid Director for compliance.

It should be noted that while this is listed as a repeat finding for the entire NSHE A-133, this is a first-time finding for TMCC, since TMCC FSA had not been audited in five years. To avoid problems with disbursement notifications, TMCC's Assistant Financial Aid Director has added a script in PeopleSoft to address this situation, has tested it and has validated it with live data after the loan disbursements began. The TMCC FA P&P manual has been updated.

FINDING 2013-008 - Eligibility (Repeat finding - 2012-09 and 2011-14)

Federal Programs

Department of Education & Department of Health and Human Services
Student Financial Aid Cluster - CFDA 84.268
Award year ended June 30, 2013

Criteria

34 CFR 685.203(j). Maximum loan amounts. In no case may a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended, less - 1) The student's estimated financial assistance for that period; and 2) In the case of a Direct Subsidized Loan, the borrower's expected family contribution for that period.

Condition

During our testing of student files at CSN and UNLV, we identified instances where the students' cost of attendance used in the calculation of eligible student financial aid was incorrect.

Context

For four out of one hundred seventy-eight students selected for testing at CSN and for six out of one hundred eighty-two students selected for testing at UNLV, the cost of attendance budgeted to the students were incorrect.

Questioned Cost

UNLV - \$28,322
CSN- \$0

Effect

The instances noted at CSN, did not result in an over award of federal funds; however, the operating effectiveness of the controls over the process and the incorrect application of the cost of attendance could result in a student receiving federal funds greater than their need.

Certain instances noted at UNLV resulted in an over award of federal funds.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-008 - Eligibility (Repeat finding - 2012-09 and 2011-14) - Continued

Cause

At UNLV, the PeopleSoft system was set up to pull incorrect costs from budget tables for special graduate student programs and less than half time undergraduate students. In another instance the cost of attendance was not updated by the system when the student's ISIR was received after an initial budget was set up for the student. In the last instance, the student's summer cost of attendance was updated to a generic budget intended to be used when a student is receiving state funds only.

At CSN, cost of attendance for students receiving direct loans was set up manually by an employee. As such, instances noted were due to oversight by personnel processing the information.

Recommendation

We recommend the Institutions ensure system edit checks are operating effectively and producing accurate information to avoid an over award of funds. To the extent the process is manual, one employee's work should be carefully reviewed by another. Management should evaluate the existence of this issue of non-compliance in the remaining population and remediate as necessary.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

CSN Response

College of Southern Nevada concurs with this recommendation. In Award Year 2010-11, the error that caused the finding was due to an incorrect manual entry to update a student's cost of attendance. With the implementation of the PeopleSoft system, it was thought that design and programming would minimize the possibility of errors and data entry mistakes.

In Award Year 2011-12, the errors were technical ones and queries were developed to be run on a monthly basis to capture student changes (such as change from out-of-state to in-state status; living status, etc.) In addition, a process step was implemented whereby students who applied for a Direct Stafford Loan or College Work Study automatically had their Cost of Attendance reviewed (as a manual process undertaken by Financial Aid staff) to ensure that an over-award situation would not occur.

In Award Year 2012-13, CSN Financial Aid set up the Cost of Attendance to be developed through the automated budgeting process, based upon full-time enrollment. As loan applications were received, staff assigned to certify and originate student loans manually adjusted budgets for applicants who were enrolled less than full-time to reflect their actual enrollment status. It was during the manual adjustment phase that the errors occurred. Although an over-award did not occur, the potential for such an occurrence existed. The department did not have a quality control measure in place that would sample budgets after loan certification and origination. This procedure could have identified this type of error and provided for an opportunity to resolve it.

In Award Year 2013-14, CSN plans to integrate within PeopleSoft, programming to produce budgets based on actual enrollment levels per term. In addition, a weekly query is being developed that will pull the budgeted population for a separate review to ensure that it is correct. If any discrepancies are discovered, they can be researched and resolved immediately.

CSN has also undertaken several corrective actions to address the deficiencies noted in the 2012-13 A-133 audit process. These actions include utilizing an external consultant to perform a comprehensive external and independent review of operations and associated functionality within the Financial Aid Department to ensure effectiveness and efficiency.

The external assessment and operational review encompasses all aspects of activities required of higher education financial aid offices and departments. The scope of review includes:

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-008 - Eligibility (Repeat finding - 2012-09 and 2011-14) – Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) – Continued

CSN Response – Continued

- Conducting a review of the people, processes and technology within the financial aid operations to assess departmental program management, administrative capability, and overall effectiveness for administering Title IV federal student aid programs;
- Provide deliverables that support the review and assessment, including recommendations for enhancing processing efficiency and effectiveness within the financial aid operations at CSN.

Once completed, the assessment process will provide recommendations that guide the strategic development of CSN financial aid operations including quality control and assurance processes. The assessment is anticipated to be completed by mid-November 2013, and the consultant's final report will be forthcoming within the following 60 days. The outcomes of the assessment process are envisioned to address operational deficiencies that have resulted in repeated findings identified through the external/independent audit. The consultant's final report recommendations will be reviewed and implemented by the College as appropriate.

CSN Follow-Up Response

As noted in the initial response, MyCSN queries were reviewed and updated to ensure proper recording of cost of attendance budgets for students. This process is being automated to eliminate the need for manual adjustments and is reviewed and confirmed by Financial Aid Department management.

CSN continues to work through an extensive operational assessment with the third-party consultant. One of the outcomes of this process is a comprehensive Corrective Action Plan (CAP). The CAP will address policy, procedures, technical improvements and quality control measures designed to address enhancements to the CSN Financial Aid Department to achieve strict adherence to Department of Education requirements, industry best practices, i.e., National Association of Student Financial Aid Administrators (NASFAA), and corrective actions to resolve audit findings. A comprehensive list of policies and procedures that are being developed for the Financial Aid Department which includes the confirmation of cost of attendance budgets has been forwarded to NSHE Internal Audit for inclusion in the audit file.

Responsible party to ensure compliance: Assistant Director of Financial Aid/IT

Established procedure requires the Director of Financial Aid to confirm the completion of the review of the cost of attendance inclusion within MyCSN to ensure that proper budgets are posted within the system. This confirmation will be provided to CSN administration upon completion of the review.

UNLV Response

UNLV agrees with this finding. The first issue identified (inaccurate budget information for special graduate student programs and less than half-time undergraduate students) was caused by manually calculated budgets for graduate programs that have non-standard costs of attendance. UNLV has three programs in this category – Emergency Crisis Management, Masters of Hospitality and Executive MBA. The cost of attendance was not programmed into the computer system since these programs have unique start and end dates in relation to the standard academic term. Therefore, the cost of attendance was manually being calculated.

Human error calculating the cost of attendance resulted in two students being over awarded \$1,345 from the Direct Lending program and was returned back to the U.S. Department of Education. This situation did not affect the Federal Pell grant program or Campus Based Aid programs (SEOG, Work Study or Perkins loan).

As a result of this finding, the UNLV Financial Aid Office reviewed all students in these three programs for 2012-2013 and confirmed no other cases of miscalculation occurred. The budgeting program has since been

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-008 - Eligibility (Repeat finding - 2012-09 and 2011-14) – Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) – Continued

UNLV Response - Continued

updated to create a cost of attendance automatically (instead of manually) to eliminate this as a future concern.

The second issue identified (initial cost of attendance budget not updated after ISIR received) occurred when students had changed their housing status on the FAFSA regarding on campus, off campus or with parent living arrangements. These adjustments were not originally identified by established queries to review subsequent ISIR transactions as there was no effect on the EFC.

