



Internal Audit Department

Financial Aid Audit

July 19, 2021

Report Number FY 21-02

Distribution:

Audit Committee, Arizona Board of Regents

Internal Audit Review Board

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This report is intended for the information and use of the Arizona Board of Regents, NAU administration, the Arizona Office of the Auditor General, and federal awarding agencies and subrecipients.

Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

Summary

Audit of Financial Aid is in the Annual Audit Plan for Fiscal Year 2021, as approved by the Audit Committee of the Arizona Board of Regents. This audit supports Northern Arizona University's (NAU / University) strategic goal of Stewardship, Student Success and Access by ensuring propriety of financial aid processes specific to Federal Work-Study (FWS), unvetted academic programs and / or policies, PeopleSoft (PS) access roles, professional judgment, and unfunded mandates. The review focused on understanding and analyzing current procedural controls relative to efficient and effective processing, timely and complete communication, and appropriate system access.

Background: The NAU Office of Scholarships and Financial Aid¹ (OSFA) helps students find the right options to finance their education at NAU. They are committed to guiding students and their families through the process of applying for *federal* and *state* financial aid, finding possible *scholarship* opportunities, and increasing the value of the student's university experience. There are three types of aid provided through NAU OSFA: Scholarships, Grants, and Loans. Other programs that offer financial aid include:

- Personalized Learning
- FWS
- Education Abroad
- AmeriCorps
- Consortium Agreements
- Diverse Populations (e.g., AZ Foster Youth Programs, AZ Education and Training Voucher)
- Employee Tuition Reduction

In Fiscal Year 2020, NAU students received ~\$400 million in financial aid, of which \$78 million was need-based financial gift aid². Also, in Fiscal Year 2020, 27,224 undergraduate and graduate students received some form of financial gift aid with 66.7 percent or \$52 million being awarded to Arizona residents.³

Audit Objective: Based on an assessment of the NAU Office of Scholarships and Financial Aid's objectives, risks and controls, the primary audit objective was to ensure propriety of financial aid processes specific to FWS, unvetted⁴ academic programs and / or policies, PeopleSoft system access roles, professional judgment, and unfunded mandates⁵. The review focused on understanding and analyzing current procedural controls relative to efficient and effective processing, timely and complete communication, and appropriate system access.

¹ Per the OSFA website

² Per the U.S. Department of Education, need-based aid is calculated by subtracting expected family contribution from the university's cost of attendance. Expected family contribution is calculated using the information reported on the Free Application for Federal Student Aid (FAFSA) form. NAU defines cost of attendance as an estimate of a student's total cost of attending NAU for one academic year and includes tuition and fees, room, board (meals), books and supplies, transportation, and personal expenses. Need-based federal student aid programs include Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Direct Subsidized Loan and FWS.

³ Per the ABOR Financial Aid Report for Fiscal Year 2020

⁴ Unvetted academic programs and /or policies are those academic programs and / or policies that are not properly vetted by OSFA to ensure financial aid regulations are considered as part of the academic program and / or policy – see the Observations Section for the Certificate Program that has been updated to properly include OSFA in the vetting process.

⁵ Unfunded mandates include those programs that are statutorily required but do not have funding available for OSFA to appropriately staff. One such program includes the Arizona Teachers Academy.

Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

Scope: The scope included a review of all policies, procedures, and practices related to FWS, unvetted academic programs and / or policies, PeopleSoft system access roles, professional judgment, and unfunded mandates, including review of documents and system reports supporting process and reporting requirements during the 2020-2021 Academic Year through Spring 2021. We conducted such analyses, tests, and other procedures as we deemed necessary to address the audit objective.

Methodology: The following procedures were performed to accomplish the audit objective:

- Reviewed policies and procedures related to FWS, the Arizona Teachers Academy (ATA), and professional judgment.
- Interviewed staff in NAU Payroll and OSFA to understand existing financial aid and reporting processes, including functionality and use of the PeopleSoft Human Capital Management, Financial, and Student systems as it relates to financial aid awarding, disbursing, and including manual corrections and reporting for the FWS program.
- Obtained the list of fiscal year 2020 ATA students reported to ABOR to verify accuracy of student enrollment with corresponding documentation on a test basis. Using the fiscal year 2020 general ledger activity for scholarships, we verified the student was enrolled in ATA and was appropriately awarded an ATA scholarship.
- Compared NAU’s existing professional judgment process to related requirements per the Department of Education and tested several professional judgment cases using OnBase form storage. Interviewed OSFA staff regarding the adequacy of the professional judgment process.
- Interviewed the Office of Sponsored Projects (OSP) staff to understand existing Cayuse system functionality used by NAU Research as it relates to grant opportunities with financial aid implications.
- Obtained the Conduct, Ethics, Reporting, and Transparency Program (CERT) disclosure form data for July 2020 to October 2020 for OSFA staff to review disclosures of employee and / or student relative(s) or relationship(s).
- Obtained PeopleSoft roles for OSFA users and assessed the propriety of override roles.
- Interviewed OSFA, ITS, Legal Affairs & General Counsel, and Foundation staff and reviewed related system functionality regarding an existing proposal to centralize student access to scholarship opportunities at NAU in an effort to help identify approaches to move the proposal to fruition.
 - Obtained a website analysis report from NAU Marketing that reflects the number of scholarship opportunities across NAU websites.
- Surveyed NAU’s peer institutions to identify best practices, procedures, and processes related to professional judgement and scholarship centralization.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors* and accordingly, included such tests considered necessary under the circumstances.

