

NEVADA STATE COLLEGE
STUDENT FINANCIAL AID
Internal Audit Report
July 1, 2012 through June 30, 2013

GENERAL OVERVIEW

The Nevada State College (NSC) Office of Financial Aid and Student Employment (OFASE) assists students and their families in achieving their educational goals by providing financial aid to eligible students. Financial aid programs provide support for students to help meet the costs of obtaining a college education. The federal government, state governments, colleges and schools, and a variety of other public and private sources provide funding for financial aid programs. Financial aid is available in four basic types of programs including; scholarships, grants, work-study, and loans.

The process of awarding and disbursing financial aid is completely segregated between OFASE and the NSC Cashier's Office. The awarding process is performed by OFASE which is involved in verifying the receipt and information provided on the Free Application for Federal Student Aid (FAFSA). OFASE authorizes the disbursement of funds by verifying students' eligibility prior to the Cashier's Office disbursing funds by crediting student accounts with the authorized amounts. The Controller's Office is responsible for the financial accounting aspects including the drawdown of federal funds.

During the audit period, OFASE reported up to the Provost and Executive Vice President through the Director of Enrollment Management. Currently, OFASE's Associate Director reports up to the Senior Vice President for Finance & Administration through the Associate Vice President for Finance & Administration. As of the conclusion of audit fieldwork, OFASE had six full-time employees and three student employees.

The ruling governance used to manage financial aid includes the Federal Student Aid (FSA) Handbook and the Code of Federal Regulations (CFR), Title 34, Education.

NSC disbursed \$19,018,086 in financial aid to 2,433 students during the audit period.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of Student Financial Aid at NSC for the period of July 1, 2012 through June 30, 2013.

Our review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included tests of the accounting records and other auditing procedures, as we considered necessary. The tests included, but were not necessarily limited to these areas.

1. Verifying NSC's eligibility for issuing financial aid was certified through receipt of the Eligibility and Certification Report (ECAR) and the Program Participation Agreement (PPA) from the Department of Education (DOE).
2. Reviewing controls over financial aid disbursements.
3. Reviewing controls for financial aid receipts/deposits, including draw requests from the DOE's Grant Management System.
4. Reviewing the process of awarding federal and state grants, loans, federal work-study, and scholarships to ensure amounts were appropriate and student eligibility requirements were met.
5. Reviewing compliance with 34 CFR in regards to the proper return of Title IV funds.
6. Confirming OFASE performed verifications related to accuracy of various data elements reported on student FAFSAs.

7. Verifying annual reporting requirements were met to file the Fiscal Operations Report and Application to Participate (FISAP) with the DOE, and to submit required survey data to the National Center for Education Statistics through its Integrated Postsecondary Education Data System (IPEDS).

In our opinion, we can be reasonably assured that administration of student financial aid at NSC is being performed in a satisfactory manner. However, implementation of the following recommendations would further improve this process.

RETURN OF TITLE IV FUNDS

The DOE requires financial aid administrators to calculate the earned and unearned portions of Title IV student aid when a student withdraws from a postsecondary institution before completing the period for which the student was paid. Unearned portions of student aid are to be returned to the DOE. The Code of Federal Regulations Title 34, Section 668.22(f)(2)(i) requires the total number of calendar days in a payment period or period of enrollment to include all days for calculating the student's percentage of payment period or period of enrollment completed, except scheduled breaks of at least five consecutive days, which should be excluded. We noted the payment period for the spring 2013 semester included eight days for spring break, which should have been excluded from the calculation base.

We recommend OFASE ensure the payment period dates established within the student information system exclude scheduled breaks of at least five consecutive days, in order to correctly calculate the return of Title IV funds. We also recommend NSC's spring 2013 calculation for return of Title IV funds be reevaluated to determine whether any adjustments are warranted, due to the exclusion of the eight spring break days.

Institution Response

NSC agrees with the audit finding and recommendation.