As a result of this finding, a query was run on all 2012-2013 students processed (47,428 ISIR transactions received) to identify any students which may have received an over-award because of the change in their FAFSA housing status. The office found 11 students (including those found in the audit sample) out of 47,428 ISIR transactions received. A total of \$26,977 in over awarded Direct Loans and this was returned to the U.S. Department of Education once the financial aid package was adjusted correctly. This situation did not affect the Federal Pell grant program or Campus Based Aid programs (SEOG, Work Study or Perkins loan)

A query was created to specifically identify housing status changes on the FAFSA. This query is now being run once per week to eliminate this as a future concern.

The third issue identified is a result of a process used to disburse Millennium Scholarship awards for the summer term and no over/under award resulted due to this process. This process loads 'generic' budgets to prevent the Millennium Award from rejecting as the PeopleSoft system requires a budget in order to disburse even though the award is based only on number of enrolled eligible credits. The process is utilized in mid-September, after the close of the summer session and so the risk associated with the use of the generic budget is minimized because Federal award processing is on an exception-only basis after the end of the term. The exception only processing requires high level system access which is limited to a small number of key staff charged with reviewing exception processing details to ensure accuracy. Nonetheless, a new process will be developed prior to the summer 2014 term which will automate loading budgets based on student specific summer term enrollment to eliminate this concern.

UNLV Follow-Up Response

Correction plan partially implemented prior to initial response. Remedy for summer term awards to be completed prior to Summer 2014 award disbursement (testing is in process - targeting completion not later than March 31, 2014).

As noted in the original response, the detail causes for each occurrence were identified and UNLV undertook efforts to review the full population of students subject to the same possible error identified in the finding. The results of these reviews are reflected in the original response. New procedures to resolve two of the three issues identified were fully implemented at the time of our original response and these solutions were in place prior to the Spring 2014 financial aid disbursement. The third issue related to summer term budgets has been initially developed and is currently being tested. It is anticipated this will be completed and implemented prior to disbursement of Summer 2014 awards (target March 31, 2014).

The Director of Financial Aid and Scholarships is responsible for ensuring compliance with these procedures.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-009 – Special Tests and Provisions: Verification and Updating of Student Aid Application Information (Repeat finding 2012-13)

Federal Programs

Department of Education & Department of Health and Human Services
Student Financial Assistance Cluster
Award year ended June 30, 2013

Criteria

34 CFR 668.59(a) requires that for the subsidized student financial assistance programs, if an applicant's Free Application for Federal Student Aid (FAFSA) information changes as a result of verification of student information, the applicant or the institution must submit to the U.S. Department of Education or U.S. Department of Health and Human Services any changes to- (1) A nondollar item; or (2) A single dollar item of \$25 or more.

Condition

CSN and UNLV did not properly update FAFSA information as a result of the verification process. At CSN, some documentation of the verification process was not maintained.

Context

Five of the sixty-seven students tested at CSN, the Institution did not properly update FAFSA information or maintain documentation of information required to be verified. For one student the number of parties in the household was not properly updated to reflect the information submitted for verification. For one student, the SNAP benefits reported in the FAFSA were not verified. For three students, the amount of U.S taxes paid was not properly updated to reflect the information submitted for verification. For one of the ninety-one students tested at UNLV, the Institution did not properly update FAFSA information. For the one student, the number of parties in the household was not properly updated to reflect the information submitted for verification.

Questioned Costs

CSN - \$150
UNLV - \$900

Effect

CSN and the UNLV are not in compliance with federal regulations related to items required for verification.

Cause

Instances noted were due to oversight by personnel processing information.

Recommendation

At CSN, we are aware management is in the process of reviewing and correcting all student financial assistance award calculations subject to verification for fiscal years 2012 and 2013 as part of their correction action plan after the 2012 audit. In addition to remediating these errors, we recommend both Institutions enhance internal controls to ensure updating of student aid application information is accurate. UNLV should evaluate the existence of these issues of non-compliance in the remaining population and remediate as necessary.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

CSN Response

Award year 2011-12 Verification Review

The College of Southern Nevada received an audit finding for Award Year 2011-12, 2012-13--Verification and Updating of Student Aid Application Information as identified by our external/independent auditors. The finding

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-009 – Special Tests and Provisions: Verification and Updating of Student Aid Application Information (Repeat finding 2012-13) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

CSN Response - Continued

Award year 2011-12 Verification Review - Continued

noted that while information “was not properly updated per the information submitted for verification”, no questionable costs were initially identified as a result of the sample taken and errors identified. The College of Southern Nevada’s response to that finding stated:

“The College of Southern Nevada concurs with this recommendation. With the implementation of the PeopleSoft system, new ways to verify had to be established. An internal verification review checklist utilized with the SIS system was initially discarded. Over time it was realized that a review checklist was helpful to ensuring verification accuracy, and the “old” list was modified to work with the new PeopleSoft system. Additional queries have also been developed and staffing in the verification area has been strengthened. Finally a departmental audit function was started whereby the supervisor will pull a certain number of files to check for accuracy and to determine if there are common errors that might occur that would indicate that additional targeted training might be necessary. This multi-pronged approach will ensure that accuracy and timeliness are maintained.”

On March 4, 2013, the NSHE Chancellor’s Office received a letter from the Department of Education requesting a follow-up to the finding for Award Year 2011-12 A-133, as it relates to the verification process. The Department of Education letter specifically required (pages 3-4) that CSN:

...NSHE must determine the exact amount of institutional liability associated with this finding. NSHE is required to perform a full file review of the entire universe of Title IV financial aid recipients from July 1, 2011 through June 30, 2012 who were selected for verification, and determine if all the students’ files contact the verification documentation and if the verification was completed correctly...

...In lieu of performing a file review for the entire population of students who were selected for verification, NSHE has the option of providing a statistically valid sample. If the election of is made to provide a statistical sample, the Department will use the results of the sampling to project liabilities for the entire population (i.e. the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is only intended to reduce the burden on the institution of conducting a full file review.

CSN decided that to fully evaluate the verification process, a review of all files identified for Award Year 2011-12 verification would be completed. As a result of the scope of review selected, the Financial Aid/Student Affairs Office determined that 7,332 files must be reviewed. On March 25, 2013, CSN entered into a contract with ProEducation Solutions to verify the total population of 7,332 student files.

ProEducation Solutions completed the file review on April 20, 2013. Their review specified if the file was verified accurately or inaccurately. Those files that were identified as “inaccurately verified” were then reviewed by CSN Financial Aid/Student Affairs. Inaccurate files may have required locating submitted documentation, identifying missing documentation, and/or verifying a change in the Expected Family Contribution (EFC) or confirming that no change in EFC was required.

CSN Student Affairs/Financial Aid determined the institutional net liability for Award Year 2011-12 to be \$792,399. This amount was communicated by letter from CSN to Department of Education Audit Resolution Specialist Terri Tom on May, 29, 2013.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-009 – Special Tests and Provisions: Verification and Updating of Student Aid Application Information (Repeat finding 2012-13) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

CSN Response - Continued

Award Year 2012-13 Verification Review

Due to the high error rate that CSN experienced for Award Year 2011-12 verification records, CSN decided that a similarly complete review would be performed on all Award Year 2012-13 records that had been selected for verification. ProEducation Solutions completed this project for 6,016 records.