Conclusion: The Office of Scholarships and Financial Aid is staffed with personnel with many years of experience supporting financial aid at NAU. In this regard, routine financial aid processing controls appear effective. A plethora of scholarship opportunities exist across multiple NAU websites. A centralized scholarship portal that offers the convenience of a one-stop-shop concept combined with

Controls Assessed		
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Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

opportunity to streamline the awarding and disbursing process for consistent process application, accurate award monitoring and management, and reliable scholarship reporting for the University does not exist at NAU. Management and reporting requirements related to the FWS program and Arizona Teachers Academy are manually intensive, thus creating process inefficiencies. Manual override activity and explicit communication regarding expectations should be maintained to ensure proper segregation of duties and identify trends for additional training and / or resourcing of OSFA staff. All financial aid opportunities should be known by OSFA, including grant / sponsored research projects with financial aid implications.

Observations: We noted the following observations:

- The certificate program funding request process has been updated with corresponding partnership collaboration with the Provost's Office and the Curriculum and Assessment Office to submit certificate program funding requests to OSFA twice a year for review and submission to the Department of Education.
- The University Policy Committee does not include representation from Enrollment Management and policy liaisons do not exist for the Academic and Faculty Affairs and Student Affairs areas. However, once the University Policy Committee reconvenes, the opportunity for a policy liaison from Enrollment Management will be pursued with a direct connection for OSFA to be involved in policy development feedback to address potential financial aid impact on OSFA and other NAU departments and functions.
- Communication emails will be pursued to periodically remind individuals who have indirect financial aid responsibilities (e.g., Academic Advisors, Program Coordinators, etc.) about financial aid updates, reminding them of the financial aid processing requirements.
- OSFA is working with other departments to implement a formal process related to electronic signatures and to have more forms converted to electronic versions with Central Authentication Service⁶ sign-in serving as the signature. The Department of Education requires voluntary consent from students to electronically process financial aid transactions. They anticipate the process will be implemented by Fall 2021, which will allow for the streamlining of certain financial aid processes.
- OSFA is rolling out a required FWS supervisory training with passing requirement of 90 percent to process hiring forms. The intent is to make this training an annual requirement by Summer 2021.

We identified improvement opportunities related to policy and procedure improvement and implementation, enhanced use of existing information systems, and directed use of staff resources, for which management is implementing solutions as outlined in this report.

The control standards considered, related control environment assessment and any related improvement opportunities identified are summarized in the following table.

⁶ Per Knowledge Base, NAU's Central Authentication Service (CAS) provides single sign-on capability for web-based applications (e.g., PeopleSoft, Blackboard).

Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

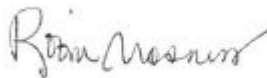
General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	Control Environment/ Assessment	IO No.	Page No.
Reliability and Integrity of Financial and Operational Information:			
• Scholarship awards for the Arizona Teachers Academy (ATA) are accurately posted to students' accounts			
• ATA scholarship transactions are accurately reflected in PeopleSoft Financials			
• OnBase adequately supports ATA scholarship transactions		3	7
• All financial aid opportunities are known by OSFA to ensure known rules are structured in PeopleSoft Campus Solutions		2	6
Safeguarding of Assets:			
• Only approved personnel have access to the OSFA system			
• Manual override of financial aid awards and disbursements are monitored		1	5
Effectiveness and Efficiency of Operations:			
• System automation exists to import and manage FAFSA filings			
• Automation exists to approve, upload and manage scholarship applications		3	7
• Scholarships are available to students in a central location		4	10
• System automation exists to import FWS earnings to student accounts		5	13
• FWS error reports are reviewed and corrected timely		5	13
• FWS is appropriately managed and used among NAU departments completely		5	13
• Periodic management reports exist to communicate results of financial aid awards and disbursements			
• Appropriate and timely training exist to operate effectively and efficiently			
Compliance with Laws and Regulations:			
• Adequate policies and procedures exist to manage FWS and are consistent with federal regulations and are effectively communicated		5	13

Legend:	
Reasonably Strong Controls In Place	
Opportunity for Improvement	
Significant Opportunity for Improvement	

We appreciate the assistance and cooperation provided by the Office of Scholarships and Financial Aid, NAU Payroll, the Office of Sponsored Projects, ITS, Legal Affairs & General Counsel, NAU Foundation, and Marketing personnel.