How compliance was achieved.

In order to exclude from the payment period used in the Return to Title IV (R2T4) calculation scheduled breaks of five days or more, the Office of Admissions and Records now enters the appropriate break dates into the Human Resources Staff Holiday Schedule module of PeopleSoft. Dates have now been entered by the office of Admissions and Records for award year 2013, 2014, and 2015. All R2T4 calculations performed using inaccurate dates have now been recalculated, and appropriate funds have either been reverted to each student or to the U.S. Department of Education.

What will be done to avoid the identified problems and issues in the future.

Prior to the beginning of each award year, the Director of Financial Aid will verify with the Office of Admissions and Records that the appropriate break dates have been entered into PeopleSoft. This verification will then be submitted to the Associate Vice President for Finance and Administration as confirmation of this action prior to the beginning of each fall term.

How compliance and future good management and practice will be measured, monitored and assured.

The Office of Financial Aid has added to its production calendar an action item to verify the total number of days in the term is correctly displayed in the R2T4 module before performing R2T4 calculations. The Director of Financial Aid will ensure that this occurs, will verify the accuracy of the action, and will forward this verification to the Associate Vice President for Finance and Administration.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise.

The Director of Financial Aid, who reports directly to the Associate Vice President for Finance and Administration, has assumed responsibility for the verification of these dates and will be held accountable in the future for any issues which may arise.

When the measures will be taken and on what schedule compliance and good practice will be secured.

All corrections have been made, and all appropriate refunds were completed in March 2014. An action item has been added to the Office of Financial Aid production calendar to ensure compliance with the total number of days to be utilized for R2T4 calculations.

How compliance and performance will be documented for future audit, management and performance review.

The Associate Vice President for Finance and Administration now requires the receipt of verification each academic year from the Director of Financial Aid, and the verification will be retained for review as needed. The Human Resources Staff Holiday Schedule within PeopleSoft will also be available for audit, management and performance reviews.

COST OF ATTENDANCE

We tested financial aid packages awarded to students to determine whether the awards were accurate and did not exceed the institution's cost of attendance (COA) minus the students' expected family contribution (EFC), as required by federal guidelines. Of 20 student financial aid packages tested, 13 instances were noted in which OFASE applied a full-time credit load for the fees portion of COA, even though the students were not actually full-time. We were informed that a full-time credit load is used in the COA and that the amount of financial aid calculated is then prorated based on students' actual enrollment. Based on discussions with OFASE management, this methodology has simplified the process of calculating financial aid within the new student information system and has allowed financial aid to be awarded in an accurate manner. We noted, however, that there is not a process in place that shows students' COA based on actual enrollment, versus the amount of financial aid awarded.

We recommend NSC develop a process to show the actual enrollment in the COA to ensure the amount of financial aid issued to students is accurate and has not been over-awarded.

Institution Response

NSC agrees with the audit finding and recommendation.

How compliance was achieved.

The Office of Financial Aid has reprogrammed its Cost of Attendance (COA) formulas for the 2014-2015 award year to utilize tuition/fee projections based on a student's actual enrollment level. Estimated projections for full-time, three-quarter-time, half-time and less-than half time have been created for state resident, non-resident, Good Neighbor and Western Undergraduate Exchange tuition and fee schedules.

What will be done to avoid the identified problems and issues in the future.

The Director of Financial Aid will coordinate with the Office of Admissions and Records and with the NSC Bursar to verify that actual enrollment information is utilized for each student. The Director of Financial Aid will verify that the information is accurate and will forward this verification to the Associate Vice President for Finance and Administration as confirmation that this review has occurred.

How compliance and future good management and practice will be measured, monitored and assured.

In addition to the verification process noted previously, the NSC Controller and Bursar will perform a sample audit each award year to verify even further that budget amounts have been calculated appropriately and that students are not being over-awarded. The sample size will reflect acceptable audit standards and will increase in size if there is evidence of any miscalculation or over-awarding.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise.