Since this review was being conducted while the award year was still open for processing, as inaccuracies were identified corrections were processed through the Department of Education's Common Origination and Disbursement (COD) system. As a result of the review, over awards of approximately \$866,000 were identified. The College has continued to work diligently with students to obtain documentation and to correct areas of inaccurate verification in an effort to reduce the amount of over awards.

Looking Ahead to Award Year 2013-14

Errors in student file verifications and in the updates to student aid application information are unacceptable to CSN. As a result of the processing inaccuracies that were identified for Award Years 2011-12 and 2012-13, CSN has outsourced the complete verification process to a third-party firm. We will handle verifications in this manner until further notice.

CSN has also undertaken several corrective actions to address the deficiencies noted in the 2012-13 A-133 audit process. These actions include utilizing an external consultant to perform a comprehensive external and independent review of operations and associated functionality within the Financial Aid Department to ensure effectiveness and efficiency.

The external assessment and operational review encompasses all aspects of activities required of higher education financial aid offices and departments. The scope of review includes:

- Conducting a review of the people, processes and technology within the financial aid operations to assess departmental program management, administrative capability, and overall effectiveness for administering Title IV federal student aid programs;
- Provide deliverables that support the review and assessment, including recommendations for enhancing processing efficiency and effectiveness within the financial aid operations at CSN.

Once completed, the assessment process will provide recommendations that guide the strategic development of CSN financial aid operations including quality control and assurance processes. The assessment is anticipated to be completed by mid-November 2013, and the consultant's final report will be forthcoming within the following 60 days. The outcomes of the assessment process are envisioned to address operational deficiencies that have resulted in repeated findings identified through the external/independent audit. The consultant's final report recommendations will be reviewed and implemented by the College as appropriate.

CSN Follow-Up Response

CSN has secured a third-party contractor to perform all verification processing as identified and required when a file is flagged for further review (verification). The third-party firm has performed all verification of student files for the 2013-14 award year. CSN will continue to outsource verification processing for the 2014-15 award year which is now getting underway.

CSN continues to work through an extensive operational assessment with the third-party consultant. One of the outcomes of this process is a comprehensive Corrective Action Plan (CAP). The CAP will address policy,

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-009 – Special Tests and Provisions: Verification and Updating of Student Aid Application Information (Repeat finding 2012-13) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

CSN Follow-Up Response – Continued

procedures, technical improvements and quality control measures designed to address enhancements to the CSN Financial Aid Department to achieve strict adherence to Department of Education requirements, industry best practices, i.e., National Association of Student Financial Aid Administrators (NASFAA), and corrective actions to resolve audit findings. A comprehensive list of policies and procedures, including file verification, that are being developed for the Financial Aid Department has been forwarded to NSHE Internal Audit for inclusion in the audit file.

Responsible party to ensure compliance: Director of Financial Aid through a third-party contract for verification processing

Established procedure requires the Director of Financial Aid to confirm the completion of third-party verification processing to CSN administration.

UNLV Response

UNLV agrees with this finding. Human error resulted in the FAFSA for the student identified to not be updated after receiving documentation of information in the verification process. This resulted in an over-award of \$900 more in federal Pell grant than otherwise qualified and this amount has been returned to the U.S. Department of Education.

The office has training programs and a review process already in place. Staffing levels allowed the office to randomly review 10% of verifications previously completed within the office for accuracy during the course of the 2012-2013 school year. A total of 11,159 students were selected for verification during the 2012-2013 school year and the 10% sampling review did not find any additional errors beyond the one found in the audit sample. We believe based on this 10% sampling review that this one finding is an isolated incident in this manual verification process.

UNLV Follow-Up Response

Correction plan fully implemented during the 2012-13 academic year in response to prior year finding 2012-13 resulting in significant improvement evidenced in the 2012-13 audit results showing a reduction from 6/71 error rate identified in 2012 to a 1/91 error rate in 2013.

As noted in the original finding and response, the audit found one of ninety-one records tested, UNLV had not properly updated the family household size upon completion of the verification process (a manually intensive process wherein documentation is requested from students and reviewed by financial aid staff for verification against information reported on the FAFSA which is not otherwise verifiable against electronic data sources). This resulted in an over award of \$900 more in Federal Pell grant than otherwise qualified and the amount has been returned to the U.S. Department of Education. Although one finding was found, the office experienced significant improvement compared to the previous 2011-2012 audit.

The previous fiscal year audit identified six of seventy-one students (finding 2012-13) for which the FAFSA information was not properly updated following verification. This was an obvious quality concern for UNLV at the time and in response, the office strengthened existing training and review processes already in place. In addition, the office instituted a random quality control review process for the 2012-2013 academic year. UNLV created and filled a compliance coordinator position to help review past employee work, analyze random samples, review procedures, provide training, and explore other business processes within the Financial Aid & Scholarships Office for compliance. The primary goals of the compliance coordinator position are to eliminate audit concerns and increase the level of quality experienced by students using the services within the Financial Aid & Scholarships Office. We believe the improvement in results reflected in the 2012-13 audit finding are a direct result of these initiatives.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-009 – Special Tests and Provisions: Verification and Updating of Student Aid Application Information (Repeat finding 2012-13) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

UNLV Follow-Up Response – Continued

Current staffing levels within the office allowed 10% of the verification population to be randomly re-reviewed for accuracy during the course of the 2012-2013 academic year. A total of 11,159 students were selected for verification during the 2012-2013 academic year and the 10% sampling review did not find any additional errors beyond the one found in the audit sample. We believe based on this 10% sampling review that this is an isolated incident in the manual intensive verification process.

The Director of Financial Aid and Scholarships is responsible for ensuring compliance with these procedures.

FINDING 2013-010 – Special Tests and Provisions: Return of Title IV funds for withdrawn students (Repeat finding 2012-04 and 2011-03)

Federal Programs

Department of Education & Department of Health and Human Services

Student Financial Assistance Cluster

Award year ended June 30, 2013

Criteria

When computing the federal aid to return to the U.S. Government for students who received financial assistance and then withdrew from classes, 34CFR 668.22(f)(2)(i) requires that the total number of calendar days in a payment period or period of enrollment include all days within the period, except that scheduled breaks of at least five (5) consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

Condition

CSN did not exclude spring break (scheduled break greater than five days) in the Return to Title IV calculation, either in either the period of enrollment or the number of calendar days completed in the period.

Context

For thirty-seven out of sixty students selected for testing at CSN an incorrect percentage of aid earned was calculated as the PeopleSoft system did not exclude 9 days related to Spring Break for the total spring 2013 semester and periods of enrollment from the first day of instruction.

Questioned Costs

\$39,125

Effect

Returns were calculated incorrectly and the federal funds returned to the U.S Department of Education were short by \$39,125 based on CSN's recalculations for 1,634 students.

Cause

The Admissions department excluded two week days from the spring break holiday when populating PeopleSoft calendar at the start of the semester. This calendar is used to calculate the number of days in the semester in Return to Title IV calculations. The exclusion of the two days caused the system to include spring break in the calculation as the system did not recognize it as a break greater than five days that needed to be excluded from the calculation of percentage of aid earned.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-010 – Special Tests and Provisions: Return of Title IV funds for withdrawn students (Repeat finding 2012-04 and 2011-03) - Continued

Recommendation

We recommend CSN re-compute return figures for all applicable students in the sample tested and in the broader population, and implement a more comprehensive review process of Return to Title IV calculations, including accuracy of the calendar used as the basis for the calculation.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

CSN Response

CSN concurs with the recommendation and has taken corrective actions. CSN's Office of the Registrar creates its annual academic calendar in PeopleSoft a year in advance from the start of a designated year. The purpose of this advance set-up is to input all relevant registration related dates, including holidays, and to conduct critical preliminary testing to ensure the system's accuracy before the start of the academic year. The accuracy of the PeopleSoft calendar is crucial due to its multiple uses, one of which is the correct computation of *Return to Title IV* (R2T4) calculations.