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Audit Results: Improvement Opportunities & Solutions

1. Periodic review of manual financial aid award and disbursement activity in override status and explicit communication regarding expectations of override actions ensures proper segregation of duties and transaction accountability, and identifies trends for additional training and resourcing of OSFA staff.

Solution: A process will be developed to periodically review manual award and disbursement activity in override status (since it allows for the adjustment of awards outside of PeopleSoft programmed award rules) by user in conjunction with annual reminders communicated to OSFA staff regarding appropriate use of award and disburse override privileges. OSFA's Confidentiality Agreement and Conflict of Interest Policy will be updated to identify if additional training is warranted, allocation of staffing resources is appropriate, and ensure segregation of duties is enforced.

Responsible Parties:

Amanda Cornelius, Senior Director, Enrollment Management
 Mirna Lord, Director, Enrollment Management
 Jacque Buchanan, Assistant Director, Enrollment Management
 Caleb Williams, Director, Enrollment Management

Implementation Date:

October 31, 2021

DETAILS:

Condition: Overriding the PeopleSoft award and disburse system rules are necessary in correcting student accounts in certain financial aid transaction and transaction adjustment situations to ensure the propriety of the financial aid awards. The following are examples for awarding and disbursing using manual override:

<u>Awarding in Override*</u>	<u>Disbursing in Override</u>
<ul style="list-style-type: none"> • A student is awarded FWS and earned wages against the FWS award amount but subsequently received additional aid, which then eliminates their FWS eligibility. Accordingly, the entire award is canceled and subsequently added in override status in the amount of the actual FWS earnings to prevent an over-award situation. • A student earned a portion of their Pell Grant aid at another school and because of this the system will not automatically award or will award an incorrect amount of aid due to the use of a system table structure. This then requires entry of a specific or unique award amount in override status to process this rare situation. <p style="font-size: small; margin-top: 10px;">* The primary reason for awarding in override status relates to adjusting amounts, as necessary.</p>	<ul style="list-style-type: none"> • Due to the subscription-based fee and related enrollment flexibility offered as part of the Personalized Learning (PL) program, a standard enrollment status (e.g., half-time, full-time, ¾ time) does not exist for PL students. Because the disbursement rules in the system rely on the enrollment status, the system will not disburse aid for PL students, so it must be done in override status. • To correct an incorrect refund situation as identified by SDAS, OSFA will disburse each award one by one to ensure charges are paid in the appropriate order that the system did not process accurately. This is a rare situation due to the payment and charge priorities structured in the system, but errors occasionally occur that require correction via the override status.

Override activity is not periodically reviewed to ensure the propriety of changes made in override status. OSFA's Confidentiality Agreement and Conflict of Interest Policy does not explicitly state expectations regarding awarding and disbursing in override status.

Audit Results: Improvement Opportunities & Solutions

Criteria: Allowing the override of automated controls typically reflects a notable internal control weakness that should ideally be disallowed. However, there are situations where system designs prevent the ability to structure automated controls to address all transactional requirements, especially transaction exception situations. Separation of duties, which can be violated by permitting override, is critical for effective internal control because it reduces the risk of both erroneous and inappropriate actions.

Cause: Competing priorities have not allowed for dedicated time in incorporating the review process and update to the policy agreement form. Current PeopleSoft security roles do not effectively allow for control combined with process efficiency as related to the noted transaction types.

Effect / Impact: Internal controls could be compromised, and compromises could be undetected, which may result in financial aid processing errors or irregularities.

2. A notification and reporting process related to sponsored projects that have financial aid implications will improve the financial aid awarding and disbursing process for aid supported through research grants.

Solution: As of the end of April 2021, OSFA is working with the Office of Sponsored Projects (OSP) to identify a reporting mechanism to capture and communicate grant projects that have financial aid scholarship award implications. An initial report was provided by OSP to OSFA as a starting point, but specific criteria is being identified to ensure the grant project process includes a step to identify these types of projects. Once OSFA and OSP agree on the criteria, the grant project process will be updated to include the specific criteria to efficiently identify these types of projects for reporting to OSFA. It should be noted that the system used to capture criteria specific to sponsored projects will be updated in Fall 2021 and will provide options to customize the criteria for sponsored projects. Internal Audit will facilitate meetings where beneficial as part of this collaborative effort and its related progress.