The Director of Financial Aid, has the responsibility for calculating Cost of Attendance appropriately and will be held accountable in the future for any issues which may arise.

When the measures will be taken and on what schedule compliance and good practice will be secured.

All appropriate measures have been implemented, and the process to utilize actual enrollment in the COA calculations was established in March 2014. These processes will commence with the 2014-2015 award year.

How compliance and performance will be documented for future audit, management and performance review.

The Associate Vice President for Finance and Administration now requires that the Director of Financial Aid verify in writing that appropriate steps have been taken to ensure that accurate enrollment information is being utilized each term, and he will ensure that a sample audit occurs each year to demonstrate further the validity of financial aid awards. All information is available in the PeopleSoft system, which will be accessed for each audit.

FEDERAL WORK-STUDY

The Federal Work-Study Program (FWS) provides funds to students for part-time employment to help finance college costs. Federal work-study aid must be earned to be paid.

We reviewed six students that received federal work study aid during the audit period. The following exceptions were noted.

1. The FSA Handbook states schools must reconcile, on at least a monthly basis, the amount of FWS draws recorded in the DOE's drawdown system to the funds received in the college's bank account. Monthly reconciliations are also required between the monthly draws to the amounts disbursed to students. We were informed the above

reconciliations are performed by college personnel when draw requests are performed, however, only two draw requests were completed during the 2012-13 financial aid year.

We recommend drawdown requests be performed more frequently to comply with the reconciliation requirements.

Institution Response

NSC agrees with the audit finding and recommendation.

How compliance was achieved.

The Associate Vice President for Finance and Administration has directed the NSC Controller and the NSC Director of Budgets and Sponsored Projects to complete monthly draws from the Department of Education to cover federal work-study aid, beginning with the 2014-2015 award year, utilizing the federal work-study advantage account designated by NSC. A monthly review process has also been established to ensure that timely draw of federal funds.

What will be done to avoid the identified problems and issues in the future.

The NSC Controller and the NSC Director of Budgets and Sponsored Projects will perform a monthly review of the federal work-study account and will provide to the Associate Vice President for Finance and Administration a verification that all draws of federal work-study funds are being made in a timely manner and are in compliance with Department of Education.

How compliance and future good management and practice will be measured, monitored and assured.

Under the direction of the Associate Vice President for Finance and Administration, the NSC Controller will sample at random ten student payroll accounts each payroll period. The Controller will trace and agree the payroll to actual timesheets, federal work-study authorization, and Advantage Accounts. Any variances will be noted, and appropriate corrections will be made if needed. The sample size may be modified over time as appropriate. Subsequently, the Controller will forward to the Associate Vice President for Finance and Administration a report of the findings and a status of the federal work-study cash position to verify the accuracy of disbursements and the appropriate draw of federal funds.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise.

The NSC Controller has assumed responsibility for the reconciliation of federal work-study earnings at the Advantage Account level and the appropriate draw of federal funds; and he will be accountable for any issues related to this draw. The Director of Financial

Aid has assumed responsibility for reconciliation of federal work-study earnings to the authorized level as identified by the Financial Aid office, and she will be accountable for issues related to authorized versus actual accounts. The Controller and the Director of Financial Aid will also work with the Director of Human Resources to verify federal work-study earnings and the availability of federal funds before each draw.

When the measures will be taken and on what schedule compliance and good practice will be secured.

All corrections, processes and procedures were made or established in March 2014. These processes will commence with the 2014-2015 award year. A review of each process and procedure will occur in the fall term of 2014 to ensure that all issues have been addressed appropriately and adequately.

How compliance and performance will be documented for future audit, management and performance review.

As previously mentioned, a sample audit of ten student federal work-study accounts will occur each payroll period to trace and agree payroll to timesheets, authorized federal work-study levels, and account balances. In addition, the Director of Budgets and Sponsored Projects will report to the Associate Vice President for Finance and Administration on a weekly basis the cash position of the federal work-study accounts to ensure that an appropriate draw of federal funds is occurring.