The referenced finding noted that, when the "holiday" calendar was created, two days were excluded from the spring break period. Because of this error, the PeopleSoft system failed to recognize that the spring break period actually lasted more than five days. This caused an error in the R2T4 calculations, and the return of funds to the U.S. Department of Education was short in the amount of \$39,125. By assigning the calendar creation responsibility to the Assistant Registrar alone without requiring secondary inspection by other staff members, the Office of the Registrar failed to build redundancy into its operational procedures and sent to production an incorrect calendar.

The following procedural changes have been implemented to prevent this error from reoccurring:

1. Upon creating the academic calendar in PeopleSoft a year in advance, the Assistant Registrar will notify the Systems Manager in Financial Aid to verify for accuracy of dates, confirm synchronization with related functions, and alert of any corrections. Turnaround time for confirmation and corrections is seven calendar days,
2. The Systems Manager in Financial Aid will proceed to notify all three - the Assistant Registrar and creator of the calendar, the Registrar and the Assistant Vice President of Financial Aid that the calendar's verification has been completed,
3. The Registrar and the Assistant Vice President of Financial Aid must then confirm acceptance in writing and documentation shall be maintained of the four level review and approval process (Assistant Registrar, Systems Manager in Financial Aid, the Registrar, and the Assistant Vice President for Financial Aid.) Review and approval will be performed and obtained prior to the schedule being placed into production within PeopleSoft.

CSN Financial Aid performed recalculations on all individuals affected by the error in the calendar. CSN staff completed recalculations on 1,634 students that resulted in a shortage to the U.S. Department of Education in the amount of \$39,125. The corrections were completed once the oversight was realized during the onsite field testing; these corrections were completed in July and August 2013.

CSN Follow-Up Response

The initial finding pertains to an incorrect calculation of the number of days in the Spring 2013 term and appropriated cross-departmental review coordinated with Registrar's office and Financial Aid Department has been implemented. In addition, CSN has engaged additional assistance through a third party consultant in processing all R2T4 for Fall 2013 term. This consultant is working with the Director of Financial Aid to review processes employed by staff and through MyCSN.

This process is underway for Fall semester 2013 which completed on December 18, 2013. The additional

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-010 – Special Tests and Provisions: Return of Title IV funds for withdrawn students (Repeat finding 2012-04 and 2011-03) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) – Continued

CSN Follow-Up Response – Continued

resources and Director of Financial Aid are incorporating quality control measures and reviews to ensure that calculations are performed correctly.

CSN continues to work through an extensive operational assessment with the third-party consultant. One of the outcomes of this process is a comprehensive Corrective Action Plan (CAP). The CAP will address policy, procedures, technical improvements and quality control measures designed to address enhancements to the CSN Financial Aid Department to achieve strict adherence to Department of Education requirements, industry best practices, i.e., National Association of Student Financial Aid Administrators (NASFAA), and corrective actions to resolve audit findings. A comprehensive list of policies and procedures that are being developed for the Financial Aid Department which address the Return of Title IV (R2T4) processing as well as a sample of the weekly activity report related to the R2T4 processing has been provided to NSHE Internal Audit for inclusion in the audit file.

Responsible parties to ensure compliance: Director of Financial Aid and the Registrar
Established procedure requires the Director of Financial Aid and the Registrar to provide confirmation on updating the academic calendar to CSN administration. The Director of Financial Aid and the third party consultant are providing to CSN administration weekly status reports on R2T4 processing.

FINDING 2013-011 - Special Tests and Provisions: Return of Title IV Funds for Withdrawn Students (Repeat finding 2012-07 and 2011-09)

Federal Programs

Department of Education & Department of Health and Human Services
Student Financial Assistance Cluster
Award year ended June 30, 2013

Criteria or Specific Requirement

When computing the federal aid to return to the U.S. Government for students who received financial assistance and then withdrew from classes, 34 CFR 668.22(e) requires calculation of the amount of Title IV assistance earned by the student- (1) General. The amount of Title IV grant or loan assistance that is earned by the student is calculated by- (i) Determining the percentage of Title IV grant or loan assistance that has been earned by the student, as described in paragraph (e)(2) of this section; and (ii) applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and that could have been disbursed, as defined in paragraph (l)(1) of this section) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

Condition

In one instance at TMCC, we noted an ineligible course's drop date was included in the calculation which resulted in an incorrect amount of funds returned to the U.S. Government for a student who withdrew.

In three instances at CSN, we noted miscalculations which resulted in an incorrect amount of funds returned to the U.S. Government for three students who withdrew.

Context

During our testing at TMCC, for one out of eighty-five students selected for testing, the percentage of aid earned used in the Return to Title IV included an ineligible course's drop date. This resulted in an incorrect amount of Title IV funds were returned.

During our testing at CSN, for three out of fifty-eight students selected for testing, incorrect amounts were

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-011 - Special Tests and Provisions: Return of Title IV Funds for Withdrawn Students (Repeat finding 2012-07 and 2011-09) - Continued

Context - Continued

used in the Return to Title IV calculation, including erroneously adjusting the PELL grant amount as well as the Direct Loan amount. This resulted in an incorrect amount of Title IV funds returned.

Questioned Costs

TMCC - \$79

CSN - \$34

Effect

Returned Title IV funds were calculated incorrectly.

Cause

TMCC uses a shared PeopleSoft that display students' classes or activity at other NSHE institutions. A Western Nevada College course was included in the TMCC Return to Title IV calculation. This error was not discovered by the internal control environment.

CSN miscalculations were due to transcription errors.

Recommendation

We recommend TMCC implement policies and procedures to ensure that only eligible courses are included in the Return to Title IV calculation. Management should evaluate the existence of this issue of non-compliance in the remaining population and remediate as necessary.

We recommend that CSN enhance internal controls to improve the accuracy of reporting to the COD reporting system.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

TMCC Response

TMCC agrees with this finding and recommendation. Return to Title IV queries were developed while TMCC was still the only institution processing aid in the shared instance; the queries were updated immediately after discovery of this exception, to exclude courses from other institutions. After review of 12-13 Return to Title IV calculations, it was determined that the issue discovered by the audit was the only instance.

TMCC Follow-Up Response

TMCC agrees with this finding and recommendation. The return to Title IV queries was developed while TMCC was still the only institution processing aid in the PeopleSoft shared instance. With this finding, TMCC's Program Director for student services has updated the queries immediately to exclude courses from other institutions. After review of the 12-13 Return to Title IV calculations, it was determined that the issue discovered by the audit was the only instance. The modification that prompts for institution ID would ensure that only TMCC data is retrieved. This practice would also allow queries to be shared between the shared instance institutions.

CSN Response

CSN concurs with this recommendation and is taking the following actions to strengthen internal controls to improve accuracy. CSN is in the process of a complete retraining of all employees who perform R2T4 overpayments and recalculations. These employees will be given both pre-testing and post-testing to confirm that the employees demonstrate the necessary knowledge to perform these calculations correctly.