Responsible Parties:

Amanda Cornelius, Senior Director, Enrollment Management
Mirna Lord, Director, Enrollment Management
Jacque Buchanan, Assistant Director, Enrollment Management
Caleb Williams, Director, Enrollment Management
Stacia Levy, Associate Vice President, Office of Sponsored Projects

**Implementation
Date:**
May 31, 2022

DETAILS:

Condition: Per discussion with OSFA, while most grant projects that have a financial aid component for scholarship awards to students are known by OSFA, there are some grant projects that are not known by OSFA. A notification process does not exist to report grant project details that have a financial aid component for student scholarship awards to OSFA.

Audit Results: Improvement Opportunities & Solutions

Criteria: The OSFA Estimated Financial Assistance policy states, “Estimated Financial Assistance is any scholarship, grant, loan, fellowship, stipend or need-based employment offered to help an NAU student meet his/her college expenses. If the financial assistance is based on financial need, then it must be treated as estimated financial assistance. All estimated financial assistance must be coordinated to remain compliant with federal Cost of Attendance and Financial Need rules. It is important to know that existing financial assistance such as federal or state grants or loans may be adjusted based on the rules. NAU Office of Scholarships and Financial Aid must be made aware of all financial assistance provided to a student for the purpose of determining how it is treated as part of the student’s financial aid package.”

A formal process to identify projects with a component that may become OSFA’s responsibility will help OSFA better prepare and understand the grant project requirements. Notification is critical for remaining in compliance with federal regulations, especially when OSFA human resources are limited.

Cause: Competing priorities have not permitted dedicated time to pursue a notification process.

Effect / Impact: Lack of notification to OSFA causes the staff to be reactive by having to add an award to a student’s account after other aid has disbursed, which can compromise awarding accuracy, thus negatively impacting the student and increasing the risk for non-compliance.

3. Automating components of the processes supporting implementation of the Arizona Teachers Academy (ATA) scholarships will help to improve efficiency and effectiveness, thereby allowing limited financial aid resources to focus on other financial aid needs and priorities.

Solution: Because the funding related to the ATA scholarship is state funded and not federally funded, Central Authentication Service (CAS) sign-in (i.e., sign-in to the NAU network) is acceptable as the signature for the ATA scholarship application. This application has been prioritized to convert to an electronic form, which will be able to capture CAS sign-in. This form will go-live in Fall 2021. Further, once the new hire starts and training is completed, a focus will be on identifying efficiencies in the awarding process that will allow for batch processing and / or automation, where appropriate.

Responsible Parties:

Amanda Cornelius, Senior Director, Enrollment Management
Mirna Lord, Director, Enrollment Management
Jacque Buchanan, Assistant Director, Enrollment Management
Caleb Williams, Director, Enrollment Management

Implementation Date:

December 31,
2021

DETAILS:

Condition: The Arizona Teachers Academy (ATA) offers a year-for-year tuition waiver for students who commit to teach in Arizona public schools. Program recipients have a one-year grace period to begin teaching after graduation and each university tracks its graduates to

Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

Audit Results: Improvement Opportunities & Solutions

determine whether they have met the teaching obligation in their student agreement. In addition to tuition waivers, students enrolled in the ATA have access to support services during and after completion of their program of study⁷.

The ATA scholarship program was enacted by the Arizona Legislature as a means to addressing a K-12 teacher shortage in Arizona. However, no funds are provided by the State to NAU to address the additional effort and related costs associated with administering these scholarships. Due to the uniqueness of the scholarships, all ATA scholarships are manually processed. While the burden was not an issue in the first year of the program, the program has grown significantly since its inception in FY2018 as evident by the table below.

	Total ATA Student Count	Scholarships Awarded	Total ATA Scholarship Student Count
FY21*	919	\$ 4,817,149	725
FY20	900	\$ 4,238,024	674
FY19	161	\$ 204,856	63
FY18	59	\$ 39,828	13

* through March 11, 2021

Note: Scholarship awards vary and depend on the other awards received and credit hours enrolled in by the student.

An OSFA staff as well as OSFA student workers are responsible for managing the ATA awarding process, but their time is not dedicated to this process. As of June 2021, a position has been approved with Prop 207⁸ and Prop 208⁹ funding to hire an individual dedicated to this process.

⁷ Per the Arizona Board of Regents' Arizona Teachers Academy Report for the fiscal year ended June 30, 2020.

⁸ Proposition 207, passed by voters on the 2020 General Election, is also known as the Smart and Safe Arizona Act that allows limited marijuana possession, allows use and cultivation by adults 21 or older, amends criminal penalties for marijuana possession, bans smoking marijuana in public, imposes a 16% excise tax on marijuana sales to fund public programs, authorizes state / local regulation of marijuana licensees and allows expungement of marijuana offenses. This proposition amended Arizona Revised Statutes Titles 36-Public Health and Safety, 42-Taxation and 43-Taxation of Income; specifically, 36-2817 (Medical marijuana fund; private donations), 42-5451, 5452 and 5453 (Marijuana and Marijuana Products) and 43-108 (Subtractions from gross income; ordinary and necessary expenses; marijuana establishments and marijuana testing facilities; definitions).