2. A process is not in place to alert NSC officials when students near the limit they can be paid from FWS funds. Amounts earned in excess of the FWS limit must be paid from institutional funds.

We recommend the college develop a process to track students' FWS hours, to help ensure payments are not disbursed in excess of FWS award amounts.

Institution Response

NSC agrees with the audit finding and recommendation.

How compliance was achieved.

NSC has now implemented the Federal Work-Study Modification within the PeopleSoft system to track student federal work-study earnings. This tracking will be utilized beginning with the 2014-2015 award year. This modification is currently in use at UNLV, UNR and TMCC, and it allows the Human Resources Management System to switch automatically from federal work-study funding to institutional work-study accounts once a student's federal work-study award is exhausted.

What will be done to avoid the identified problems and issues in the future.

The modification to the PeopleSoft system will significantly enhance the monitoring and control of federal work-study earnings. As previously stated, a random sample of ten federal work-study students will be audited by the Controller and will help identify any issues which may arise in spite of this enhancement. In addition, the Director of Human Resources will also take a more active role in the monitoring of all student employment, including federal work-study recipients.

How compliance and future good management and practice will be measured, monitored and assured.

Under the direction of the Associate Vice President for Finance and Administration, all reviews and reports from the Director of Financial Aid, Controller, Director of Budgets and Sponsored Projects, and Director of Human Resources will be reviewed in a timely manner and will be utilized to identify any occurrence of over-awarding or any potential concerns which may arise. As students near their maximum award, communication will be made with the student and with the appropriate NSC department, and, as previously mentioned, student wages over and above the authorized federal work-study limit will be charged to the appropriate departmental operating budget

Who will be responsible and may be held accountable in the future if repeat or similar problems arise.

The Associate Vice President for Finance and Administration has assumed overall responsibility for this issue and will be accountable for any findings in the future. The Director of Financial Aid, Controller, Director of Human Resources and the Director of Budgets and Sponsored Projects will report to the Associate Vice President on a regular basis to ensure the proper functioning of the module and overall process, and they will report any anomalies to System Computing Services.

When the measures will be taken and on what schedule compliance and good practice will be secured.

Processes and procedures have been established, and the modification to the PeopleSoft module has occurred. All improvements are effective with the 2014-2015 award year.

How compliance and performance will be documented for future audit, management and performance review.

As noted previously, all reports from the Director of Financial Aid, Controller, Director of Human Resources, and Director of Budgets and Sponsored Projects Administration will be submitted to the Associate Vice President for Finance and Administration for review, appropriate action, and retained for future audit, management and performance reviews. The Associate Vice President meets regularly with these directors both individually and as a team, and ongoing review and evaluation of this issue will occur; and all decisions or modifications will be documented and retained by the Associate Vice President.

STATEMENT OF REVENUES AND EXPENDITURES

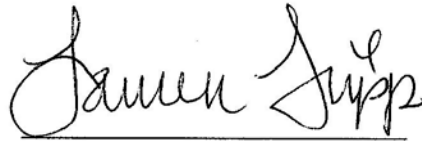
The statement of revenues and expenditures provided below is based on the activity of seven state, eight self-supporting, 78 restricted gift, 64 loan, and two agency accounts that have been assigned to OFASE. The revenue and expenditure information was obtained from the financial accounting system and is provided for informational purposes only.