An additional process that is being implemented provides for one staff member to prepare the R2T4

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-011 - Special Tests and Provisions: Return of Title IV Funds for Withdrawn Students (Repeat finding 2012-07 and 2011-09) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

CSN Response - Continued

calculation and another staff member to verify the calculations. This will ensure that the R2T4 calculations are performed correctly and provide for quality control of the process.

CSN has undertaken several corrective actions to address the deficiencies noted in the 2012-13 A-133 audit process. These actions include utilizing an external consultant to perform a comprehensive external and independent review of operations and associated functionality within the Financial Aid Department to ensure effectiveness and efficiency.

The external assessment and operational review encompasses all aspects of activities required of higher education financial aid offices and departments. The scope of review includes:

- Conducting a review of the people, processes and technology within the financial aid operations to assess departmental program management, administrative capability, and overall effectiveness for administering Title IV federal student aid programs;
- Provide deliverables that support the review and assessment, including recommendations for enhancing processing efficiency and effectiveness within the financial aid operations at CSN.

Once completed, the assessment process will provide recommendations that guide the strategic development of CSN financial aid operations including quality control and assurance processes. The assessment is anticipated to be completed by mid-November 2013, and the consultant's final report will be forthcoming within the following 60 days. The outcomes of the assessment process are envisioned to address operational deficiencies that have resulted in repeated findings identified through the external/independent audit. The consultant's final report recommendations will be reviewed and implemented by the College as appropriate.

CSN Follow-Up Response

CSN is completing a comprehensive review of all R2T4 processes and has engaged additional assistance from a third-party consultant to complete R2T4 processing for the Fall 2013 term. This consultant is working with the Director of Financial Aid to review processes employed by staff and through MyCSN.

This process is underway for Fall semester 2013 which completed on December 18, 2013. The additional resources and Director of Financial Aid are incorporating quality control measures and reviews to ensure that calculations are performed correctly.

CSN continues to work through an extensive operational assessment with the third-party consultant. One of the outcomes of this process is a comprehensive Corrective Action Plan (CAP). The CAP will address policy, procedures, technical improvements and quality control measures designed to address enhancements to the CSN Financial Aid Department to achieve strict adherence to Department of Education requirements, industry best practices, i.e., National Association of Student Financial Aid Administrators (NASFAA), and corrective actions to resolve audit findings. A comprehensive list of policies and procedures that are being developed for the Financial Aid Department which address the Return of Title IV (R2T4) processing as well as a sample of the weekly activity report related to the R2T4 processing has been provided to NSHE Internal Audit for inclusion in the audit file.

FINDING 2013-012 - Reporting – Common Origination and Disbursement (COD) System

Federal Programs

Department of Education & Department of Health and Human Services

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-012 - Reporting – Common Origination and Disbursement (COD) System - Continued

Federal Programs - Continued

Student Financial Assistance Cluster

Award year ended June 30, 2013

Criteria

Pursuant to the 34 CFR 690.83(b)(2) an institution shall submit, in accordance with deadline dates established by the U.S. Department of Education (Secretary), through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct. Pursuant to 34 CFR 668.22(j)(1), an institution must return the amount of Title IV funds for which it is responsible as soon, but no later than 45 days, after the date of the institution's determination that the student withdrew.

Condition

We noted one instance at TMCC where the amount reported as returned funds in the U.S. Department of Education's Common Origination and Disbursement (COD) reporting system was different from the amount actually returned to the U.S. Department of Education.

We noted five instances at CSN where the amount reported as disbursed funds in COD was different from the amount actually disbursed to the student.

Context

During our testing at TMCC, it was noted for one out of eighty-five students selected for testing, the amount reported for Return of Title IV funds varied from the amounts actually returned.

During our testing at CSN, it was noted for five out of fifty-eight students selected for testing, the amount reported for disbursed Title IV funds varied from the amounts actually disbursed.

Questioned Costs

TMCC - \$0

CSN - \$0

Effect

Title IV funds reported as returned and disbursed in the COD system varied from the amounts actually returned and disbursed to the U.S. Department of Education. No over awarding occurred due to this issue of noncompliance.

Cause

The return amount at TMCC reported in COD did not agree to the amount returned to the U.S. Department of Education due to a transposition error made by the personnel reporting the return to COD.

The disbursed amount at CSN reported in COD did not agree to the amount actually disbursed as the Institution erroneously classified the difference as an overpayment to the students.

Recommendation

We recommend the Institutions enhance internal controls to improve the accuracy of reporting to the COD reporting system. Management should evaluate the existence of this issue of non-compliance in the remaining population and remediate as necessary.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

TMCC Response

TMCC agrees with this finding and recommendation. The transposition error noted resulted in a .0003 error

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-012 - Reporting – Common Origination and Disbursement (COD) System - Continued

TMCC Response - Continued

rate for Return to Title IV processing. The staff member who made the transposition error was notified and will take greater care in keying amounts.

TMCC Follow-Up Response

TMCC agrees with this finding and recommendation. The transposition error noted resulted in a .0003 error rate for Return to Title IV processing. The staff member who made the transposition error was notified and will take greater care in keying amounts. The staff member who processes Return to Title IV (R2T4) processing will do a second check of all the amounts keyed in each day while processing R2T4s. The Student Loan Coordinator as well as the Financial Aid Coordinator for Compliance will also cross-check the calculations.

CSN Response

CSN concurs with this recommendation and has taken the following corrective actions. CSN has implemented a process that balances the amounts disbursed in PeopleSoft with the amounts reported to the Common Origination and Disbursement System (COD). This process is run on an ongoing and systematic basis, monthly.

Per the recommendation, the remaining students will be evaluated, and necessary corrections as identified during the review process will be made.

CSN has undertaken several corrective actions to address the deficiencies noted in the 2012-13 A-133 audit process. These actions include utilizing an external consultant to perform a comprehensive external and independent review of operations and associated functionality within the Financial Aid Department to ensure effectiveness and efficiency.

The external assessment and operational review encompasses all aspects of activities required of higher education financial aid offices and departments. The scope of review includes:

- Conducting a review of the people, processes and technology within the financial aid operations to assess departmental program management, administrative capability, and overall effectiveness for administering Title IV federal student aid programs;
- Provide deliverables that support the review and assessment, including recommendations for enhancing processing efficiency and effectiveness within the financial aid operations at CSN.

Once completed, the assessment process will provide recommendations that guide the strategic development of CSN financial aid operations including quality control and assurance processes. The assessment is anticipated to be completed by mid-November 2013, and the consultant's final report will be forthcoming within the following 60 days. The outcomes of the assessment process are envisioned to address operational deficiencies that have resulted in repeated findings identified through the external/independent audit. The consultant's final report recommendations will be reviewed and implemented by the College as appropriate.

CSN Follow-Up Response

CSN's initial response noted that the College would ensure on a monthly basis that balances between PeopleSoft (MyCSN) and COD are reviewed and are consistent. This process has been implemented and is being reviewed on an ongoing basis. In addition, it is important to reiterate the quality control measures that CSN is developing in collaboration with the third-party consultant and within the departmental management structure.

Responsible party to ensure compliance: Assistant Director of Financial Aid/IT

The Director of Financial Aid will confirm that the accurate reflection of information in COD is consistent

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-012 - Reporting – Common Origination and Disbursement (COD) System - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

CSN Follow-Up Response – Continued

with MyCSN and will advise to CSN administration that the review is completed.