⁹ Proposition 208, passed by voters on the 2020 General Election, is also known as the Invest in Education Act that imposes a 3.5% tax surcharge on taxable annual income over \$250,000 for single persons or married persons filing separately, or \$500,000 for married persons filing jointly or heads of households, to increase funding for public education. This proposition amended Arizona Revised Statutes Titles 15-Education and 43-Taxation of Income; specifically, 15-1655 (Arizona Teachers Academy; tuition and fees scholarships; fund; annual report; definitions) and 43-1013 (Income tax surcharge for public education).

Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

Audit Results: Improvement Opportunities & Solutions

The paper ATA scholarship application is imaged into OnBase for processing reference and recordkeeping but requires a hard-copy form signature as electronic signatures are not accepted for financial aid transactions at NAU. OSFA staff follow-up with students who did not complete the ATA scholarship application correctly, including electronically signing the application. The process related to the electronic signature policy for student consent procedures is being developed in coordination with the NAU Admissions Office and the Registrar's Office. The anticipated date to implement the electronic signature acceptance for financial aid transactions is Fall 2021.

Criteria: Automating the routine processing of high-volume transactions will help to minimize errors and frees up staff time for other priorities.

Cause: Arizona Revised Statute 15-1655 regarding the Arizona Teachers Academy states: "A. Eligible postsecondary institutions shall implement an Arizona teachers academy to incentivize students to enter the teaching profession and to commit to teach in Arizona public schools or for or in schools that serve primarily public school students with disabilities, which are considered public schools for the purposes of this section." and "D. Each eligible postsecondary institution shall provide to each full-time student who is enrolled in the Arizona teachers academy an annual scholarship of \$10,000 per year for a maximum of two academic years or four semesters for graduate university students, \$5,000 per year for a maximum of four academic years or eight semesters for undergraduate university students, \$3,000 per year for a maximum of two academic years or four semesters for community college students for tuition and fees associated with the student's program of study and \$2,500 one time for teachers seeking national board certification, after all other financial gifts, aid or grants received by that student or teacher. Scholarships under this subsection are subject to all of the following:

1. If the student does not successfully complete the academic year in good academic standing, the student shall reimburse the Arizona board of regents for the total amount of the scholarship for tuition and fees the student received for that year.
2. For each academic year that the student successfully completes and for which the student receives a scholarship for all tuition and fees, the student must agree to teach for one full school year in a public school in this state. For students who are teaching and receiving the scholarship concurrently, the commitment period begins after graduation from the Arizona teachers academy. For teachers seeking a national board certification, the teaching commitment is one additional year after completing the requirements of the national board certification program.
3. If the scholarship does not cover remaining tuition and fee costs after other aid received, the eligible postsecondary institution may not charge students the remaining difference. If the scholarship amount exceeds tuition and fee costs at an eligible postsecondary institution, the institution may use the remaining amount to support Arizona teachers academy costs.
4. If the student does not fulfill the student's obligation to teach in a public school, the student must reimburse the Arizona board of regents for the proportional amount of the scholarship for tuition and fees that the student received that correspond to the number of school years the student agreed to teach but did not teach in a public school in this state.
5. If the student is physically or mentally unable to fulfill the requirements of the Arizona

Audit Results: Improvement Opportunities & Solutions

teachers academy, the Arizona board of regents shall establish a process for assessing the student's ability to repay the financial assistance received and shall determine any terms of repayment.

6. The Arizona board of regents shall establish a process for deferring service or repayment based on factors adopted by the board.”

The electronic signature policy is in draft form and will require a coordinated effort among the NAU Admissions Office and OSFA to ensure a process exists for obtaining consent or lack thereof.

Effect / Impact: Human time and effort is stretched with the growth of this program, which can result in reduced staff efficiency, potential errors in scholarship processing, reduced effort on other key tasks, contribute to staff burnout, and have a potentially negatively impact on students.

4. Centralizing access to scholarship opportunities available to students will improve students' ability to overcome financial barriers and potentially improve enrollment and retention by ensuring students do not inadvertently miss out on available aid opportunities.

Solution: As a collaboration effort led by the Enterprise Business Analysts Team and approved by the Strategic Project Review and Resourcing Committee, OSFA will contribute to this project by working with NAU Legal Affairs & General Counsel, the NAU Foundation, Provost's Office, ITS and other departments deemed instrumental to establish a centralized website or other means of easy access to all available NAU scholarships. The following are the phases required in identifying a central portal for students.