	State Accounts	Self- Supporting Accounts	Gift Account	Loan Accounts	Agency Accounts	Total
Balance, July 1, 2012	\$ -	\$ 757,179	\$ 10,073	\$ (178,797)	\$ 1,685	\$ 590,140
Transfers In	-	253,071 ²	200,223	-	-	453,294
Revenues						
Tuition & Fees Unrestricted	-	1,247,341	-	-	-	1,247,341
Federal Grants & Contract, Unrestricted	-	9,258	4,619,090	12,038,330	-	16,666,678
Federal Grants & Contracts, Restricted	-	-	124,685	5,699	-	130,384
Private Gifts, Grants & Contracts, Unrestricted	-	-	-	23,375	-	23,375
State Grants & Contracts, Restricted	-	-	381,327	-	-	381,327
State Appropriations	636,485	-	-	-	-	636,485
Total	636,485	1,256,599	5,125,102	12,067,404	-	19,085,590
Transfers Out	-	147,925	16,917	-	-	164,842
Expenditures						
Salaries	189,871	874,636	110,762	-	-	1,175,269
Non-Grant Out of State Travel	632	-	-	-	-	632
Grant Non-Foreign Travel	-	-	2,804	-	-	2,804
Host	-	692	-	-	-	692
General Operations	24,971	699	6,340	-	-	32,010
Loan Operations	-	-	-	12,140,750	-	12,140,750
Indirect Cost	-	-	1,852	-	-	1,852
Scholarships & Fellowships	456,261	858,206	5,013,601	-	-	6,328,068
Total	671,735	1,734,233	5,135,359	12,140,750	-	19,682,077
Balance June 30, 2013	\$ (35,250) ¹	\$ 384,691	\$ 183,122	\$ (252,143) ³	\$ 1,685	\$ 282,105

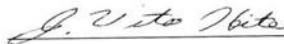
1. Deficit balance was anticipated and was combined with the activity in the college's other state funded accounts at the end of the fiscal year for final reporting to the State.
2. This amount consists mainly of two transfers in: \$121,571 from a student support scholarship account into the student access fees account; and \$130,000 from the general improvement fees account into the financial aid operating account.
3. Deficit balance is due to the timing difference between disbursement of funds to students and reimbursement from loan agencies.

The Internal Audit Department appreciates the assistance and cooperation received from the NSC staff during this review.

Las Vegas, Nevada
February 7, 2014



Lauren Tripp
Senior Internal Auditor



J. Vito Hite
Internal Audit Manager



Scott Anderson
Director of Internal Audit



April 23, 2014

NEVADA STATE
COLLEGE

Mr. Scott Anderson
Internal Audit Manager
Nevada System of Higher Education
2601 Enterprise Road
Reno, Nevada 89512

RE: Nevada State College (NSC) Office of Financial Aid and Student Employment (OFASE) Audit July 1, 2012 – June 30, 2013

Dear Scott:

Attached are NSC's responses to the findings detailed in the above-mentioned audit.

AUDIT: Nevada State College (NSC) Office of Financial Aid and Student Employment (OFASE) Audit

AUDIT PERIOD: July 1, 2012 – June 30, 2013

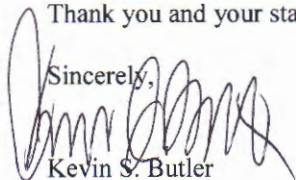
RECOMMENDATIONS: 4

COMPLETE IMPLEMENTATION OF RECOMMENDATIONS: 1

IMPLEMENTATION OF RECOMMENDATIONS IN PROGRESS: 3

NBR.	RECOMMENDATION	AGREE	IMPLEMENTED
1.	Payment Period Dates	Yes	Yes
2.	Cost of Attendance Calculations	Yes	The process has been established to commence with the 2014-2015 award year.
3.	Federal Work-Study Draws	Yes	The process has been established to commence July 2014
4.	Track Work-Study Hours	Yes	To be fully implemented July 2014

Thank you and your staff for your continued assistance and for all of the efforts of your staff.

Sincerely,


Kevin S. Butler
Associate Vice President for Finance and Administration

cc: Anthony Morrone
Richard Hendrickson
Pam Levins
Cory McDonald
Buster Neel

OFFICE OF FINANCE & ADMINISTRATION