

GREAT BASIN COLLEGE  
STUDENT FINANCIAL AID  
Internal Audit Report  
July 1, 2014 through June 30, 2015

GENERAL OVERVIEW

The Office of Student Financial Services at Great Basin College (GBC) assists students and their families in achieving their educational goals by providing financial aid to eligible students. Financial aid programs assist students by helping them 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 segregated between the Office of Student Financial Services and the GBC Controller's Office. The awarding process is performed by the Office of Student Financial Services which is involved in verifying information provided by students on the Free Application for Federal Student Aid (FAFSA). Once student eligibility has been confirmed, the Office of Student Financial Services authorizes the disbursement of funds to students' accounts. The Controller's Office completes the disbursement of funds and prepares financial aid refunds.

The Director of the Office of Student Financial Services reports administratively to the Vice President for Student Services. Currently, the Office of Student Financial Services includes four full time employees and one student employee.

GBC disbursed \$5,863,154 in financial aid to 1,262 students during the audit period.

## SCOPE OF AUDIT

The Internal Audit Department has completed a review of Student Financial Aid at GBC for the period of July 1, 2014 through June 30, 2015.

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 GBC'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 the process of awarding federal and state grants, scholarships, and loans to determine whether award amounts were appropriate and student eligibility requirements were met.
4. Reviewing compliance in regards to the proper return of Title IV funds.
5. Confirming that the Office of Student Financial Services performed verifications related to the accuracy of various data elements reported on student FAFSAs.
6. 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 GBC is being performed in a satisfactory manner. However, implementation of the following

recommendations would further improve this process.

## RETURN OF TITLE IV FUNDS

The Department of Education (DOE) requires financial aid administrators to calculate the earned and unearned portions of Title IV student aid when a student withdraws from an institution before completing at least 60% of the award period. Unearned portions are to be returned to the DOE. The Code of Federal Regulations (CFR), Title 34, Section 668.22(j)(1) requires institutions to return unearned funds as soon as possible but no later than 45 days from the determination of a student's withdrawal. We selected a sample of 13 students that withdrew from school during the audit period to determine whether the amount of Title IV funds returned was correctly calculated and whether the funds were remitted in a timely manner. For three of the students tested, we noted funds were not returned to the DOE within 45 days.

We recommend that the Office of Student Financial Services develop a procedure to ensure Title IV funds are returned within the required time frame. As a best practice, we also recommend an explanation be provided and retained by GBC if Title IV funds are not returned in a timely manner.

### **Institution Response**

**GBC agrees with this finding and recommendation.**

- **What will be done to avoid the identified problems and issues in the future? GBC's current procedure is to run the R2T4 query each month to stay in compliance with the 45 day return policy. However, in the past, due to changes in the regulations relating to modular classes, the queries have not accurately identified all of the R2T4 students. GBC has hired a half time employee who specializes in PeopleSoft query writing. The R2T4 queries will be reviewed and modified on an ongoing basis to make sure all R2T4 students are identified in the query and ensure that funds are returned to the DOE within the 45 day allowance period.**
- **How will compliance and future good management and practice be measured, monitored, and assured? Compliance will be monitored by any R2T4 students coming to the attention of financial aid personnel that do not have an R2T4 calculation. If modification of the query is required to pick up the identified student, the query will be**

**modified at that time. An explanation of any Title IV funds that are not returned in a timely manner will be documented in the R2T4 notes screen.**

- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise? The Director of Student Financial Services will be responsible and held accountable for the compliance in returning funds in a timely manner.**
- **When will the measures be taken and on what schedule will compliance and good practice be secured? These measures have already gone into effect and will continue to be monitored on a regular basis.**
- **How will compliance and performance be documented for future audit, management and performance review? An explanation of any Title IV funds that are not returned in a timely manner will be documented in the R2T4 notes screen.**

### **FOLLOW-UP RESPONSE**

This recommendation was fully implemented at the time of the initial responses.

### **FEDERAL STUDENT LOANS**

Federal student loans are available as part of every student's financial aid package. The loans do not require a co-signer, offer a fixed interest rate, and pay back is deferred until students' are no longer enrolled on at least a half-time basis. CFR 668.165 (a) states institutions that award federal student loans must notify students of the anticipated date and amount of disbursement, the student's right to cancel all or a portion of the loan, and the procedures and time period in which students must notify the institution of their desire to cancel the loan.