- In collaboration with NAU Legal Affairs & General Counsel, an agreement will be established between NAU and the NAU Foundation that will consider data usage requirements and expectations. December 1, 2021
- In collaboration with the NAU Foundation, NAU Contracting and NAU ITS, the Academic Works contract will be reviewed to determine opportunities and limitations (i.e., instance merging and required structure). March 31, 2022
- The NAU Foundation and the NAU Provost will collaborate on identifying staffing resources by area and create a related structure for administering the scholarships. The resources will be contingent on the number of scholarships available across all colleges among other things. March 31, 2022
- In collaboration with NAU Colleges / Departments and NAU Marketing, scholarship opportunities will be moved to the central portal and related websites will be updated to ensure students are directed to the portal as opposed to information on the college's / department's website. June 30, 2022

Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

Audit Results: Improvement Opportunities & Solutions

Responsible Parties:

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Caleb Williams, Director, Enrollment Management
Andrea Stalker, Director, Information Technology Services Administration

**Implementation
Date:**

December 2021 thru
June 2022
(as identified above)

DETAILS:

Condition: The concept of a Scholarship Shared Service at NAU was proposed by Dr. Steven Burrell, NAU Chief Information Officer, in August 2017. The following is an excerpt from his proposal:

“Colleges currently award scholarships through disparate systems and processes. Students search and apply for scholarships in different places and through different processes. The lack of consistency in how scholarship information is provided students and the application processes may be contributing to un-awarded or under-awarded scholarships. The Foundation conducted an audit last year of un-awarded and under-awarded Foundation scholarships for the AY 16/17. There were 45 un-awarded scholarships. The data was presented to the Colleges in February 2017. This proposal seeks to increase efficiencies and improve the effectiveness of scholarship management and awards by creating a single student scholarship shared service for all colleges and departments. By deploying all scholarships in the Academic Works™ System the University will realize consistent management and accountability, improved accuracy of scholarship criterion and information, improved relations with donors, and increased awards among other benefits.” Dr. Burrell’s research included inquiring of the OSFA staffing needed as part of this proposal, to which OSFA replied with four scholarship counselors to be allocated between awarding and customer service responsibilities.

His recommendation included using Academic Works¹⁰ as a shared service for all colleges and scholarships including licensing Academic Works centrally, exploring the benefits of a system to manage donor stewardship and considering either full or subsidized central funding and a charge-back mechanism based on management of each scholarship. Up until 2020, this proposal was in limbo due to leadership transitions and the pandemic; however, in late 2020, the NAU Foundation and OSFA began conversations regarding this proposal, which was again put on hold due to several leadership transitions and determining which area should manage the portal.

Academic Works is used for scholarship opportunities. Not all scholarship opportunities are housed in Academic Works. Two instances of Academic Works exist.

- Instance One is owned by and designated for the NAU Foundation’s scholarship opportunities that are administered by the Foundation, given that the Foundation is a

¹⁰ This product is now known as Blackbaud Award Management. Blackbaud is a cloud computing provider that offers scholarship and stewardship management. During 2017, Blackbaud acquired Academic Works.

Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

Audit Results: Improvement Opportunities & Solutions

separate legal entity from the University. During academic year 2021, the W.A. Franke College of Business and NAU's College of Education offer their scholarship opportunities as part of the NAU Foundation's instance. During spring 2021, the Center for International Education has inquired about using the NAU Foundation's instance of Academic Works.

- Instance Two is owned by and designated for department and NAU Foundation scholarship opportunities that are managed by OSFA, which also includes several NAU colleges and / or programs: Yuma, College of Health and Human Services (Nursing and Dental Hygiene) and Military.

Scholarship opportunities are also available outside of Academic Works and housed on the websites of applicable NAU departments and / colleges. The layout of scholarship opportunities is vast, and not efficiently or effectively organized on NAU's websites, to the detriment of NAU students: A student could potentially apply for scholarships available in either instance as well as on a college / department's website. Each instance and each college / department have their own scholarship application, which include duplicate questions. Departments as well as the Foundation reach out to OSFA to verify data elements captured on scholarship applications (e.g., phone number, address, citizenship, high school GPA, SAT/ACT scores, etc.). This process requires a manual lookup by OSFA.

Academic Works allows for CAS authentication and includes features for comprehensive management that include tracking encumbered funds, managing the award process (communicate award letter, acceptance by student), coordinating the scholarship committee review process, and monitoring and managing donor thank-you letters.

Criteria: Paying for college is a significant barrier to pursuing higher education. A central location that offers the convenience of searching and applying for financial aid opportunities to pay for college can reduce this stress and increases the likelihood a student will successfully complete a degree program. Further, the efficiencies and effectiveness gained by the use of a single system provides consistent process application, accurate award monitoring and management, and reliable scholarship reporting for the University.