FINDING 2013-013 – Special Tests and Provisions: Enrollment Reporting (Repeat Finding 2012-15 and 2011-17)

Federal Programs

Department of Education

CFDA 84.268

Award year ended June 30, 2013

Criteria or Specific Requirement

Pursuant to CFR 685.309, upon receipt of a student status confirmation report from the Secretary, an institution must complete and return that report to the Secretary within 30 days of receipt; and unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who:

- (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;
- (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period which the loan was intended; or
- (iii) Has changed his or her permanent address.

Condition

We noted CSN did not report student status changes to the National Student Loan Data System (NSLDS) within 30 days of the change as required by the regulations.

Context

For five out of twenty five students selected for testing at CSN, the students' changed enrollment status was not reported to NSLDS within 30 days of the change.

Questioned Costs

\$0

Effect

The Institution does not comply with the specific requirements of Federal Regulations with respect to timely student status communications to the Secretary.

Cause

For three of the five instances noted, no enrollment report was uploaded to NSLDS in April 2013 due to oversight by personnel processing information. For two of the five instances noted, there was a technical issue with the upload to NSLDS in October 2012 that caused change student status to not update in NSLDS. This was not subsequently corrected in NSLDS.

Recommendation

We recommend the Institution develop policies and procedures to ensure student status changes are uploaded timely to NSLDS, to correct for known errors and evaluate if there are additional errors in the broader population.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-013 – Special Tests and Provisions: Enrollment Reporting (Repeat Finding 2012-15 and 2011-17) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

CSN Response

The College of Southern Nevada concurs with this recommendation and takes the following corrective actions. For the five students referenced in the finding, the incorrect reporting of enrollment status changes to NSLDS was tied to errors in the upload of information to the National Student Clearinghouse. The reporting of status changes to NSLDS is a two part process. It starts with CSN uploading the sample student information to the National Student Clearinghouse. Once the National Student Clearinghouse accepts the data, they forward the records to Department of Education and NSLDS is notified of student status changes.

CSN has adopted new internal procedures to assure timeliness and accuracy. These corrective measures will help the College avoid enrollment reporting deficiencies which resulted in the finding:

1. Instead of uploading the enrollment report to the National Student Clearinghouse once a month as required, the College will upload the report to the clearinghouse twice monthly to ensure both the accuracy of enrollment status changes and timely submission of the information.
2. The College will sample a larger number (20) of students and of that number; 10 students will be provided by the Financial Aid Office for added accuracy measures.
3. Before sending to the national clearinghouse, the College will compare the academic status level of the sample students reflected on the prepared National Student Clearinghouse report to that which is reflected on the College's own enrollment activity and academic status in PeopleSoft. Any discrepancies will be investigated and fixed. This step will ensure that the data is the same. Once the data is confirmed to be accurate, the full report will be uploaded to the National Student Clearinghouse.

The Assistant Registrar will contact National Student Clearinghouse twice a month before sending each report to verify that the data coming through on the clearinghouse side matches CSN's uploaded report. Errors, if any, can be resolved immediately and timely submission ensured. Once CSN has verified that National Student Clearinghouse has received the report, CSN's Assistant Registrar will subsequently validate that the enrollment report has been provided to the Department of Education. The revised process will ultimately ensure NSLDS receiving the student status changes within the established timeline.

Previous audit findings related to the National Clearinghouse and the reporting of the correct student standing have been addressed. With assistance from Cedar Crestone and NSHE System Computing Services adjustments have been made to the several setup tables. Every quarter PeopleSoft provides upgrades to the system. The Office of the Registrar will do extensive testing to assure that the enrollment verification file is pulling the correct enrollment status.

CSN has also undertaken several corrective actions to address the deficiencies noted in the 2012-13 A-133 audit process. These actions include utilizing an external consultant to perform a comprehensive external and independent review of operations and associated functionality within the Financial Aid Department to ensure effectiveness and efficiency.

The external assessment and operational review encompasses all aspects of activities required of higher education financial aid offices and departments. The scope of review includes:

- Conducting a review of the people, processes and technology within the financial aid operations to assess departmental program management, administrative capability, and overall effectiveness for administering Title IV federal student aid programs;
- Provide deliverables that support the review and assessment, including recommendations for enhancing processing efficiency and effectiveness within the financial aid operations at CSN.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-013 – Special Tests and Provisions: Enrollment Reporting (Repeat Finding 2012-15 and 2011-17) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) - Continued

CSN Response - Continued

Once completed, the assessment process will provide recommendations that guide the strategic development of CSN financial aid operations including quality control and assurance processes. The assessment is anticipated to be completed by mid-November 2013, and the consultant's final report will be forthcoming within the following 60 days. The outcomes of the assessment process are envisioned to address operational deficiencies that have resulted in repeated findings identified through the external/independent audit. The consultant's final report recommendations will be reviewed and implemented by the College as appropriate.

CSN Follow-Up Response

In CSN's initial response, the Department of Education's requirement of monthly reporting was confirmed. However as an added measure, CSN's administration required the Registrar's Office to update to the National Student Clearinghouse twice monthly to ensure that mandatory and extraordinary reporting is submitted.

The CSN Registrar continues to provide updates to the Clearinghouse twice monthly. At the conclusion of the 2013-14 year, CSN will evaluate the updates to ensure that compliance is met and will assess the need to continue this extraordinary reporting. If appropriate, the update process will be revised to meet the monthly National Student Clearinghouse requirement.

Responsible party to ensure compliance: Registrar

The Registrar will continue to confirm on a monthly basis to CSN administration, the successful upload of enrollment information to the NSLDS.

FINDING 2013-014 - Special Tests and Provisions: Enrollment Reporting (Repeat finding 2012-14 and 2011-16)

Federal Programs

Department of Education
Student Financial Assistance Cluster – CFDA 84.268
Award year ended June 30, 2013

Criteria

Pursuant to CFR 685.309, upon receipt of a student status confirmation report from the Secretary, an institution must complete and return that report to the Secretary within 30 days of receipt; and unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who:

- (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;
- (ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period which the loan was intended; or
- (iii) Has changed his or her permanent address.

Condition

At UNLV we noted one instance where a student's status reported on the NSLDS Enrollment Detail report did not accurately reflect student's enrollment status as presented in the Institution's Student Financial Aid system.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-014 - Special Tests and Provisions: Enrollment Reporting (Repeat finding 2012-14 and 2011-16) - Continued

Context

Testing at UNLV identified one of ninety students selected for testing where the status of “Withdrawn” was reported to NSLDS whereas the student’s enrollment was “Half-Time” at the Institution during the spring 2013 semester.

Questioned Costs

\$0

Effect

The Institution did not comply with the specific requirements of Federal Regulations with respect to student status communications to the Secretary.

Cause

The query process used in the PeopleSoft system to update students’ enrollment from “withdrawn” to enrolled for students that have re-enrolled into in eligible programs was run incorrectly during the year causing an incorrect status for a student in PeopleSoft that was subsequently uploaded to NSLDS.

Recommendation

We recommend the Institution enhance internal controls to ensure student status changes are uploaded and reported accurately to NSLDS. Management should evaluate the existence of this issue of non-compliance in the remaining population and remediate as necessary.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNLV Response

UNLV agrees with this finding. UNLV discovered an issue with status reporting when a student was simultaneously enrolled in a graduate and an undergraduate degree program as the delivered reporting process only reported on the ‘primary’ enrollment status. This issue was identified prior to this audit and has already been addressed through a modification (customization) to the clearinghouse report.

UNLV Follow-Up Response

Correction plan fully implemented. A modification (customization) to the clearinghouse report was put in place to address this issue.