We selected a sample of 13 GBC students that received federal loans during the audit period to determine whether the students were provided notification of the above information. We were informed the Office of Student Financial Services mails a letter to students after the loans have been posted to the students' accounts in the student information system. The letters instruct the students to check their accounts for the amount of money that was deposited and provides information about the right to cancel the loan. We noted the letters are not in compliance with the CFR since they do not state the disbursement amount, the date of disbursement, and are sent after the funds have already been deposited to the students' accounts.

To help ensure compliance with the CFR, we recommend the notification letters be revised so they include all of the required information and that students' are notified before the funds are credited to the students' accounts.

### **Institution Response**

**GBC agrees with this finding and recommendation.**

- **What will be done to avoid the identified problems and issues in the future? There are two separate notifications that are required under this regulation (See Students Awards Letters in finding #3). The 1<sup>st</sup> notice is the award notification which GBC has had problems with in the past with PeopleSoft. New award notifications were not always sent out when a new financial aid award or loan was added to a student's account. This problem was fixed in June 2016, so that now new award letters will be sent out whenever there is a change to the students' awards. The second required loan disbursement notification can be sent out 30 days before or 30 days after the loan dollars are disbursed. GBC is mailing a letter after the loan dollars have been disbursed, but we did not have the date and amount of the loan on that letter. GBC has updated our loan disbursement notification letter to include the amount of the loans and date the loans were paid to the student's account to be in compliance with federal regulations. GBC will continue to send this notification out after the disbursement date so that we know the amount and date the loans were disbursed. We will make this an automated process in PeopleSoft before the fall 2016 semester begins. GBC also implemented the shopping sheet in mid-July which will also cover the 1<sup>st</sup> notification requirement.**
- **How will compliance and future good management and practice be measured, monitored, and assured? GBC will randomly check a few students each semester that received loans to make sure they are receiving the two notifications and that the loan amount and date disbursed are in the 2<sup>nd</sup> notification. The Loan Coordinator will be responsible for compliance with these loan notification requirements.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise? The Director of Student Financial Services along with the Loan Coordinator will be responsible and held accountable for the compliance with these loan notification requirements.**
- **When will the measures be taken and on what schedule will compliance and good practice be secured? These measures have already gone into effect and will continue to be monitored on a regular basis.**
- **How will compliance and performance be documented for future audit, management and performance review? Student disbursement letters have been revised and will include amounts and date of disbursement.**

### **FOLLOW-UP RESPONSE**

This recommendation was fully implemented at the time of the initial responses.

## STUDENT AWARD LETTERS

The Office of Student Financial Services issues award letters to students to provide notification of the students' Estimated Cost of Attendance and official offer of financial aid from the college. The award letter states revisions may occur at any time based on changes in residency status, enrollment, cost of attendance, additional awards issued, or for verification purposes.

We selected a sample of 93 students that received financial aid during the audit period to determine whether award letters were issued as required. Of the 93 students tested, we noted four were not sent an award letter and 25 students were not sent an updated award letter after they received additional financial aid. We noted five other students were not sent an updated award letter until after the semester had concluded.

We recommend award letters be issued to students as required.

### **Institution Response**

#### **GBC agrees with this finding and recommendation.**

- **What will be done to avoid the identified problems and issues in the future? GBC knew that new award letters were not being generated for students after their financial aid had been adjusted. GBC had been working with SCS to fix the problem for months and the problem is now resolved in PeopleSoft. Any adjustments to a student's financial aid will cause a new award letter to be sent.**
- **How will compliance and future good management and practice be measured, monitored, and assured? GBC will randomly review the communications to students each semester to make sure they are receiving updated award letters each time their awards are adjusted.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise? The Assistant Director of Student Financial Services will be responsible and held accountable for sending and reviewing award letters to students.**
- **When will the measures be taken and on what schedule will compliance and good practice be secured? These measures have already gone into effect and will continue to be monitored on a regular basis.**
- **How will compliance and performance be documented for future audit, management and performance review? Student's accounts will display updated award letters after each adjustment to their award screen.**

## FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of the initial responses.

## PEOPLESOFT APPLICATION

The PeopleSoft application is used by all institutions within the Nevada System of Higher Education (NSHE) to process and store student information and is where official student records are retained. During this review, we noted fields within the “Return to Title IV Funds” module were not being completed by GBC personnel. As a result, incomplete or incorrect information was noted in PeopleSoft in this area.