Cause: Until recently, a directive did not exist to centralize scholarship opportunities. Data sharing has been a concern due to the legal requirements to protect sensitive student data and to maintaining the legal separation between NAU and the Foundation.

Per the National Association of Student Financial Aid Administrators' White Paper regarding *Financial Aid Data Sharing*, "three laws control the release of student data: (1) Sections 483(a)(3)(E) and 485B(d)(2) of the Higher Education Act (HEA), as amended; (2) the Family Educational Rights and Privacy Act (FERPA); and (3) the Privacy Act.

- Section 483(a)(3)(E) of the HEA specifically restricts the use of the FAFSA data, and states that data collected on the FAFSA form shall be used only for the application, award, and administration of aid awarded under Title IV student aid programs, state aid, or aid awarded by eligible institutions or such entities as the federal Department of Education may designate. Section 485B(d)(2) of the HEA prohibits the use of National Student Loan Data System

Audit Results: Improvement Opportunities & Solutions

(NSLDS) data for non-governmental research and marketing purposes.

- FERPA's intent, as found in 20 U.S.C. SS 1232g and 34 C.F.R. Part 99, is to protect the privacy of students, in part by prohibiting postsecondary institutions from disclosing personally identifiable information (PII) contained in education records to any third party – including the student's parents – without the student's permission. FERPA applies to all postsecondary institutions that receive federal funds.
- The Privacy Act (5 U.S.C. SS 552) governs the collection, maintenance, and use of records maintained by federal agencies and generally prohibits agencies from disclosing data contained in those records. The Privacy Act can impose restrictions on institutions as well if a federal agency lawfully provides records or access to records to an institution."

Effect / Impact: Students may not stay at NAU if they don't find scholarship opportunities here, resulting in lost enrollments / reduced retention. NAU may not award all available monies earmarked for scholarships, thereby inadvertently causing students to struggle to pursue or stop pursuing their educational goals.

5. Implementing a payroll report or process to monitor Federal Work-Study (FWS) expended per pay period will help departments with managing and maximizing use of FWS funds and avoid or reduce the need to process payroll expense transfers.

Solution: OSFA will –

- Determine if a project can be prioritized via the Strategic Project Review and Resource Committee (SPRRC) process to:
 - upload the FWS earnings directly from PeopleSoft Human Capital Management (PS HCM) to PeopleSoft Campus Solutions (PS CS) or work with the PeopleSoft developers to assist with incorporating the FWS calendar and any additional considerations to make the FWS Balance query report work for FWS supervisors to manage the FWS earnings to ensure all applicable FWS funds are used.
 - if the first option above is not feasible, the next option is to structure the exceptions and monitoring alert reports, produced as part of the FWS upload process by OSFA, for automatic email to the appropriate FWS supervisor.
- Collaborate with NAU Human Resources to:
 - investigate the possibility of having only the FWS timesheet available for clocking in until the student's FWS award is fully exhausted. Thereafter, having only the student wage timesheet available.
 - leverage the HR Service Team, as appropriate, to identify areas of improvement to better manage and monitor FWS earnings.

Further, the annual FWS training required for FWS supervisors will be instrumental in ensuring supervisors understand the requirements for hiring and supervising FWS employees. (see the Observations section).

Northern Arizona University
Financial Aid
Internal Audit Report
July 19, 2021

Audit Results: Improvement Opportunities & Solutions

Responsible Parties:

Amanda Cornelius, Senior Director, Enrollment Management
Mirna Lord, Director, Enrollment Management
Jacque Buchanan, Assistant Director, Enrollment Management
Caleb Williams, Director, Enrollment Management

**Implementation
Date:**

December 31,
2021

DETAILS:

Condition: Notable levels of FWS funds go unused annually due to the lack of ability to ensure student earnings properly use FWS funds before student wage funds (see analysis below). Unused FWS funds correspond to an excess cost to NAU since 70 percent of the related payroll costs would not be charged to NAU budgets if all FWS funds were used. Significant manual effort in the way of encouraging supervisors to hire students eligible for FWS, manage and monitor earnings compared to FWS awards, take appropriate action when the FWS award is exceeded, adjusting FWS awards in order to spend FWS monies, and calculate and process interdepartmental payroll expense transfer (IPT) journals¹¹, contributes to inefficient and ineffective monitoring and management of the FWS program.

	<u>Unused Funds</u>
FY21*	\$ 7,484
FY20√	\$ -
FY19Δ	\$ 122,961
FY18	\$ 139,426
FY17	\$ 89,030
FY16	\$ 88,934

* through March 31, 2021

√ Due to the pandemic, the Department of Education (ED) allowed exceptions for the use of unexpended FWS funds and therefore NAU did not have any unexpended funds to return to the ED.