As noted in the original response, the cause of this issue was identified and the solution fully implemented. The Registrar’s Office discovered an issue with the status reporting when a student was simultaneously enrolled in a graduate and an undergraduate program as the delivered reporting process only reported on the ‘primary’ enrollment status. This is a population of generally fewer than 40 students per semester there were just 26 students in this population in Fall 2012 and 32 students in Fall 2013, so this was a very limited scope issue. This issue was identified prior to this audit and was fully addressed through a modification (customization) to the clearinghouse report which has been in place since March 11, 2013.

Although this finding is a repeat finding due to the specific compliance requirement being tested, please note that the cause of the error identified in finding 2103-014 is unrelated to prior findings 2012-14 and 2011-16. Finding 2011-16 was a result of an error in initial PeopleSoft configuration at UNLV which caused withdrawn students to be reported to the clearinghouse as ‘less than half time’ instead of ‘withdrawn’. This was identified and resolved prior to the 2010-11 audit, but included in the population sampled at that time. UNLV had no findings in this area reported in prior year finding 2012-14.

The Registrar is responsible for ensuring compliance with enrollment status reporting to NSLDS.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

**FINDING 2013-015 - Special Tests and Provisions - Disbursements to or on behalf of Students
(Repeat finding 2012-16)**

Federal Program

Department of Education & Department of Health and Human Services
Student Financial Assistance Cluster
Award year ended June 30, 2013

Criteria

34 CFR 668.164(h) - Returning funds. (1) Notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary, lender, or guaranty agency, any Title IV, HEA program funds, except FWS program funds, that it attempts to disburse directly to a student or parent but the student or parent does not receive or negotiate those funds. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursement. (2) If an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check.

Condition

UNR's internal control system surrounding the timely Return of Title IV funds to the U.S. Department of Education is not operating effectively for un-cashed federal aid checks to students.

Context

The Institution's review process for outstanding or un-cashed Title IV checks for balances that need to be returned within the required 240 days is not performed timely.

Questioned Costs

\$0

Effect

Although no compliance exception was noted during our testing, the internal controls over this compliance area were not designed effectively.

Cause

The review of outstanding checks is only performed twice in an academic year. This is not an adequate frequency to ensure checks disbursed in the later part of the semester are returned within the required 240 days.

Recommendation

We recommend the Institution implement processes to ensure outstanding check listings for Title IV funds are reviewed more frequently to ensure timely return of funds to the U.S. Department of Education.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNR Response

The University of Nevada, Reno concurs with this finding. The Cashier's office and Financial Aid have implemented procedures to remind students within 60 days that they have been issued a check which has not yet been cashed. Financial Aid runs a report at 120 days to determine which outstanding checks are from federal financial aid and attempts to notify students by phone or email prior to pulling back the funds. Any checks still outstanding after attempts to notify students have been made will be issued a stop payment and funds will be returned to the U.S. Department of Education prior to the expiration of the 240 day deadline. All other outstanding student checks will be handled with the regular stale dated check procedures.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

**FINDING 2013-015 - Special Tests and Provisions - Disbursements to or on behalf of Students
(Repeat finding 2012-16) - Continued**

Views of Responsible Officials and Planned Corrective Actions (Unaudited) – Continued

UNR Follow-Up Response

The Manager of the Cashier's Office and the Director of Financial Aid have implemented procedures to remind students at 60 days from the date the check was issued that they have been issued a check which has not yet been cashed. Financial Aid runs a query at 120 days to determine which outstanding checks are from federal financial aid and attempts to notify students by phone or email prior to pulling back the funds.

The Financial Aid Office forwards the list of checks that stop payments must be issued for, to the Cashier's Office which processes the stop payments. The Financial Aid Office then returns the funds to the U.S. Department of Education prior to the expiration of the 240 day deadline. All other outstanding student checks are handled by the Cashier's Office with the regular stale dated check procedures.

The Manager of the Cashier's Office and the Director of Financial Aid are assigned responsibility for this process and ensuring that it is documented for further reviews.

FINDING 2013-016 - Special Tests and Provisions - Disbursements to or on behalf of Students

Federal Program

Department of Education & Department of Health and Human Services
Student Financial Assistance Cluster
Award year ended June 30, 2013

Criteria

CFR 668.164(f), states if a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV is 10 days before the first day of classes for payment period.

Condition

UNLV disbursed Title IV funds earlier than 10 days before the first day of classes.

Context

Testing at UNLV identified Title IV funds were disbursed earlier than 10 days before the first day of the spring semester for one out of sixty students tested.

Questioned Costs

\$0

Effect

The Institution did not comply with the specific requirements of Federal Regulation with respect to disbursements of Title IV funds.

Cause

There are certain programs that start earlier than the standard semester. The student financial assistance department utilized the earlier start date for a program that actually started at the standard semester start date due to oversight by the personnel updating the disbursing information in the system.

Recommendation

We recommend the Institution enhance internal controls to ensure Title IV funds are not disbursed earlier than 10 days before the first day of classes. Management should evaluate the existence of this issue of non-

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-016 - Special Tests and Provisions - Disbursements to or on behalf of Students - Continued

Recommendation - Continued
compliance in the remaining population and remediate as necessary.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNLV Response

The Masters of Hospitality program has students enroll within a cohort of classes. The schedule is normally to be fixed regarding the total number of classes taken each semester and these classes have specific start and end dates that are not all aligned with the standard academic calendar. Based upon information from the academic department, the start and end dates of semester are programmed into the computer system for this program.

One student within this program was allowed to drop one out of several classes and the financial aid office was not notified by the academic department of this change. When this occurred, the class the student dropped was the class with the early start date. This action materially changed the start date of the program for this student since the other classes within the cohort were not scheduled to start until a later date.

As a result of this finding, the Financial Aid Office reviewed all 2012-2013 students in this program to ensure no other cases occurred. In order to prevent this from occurring in the future, all students within the Masters of Hospitality program now incur a financial aid disbursement hold. No federal financial aid will disburse until a financial aid staff member has verified the student has not dropped any scheduled classes they are supposed to be taking. Once class schedule has been verified, only then will federal financial aid be released to the student.

UNLV Follow-Up Response

Correction plan fully implemented prior to original response.

As noted in the original response, the cause of this finding was identified and a solution fully implemented at that time. It is worth noting that the program involved has a non-standard schedule and the department reviewed 100% of the students enrolled in this program to ensure the finding was an isolated incident.

The Director of Financial Aid and Scholarships is responsible for ensuring compliance with these procedures.

FINDING 2013-017 - Reporting – Common Origination and Disbursement (COD) System

Federal Program
Department of Education
Student Financial Assistance Cluster
Award year ended June 30, 2013

Criteria

Pursuant to the 34 CFR 690.83(b)(2) an institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Security finds necessary to ensure that the reports are correct.

Condition

UNR, TMCC, UNLV and CSN each reported incorrect cost of attendance (COA) to the Common Origination and Disbursement (COD) system related to Pell Grant Awards.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-017 - Reporting – Common Origination and Disbursement (COD) System - Continued

Context

For five out of seventy-two students tested at UNR, two out of sixty students tested at CSN, seven out of sixty students at UNLV, and two out of sixty students at TMCC, the COA reported to COD was not accurate.

Questioned Costs

\$0

Effect

The Institutions did not comply with the specific requirements of Federal Regulation with respect to reporting Pell payment data to the Secretary. No over awarding occurred due to this issue of noncompliance. This is a reporting issue.