In order to maintain as complete and accurate records within the PeopleSoft application as possible, we recommend the above mentioned module be completed in its entirety. This practice could be beneficial to department personnel when reviewing student records or generating reports.

### **Institution Response**

**GBC agrees with this finding and recommendation.**

- **What will be done to avoid the identified problems and issues in the future? GBC is not required to use the R2T4 calculation module in PeopleSoft. The Department of Education provides their own software program for this calculation. However, since GBC is using this module in PeopleSoft, GBC has agreed to mark the completed box after the R2T4 funds have been calculated and returned to the Department of Education. GBC had not done it in the past as it was not required by DOE regulations and for increased efficiency.**
- **How will compliance and future good management and practice be measured, monitored, and assured? The R2T4 screen will be updated to reflect that the R2T4 calculation has been completed.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise? The Director of Student Financial Services will be responsible for implementing this recommendation of checking the completed box in the R2T4 module.**
- **When will the measures be taken and on what schedule will compliance and good practice be secured? These measures have already gone into effect and will continue to be monitored on a regular basis.**

- **How will compliance and performance be documented for future audit, management and performance review? The R2T4 screen will display that the R2T4 calculation has been completed.**

### FOLLOW-UP RESPONSE

This recommendation was fully implemented at the time of the initial responses.

### STATEMENT OF REVENUES AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of seven state, four self-supporting, 158 scholarship/gift, seven loan, and three federal grant accounts that have been assigned to the Office of Student Financial Services. The revenue and expenditure information was obtained from the financial accounting system.

During this review we noted 13 scholarship/gift accounts had deficit balances in the financial accounting system.

We recommend the college review the accounts to determine the reason for the deficits so that the appropriate corrections can be made in the financial accounting system. We also recommend a procedure be developed for periodically reviewing and correcting deficit account balances.

### **Institution Response**

**GBC agrees with this finding and recommendation.**

- **What will be done to avoid the identified problems and issues in the future? The Business Affairs department provides Student Financial Services monthly financial reports that show revenues, expenditures and ending balances for each account. The transition of Foundation personnel delayed some scholarship funding which resulted in deficit balances. The Assistant Director of Student Financial Services will review any deficit balances on a monthly basis and work with the Foundation office to ensure funding is received.**
- **How will compliance and future good management and practice be measured, monitored, and assured? GBC will strive to avoid any future deficit balances in the scholarship accounts. These accounts will be reviewed monthly.**
- **Who will be responsible and may be held accountable in the future if repeat or similar problems arise? The responsibility will be shared with the Assistant Director of Student**



**Financial Services, the Foundation Director and the Vice President of Business Affairs. The responsibilities will be divided based upon the type of scholarship.**

- **When will the measures be taken and on what schedule will compliance and good practice be secured? These measures have partially been implemented and will be fully completed by September 30, 2016.**
- **How will compliance and performance be documented for future audit, management and performance review? Monthly review, documentation, and discussions with all responsible parties will occur to ensure that funding is received in a timely manner. Compliance will be documented by no findings of deficit balances at the end of each fiscal year.**

### **FOLLOW-UP RESPONSE**

The Assistant Director of Student Financial Services reviews the financial reports on a monthly basis and identifies any accounts with a deficit balance. For any GBC-related accounts where funding is provided through the Foundation Office, the Foundation Director is contacted to assist with transferring the funds to bring the account current. For non-GBC related accounts that are received from outside donors, the Student Financial Services Office researches and resolves the problem internally or contacts the donor if needed for further information.