Δ FY19 corrections were a one-time occurrence due to the introduction of WebClock.

FWS Manual Effort Statistics

	<u># of FWS Award Increases</u>	<u>IPT Activity</u>				
		<u>Dollar Amount</u>	<u># of Students</u>	<u># of</u>		
				<u>Journal Entries</u>	<u># of Cabinets</u>	<u># of Departments</u>
FY21*	67	\$ 5,246	13	13	5	12
FY20	140	\$ 40,915	87	93	7	39
FY19	272	\$ 76,450	92	95	9	67
FY18	174	\$ 8,701	17	18	4	14
FY17	200	\$ 13,307	31	35	8	36
FY16	67	\$ 16,442	79	100	9	41

* through February 28, 2021

Note: Per OSFA, the large number of journal entries in FY16, FY19 and FY20 were due to extenuating circumstances related to OSFA personnel turnover and retraining, WebClock unveiling and inaccurate reporting related to the Federal Work Study Balance query.

¹¹ Per the Comptroller's website, the Interdepartmental Payroll Expense Transfer (IPT) journals are used to make corrections to payroll expense incurred through the Payroll system. Transfers should be one-time transfers for corrections to payroll distribution due to clerical error or delays in processing payroll changes through the ePAR process.

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Departments currently manage and approve FWS student employment timesheets in HCM. However, HCM provides no information regarding the FWS award funds being used for the student hours worked specific to FWS, which results in student time being charged to department budgets instead of the available FWS award funds or vice versa. While OSFA and HR Payroll are aware of and have made attempts to address this issue, a workable solution has not been identified.

There is no direct link to upload payroll data from PS HCM to PS CS. Accordingly, the payroll data is uploaded via Enterprise Reporting using WebFU (Web File Utility). Enterprise Reporting uses the FWS calendar, which determines the term the payroll data should be reflected in (i.e., fall, spring) in PS CS. The FWS calendar, which is based on the academic calendar, is not aligned with NAU's pay periods. There have been multiple attempts between OSFA and HR to create a report that FWS supervisors can use to manage FWS earnings so as not to exceed the FWS award amount. The most recent report created by HR in June 2019 was eventually vetted by OSFA in September 2019 and is called the FWS Balance query. This report was live for a short period of time in the Time and Labor Work Center for FWS supervisors to use, but due to the pay periods not aligning with the FWS calendar, it caused confusion more than anything else. Accordingly, it was removed from the Time and Labor Work Center.

The existing upload process that uses Enterprise Reporting produces PS CS reports only available to OSFA. FWS supervisors can access the FWS Eligibility Screen in PS CS to determine the FWS award remaining for each student. The FWS Eligibility Screen is not in a report format; meaning the FWS supervisor must enter each student's EMPLID to determine the remaining award for FWS students they manage, which is not an efficient process for departments with several employees. Further, the remaining award is a total and may not be useful if a student is simultaneously working in more than one FWS position at a time. Alternatively, the FWS supervisor may use the FWS Pay Period Tracking Sheet, which is an Excel spreadsheet maintained on the Comptroller's PeopleSoft Financials SharePoint site. However, this requires manual input from the FWS supervisor, which is not an efficient process and is subject to manual human error.

The upload process identifies monitoring alerts and exceptions related to updating students' financial aid information with payroll information, which OSFA then manages via manual FWS award updates and / or email communications with the student and FWS supervisor:

Monitoring alerts include:

- FWS earnings that are below but within \$500 of the FWS award
- Successfully applied FWS earnings

Exceptions include:

- FWS earnings exceed the FWS award
- FWS earnings cannot be applied because the student has multiple FWS awards
- Negative FWS earnings in one date range of the FWS calendar (aka academic term)
- FWS earnings cannot be applied because the student has no FWS award
- FWS earnings not automatically populating due to past adjustments for corrections to the student's FWS award (i.e., multiple FWS awards, negative FWS earnings in one date range of the FWS calendar)

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With the formalization of the HR Service Team there is opportunity to leverage this team to create efficiency gains, specifically related to the FWS Hiring Form and ePAR processing for terminations.

Criteria: Automating the routine processing of high-volume transactions helps to minimize errors and frees up staff time for other priorities.

Cause: Supervisors do not adequately manage and monitor FWS awards and earnings. Due to resource limitations (e.g., resources in the way of PS developers and budget restrictions) at the moment, there is no feasible solution to address the direct link from PS HCM (payroll data) to PS CS (FWS award) or to address the recommendation that an accurate report be available to FWS supervisors.

Effect / Impact: Unused FWS funds exist each year. As noted in the condition, NAU incurs expenses that need not be incurred if FWS funds were fully used. The entire process to manage and communicate exception reporting with the appropriate FWS supervisor is time consuming, and IPT journals are not the ideal solution to managing FWS funds.

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