Cause

At UNR, the records office documented sixteen weeks of instruction for certain programs in PeopleSoft. The Pell COA function in PeopleSoft prorated the COA over the sixteen weeks rather than using the Institution's standard fifteen week semester, causing an incorrect Pell COA calculation. At CSN, UNLV, and TMCC, PeopleSoft has a programming error in the budget setup that causes the Pell COA to double any time a single term budget is recalculated after the initial budget is created. The Institutions were unaware of the problem or the existence of a query created by PeopleSoft to recalculate the Pell COA back to the correct initial budget.

Recommendation

We recommend the Institutions implement processes to ensure information reported to COD is accurate.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNR Response

The University of Nevada, Reno agrees with this finding. The Financial Aid Office contacted the Admissions and Records Office to adjust calendar settings to ensure the proper calculations of the Pell cost of attendance. This was corrected upon receipt of the finding and will be in effect for this financial aid year and in the future.

UNR Follow-Up Response

The Assistant Director of Compliance is responsible for working with the Senior Business Analyst in the Admissions and Records Office to ensure that the weeks of instruction are correctly recorded each year.

The Assistant Director of Compliance documents this process each year.

CSN Response

The College of Southern Nevada concurs with the recommendation. As described in the "Cause" section, this is a programming error that exists in PeopleSoft budget setup that causes the Cost of Attendance to double any time a single term budget is recalculated after the initial budget is created. PeopleSoft has developed a query to recalculate the Pell Cost of Attendance back to the initial budget.

CSN ran the query for Award Year 2013-14, however, there is a further error that was identified in the process whereby for some students, the Cost of Attendance is reported as 0.00. CSN has identified a small population where this occurred and will take corrective action.

CSN will write a query designed to pull the Pell budgeted population for further review to ensure accuracy after the PeopleSoft query has been run. CSN will run its query prior to running the Common Origination and Disbursement submission files to ensure that they are correct and will re-run budgets for any files that are

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-017 - Reporting – Common Origination and Disbursement (COD) System - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) – Continued

CSN Response - Continued
identified as inaccurate.

Until the technical solution is achieved by PeopleSoft to address this finding, the query will be run and reviewed by the Assistant Vice President for Financial Aid and reported to CSN administration.

CSN Follow-Up Response

The finding as noted by the external auditors illustrated a software anomaly in PeopleSoft. As noted by the NSHE institutions in their responses, the error occurred as a result of a software/programming error within PeopleSoft's budget setup. CSN created and deployed a query to address the finding.

CSN will continue to work with System Computing Services to address any structural software issues that arise. CSN is one member of the shared instance with also includes Nevada State College, Truckee Meadows Community College, Great Basin College and Western Nevada College. Changes in software and certain application features should and must be coordinated with members of the shared instance environment.

Responsible party to ensure compliance: Assistant Director of Financial Aid/IT

Until the technical solution is achieved by PeopleSoft to address this finding, the query will be run and reviewed by the Director of Financial Aid who will confirm to CSN administration that this activity has been completed.

TMCC Response

TMCC agrees with this finding and recommendation, which was a result of a training error on the part of the Cedar Crestone consultant during implementation. After researching a solution using the Higher Education User Group forum for PeopleSoft, a set-up correction from 2004 was discovered and immediately corrected. The Pell COD reports for 2013-14 were corrected and retransmitted to correct this reporting error going forward.

TMCC Follow-Up Response

TMCC agrees with this finding and recommendation. This error resulted in a training error on the part of the Cedar Crestone consultant during Peoplesoft implementation. After researching a solution using the Higher Education User Group forum for PeopleSoft, a set-up correction from 2004 was discovered and immediately corrected. The Pell COD reports for 2013-14 were corrected and re-transmitted to correct this reporting error going further. The Program Director for Student Services systems now reviews each outbound Pell Grant COD file to ensure that correct COA amounts are reported.

UNLV Response

The PeopleSoft system as delivered correctly adjusts the Pell grant cost of attendance upward or downward in a batch job if no manual human intervention was involved within the construction of the cost of attendance. If the cost of attendance was manually adjusted in some capacity, the Oracle software did not accurately recalculate the cost of attendance for the Pell grant program and reporting to Common Origination and Disbursement.

There was no financial liability associated with this finding. UNLV's cost of attendance is at a level where changes in student enrollment would not have changed the scheduled federal Pell grant award.

A job was created by financial aid technical support staff, to recalculate the cost of attendance correctly in PeopleSoft for accurate data reporting to Common Origination and Disbursement.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-017 - Reporting – Common Origination and Disbursement (COD) System - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited) – Continued

UNLV Follow-Up Response

Correction plan noted in initial response was fully implemented prior to original response.

As noted in the original response, the cause of this finding was identified and a solution fully implemented when the original response was drafted. This process will be reviewed and verified to be working properly for 2013-14.

The Director of Financial Aid and Scholarships is responsible for ensuring compliance with this process.

FINDING 2013-018 - Reporting (Repeat Finding 2012-12 and 2011-07)

Federal Program

Department of Education
Student Financial Assistance Cluster
Award year ended June 30, 2012

Criteria

Federal Perkins Loan (34 CFR 674.19), Federal Work Study (34 CFR 675.19) and FSEOG (34 CFR 676.19) require submission of an annual Fiscal Operations Report and Application (FISAP) report to the Department of Education. This electronic report is required to be submitted annually to report on the use of funds received in the prior year and apply for funds for the next year for campus-based programs. FISAPs are required to be submitted by October 1 following the end of the award year. The OMB A-133 Compliance Supplement identifies key line items in the report that contain critical information.

Condition

UNLV did not report accurate student counts in Part II, Section F, fields 26 through 39, (a) through (e).

Context

UNLV reported some inaccurate student data in the FISAP.

Questioned Costs

\$0

Effect

Reporting inaccurate information could impact the funding awarded for the next award year ending June 30, 2014.

Cause

With respect to information on eligible aid applicants enrolled in the school, the students with an “Automatic” Expected Family Contribution of zero were not manually removed from the population when filling out the number of students in each income bracket for the remaining fields so there was a duplication of students reported. This error was not discovered by the individuals responsible for completing and approving the FISAP.

Recommendation

We recommend UNLV enhance its quality control review of data in the FISAP before it is finalized and submitted.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-018 - Reporting (Repeat Finding 2012-12 and 2011-07) - Continued

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

UNLV Response

UNLV agrees with this finding. The query utilized to pull the data associated with Part 2, Section F (student counts by income levels) of the FISAP worked accurately. However, the data was not adjusted to prevent the duplication between reporting categories noted in the finding. There is no financial liability associated with this error. Corrections will be submitted in the December 13, 2013 final FISAP submission process. This error also does not affect any funding for federal student aid programs next year. The data submitted is informational to the U.S. Department of Education.

UNLV Follow-Up Response

Correction plan fully implemented prior to original response. However, since the completion of the FISAP is an annual process, the corrections will be revisited prior to preparation of the 2013-14 report (to occur in July-August 2014) to ensure compliance in preparation of the 2013-14 report.

As noted in the original response, the information needed to accurately prepare the FISAP was available and corrections were made for filing within the allowable adjustment period for the final 2013 FISAP. Please note that the department has made significant improvements in the FISAP preparation process, which was not well supported through the 'delivered' PeopleSoft system functionality and has required several reports/queries to be developed over the past two years to support accuracy of reporting since the initial implementation of PeopleSoft in 2010-11.

We believe at this time that we have developed reports to support all FISAP reporting requirement and the Director of Financial Aid and Scholarships is responsible for the accuracy of the FISAP report.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

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