	State Accounts	Self- Supporting Accounts	Gift (Scholarship) Accounts	Federal Loan Accounts	Federal Grant Accounts	Total
Balance, July 1, 2014	\$ -	\$ 107,249	\$ 47,035	\$ (24,660) 3	\$ -	\$ 129,624
Transfers In	\$ -	\$ -	\$ 183,206 2	\$ -	\$ -	\$ 183,206
Revenues						
Tuition & Fees, Unrestricted	\$ -	\$ 324,835	\$ -	\$ -	\$ -	\$ 324,835
Sales of Educational Activities	\$ -	\$ 3,855	\$ -	\$ -	\$ -	\$ 3,855
Federal Grants & Contracts, Restricted	\$ -	\$ -	\$ -	\$ -	\$ 2,555,444	\$ 2,555,444
Private Gifts, Restricted	\$ -	\$ -	\$ 931,714	\$ -	\$ -	\$ 931,714
Endowment/Investment Income, Restricted	\$ -	\$ -	\$ 5,228	\$ -	\$ -	\$ 5,228
Indirect Costs	\$ -	\$ 4,164	\$ -	\$ -	\$ -	\$ 4,164
Other Restricted Revenue	\$ -	\$ -	\$ -	\$ 1,816,578	\$ -	\$ 1,816,578
State Appropriations	\$ 415,724	\$ -	\$ -	\$ -	\$ -	\$ 415,724
Total	\$ 415,724	\$ 332,854	\$ 936,942	\$ 1,816,578	\$ 2,555,444	\$ 6,057,542
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ (1,432)	\$ (1,432)
Expenditures						
Salaries	\$ 350,998	\$ -	\$ -	\$ -	\$ 38,135	\$ 389,133
Non-Grant Travel	\$ -	\$ 4,548	\$ -	\$ -	\$ -	\$ 4,548
General Operations	\$ 15,000	\$ 2,465	\$ 6,979	\$ -	\$ 2,514,782	\$ 2,519,226
Loan Operations	\$ -	\$ -	\$ -	\$ 1,844,702	\$ -	\$ 1,844,702
Indirect Costs	\$ -	\$ -	\$ -	\$ -	\$ 3,958	\$ 3,958
Scholarships & Fellowships	\$ 41,750	\$ 348,068	\$ 1,113,141	\$ -	\$ -	\$ 1,502,959
Total	\$ 407,748	\$ 355,081	\$ 1,120,120	\$ 1,844,702	\$ 2,556,875	\$ 6,284,526
Balance June 30, 2015	\$ 7,976 1	\$ 85,023	\$ 47,063	\$ (52,784) 3	\$ -	\$ 84,414

1. Balance 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 transfers in from the GBC Foundation for funding of yearly scholarships.
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  
GBC staff during this review.

Reno, Nevada  
July 1, 2016

/-----SIGNATURE ON FILE-----/

Eric Wilber  
Senior Internal Auditor

/-----SIGNATURE ON FILE-----/

Scott Anderson  
Internal Audit Manager

/-----SIGNATURE ON FILE-----/

Joseph Sunbury  
Chief Internal Auditor



**MEMORANDUM**

Vice President for Business Affairs

TO: Joseph Sunbury, Chief Internal Auditor

FROM: Sonja Sibert, Vice President for Business Affairs

SUBJECT: Audit Response for Great Basin College Student Financial Aid  
July 1, 2014 to June 30, 2015

DATE: January 19, 2017

Nbr	Finding	Agree	Implemented	Est Date of Completion
1	<b>Return of Title IV Funds</b> Develop a procedure to ensure Title IV funds are returned within the required time frame. Provide an explanation and retain by GBC if funds are not returned in a timely manner.	Yes	Yes	
2	<b>Federal Student Loans</b> Revise the notification letters to include the disbursement amount and the date of disbursement prior to the funds being disbursed.	Yes	Yes	
3	<b>Student Award Letters</b> Issue award letters and updated award letters as required based on changes in residency status, enrollment, cost of attendance, additional awards issued, or for verification purposes.	Yes	Yes	
4	<b>PeopleSoft Application</b> Complete the noted fields in its entirety in the "Return to Title IV Funds" module.	Yes	Yes	
5	<b>Statement of Revenues and Expenditures</b> Review deficit accounts and make appropriate corrections in the financial accounting system. Develop a procedure to periodically review and correct deficit account balances.	Yes	Yes	