Alamo Colleges
Student Financial Aid Awards – Tuition Assistance Program Review

September 30, 2011

District Director of Internal Audit
Alamo Colleges
San Antonio, Texas

RE: Student Financial Aid Awards – Tuition Assistance Program Review

Alamo Colleges’ Management has reviewed the report and related recommendations for this project. In these times of significant financial budget constraints, we are especially appreciative of the projected savings identified should the recommendations be implemented. Implementation of 6 recommendations has been completed. All Students have been billed and collection efforts are underway to recover the monies owed by students for unsatisfactory academic performance. However, as the first compliance and performance audit of the Tuition Assistance Program processes and controls, there are many challenges to address which will require prioritization and allocation of resources. Financial Aid is targeting December 2011 for implementation of new processes and reporting. We agree with your recommendation to consider redesigning the Tuition Assistance Program (5 of the 21 audit recommendations) and target bringing a plan to the Board of Trustees by January 2012. Training on the new Program should complete by March 2012 and begin measuring results by May 2012.

Responses summarized below follow the audit’s recommendations acknowledging acceptance of the ideas presented. In addition, we designated a sponsor for each accepted recommendation and indicated an expected implementation or completion date. When appropriate, we explained a reason for declining an audit recommendation and provided alternative action strategy to address the issue. Risk factors and rankings noted for each recommendation will clarify for all interested parties the prioritization and resource commitments needed.

Diane Snyder
Vice Chancellor for Finance and Administration

Linda Boyer-Owens
Associate Vice Chancellor of Human Resources

Pamela Ansboury
Associate Vice Chancellor for Finance and Fiscal Services

Dr. Adelina Silva
Vice Chancellor for Student Success

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## RECOMMENDATIONS

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<td><strong>FEDERAL, STATE, AND/OR LOCAL REGULATIONS COMPLIANCE</strong></td>
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<td></td>
<td><strong>Detailed Report</strong></td>
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<td></td>
<td>Comply with 34 CFR 668.16 Standards of Administrative Capability, especially regarding consideration of all financial aid including Tuition Assistance Funds</td>
<td>VCSS, SFS</td>
<td>8</td>
<td>Accept</td>
<td>VCSS</td>
<td>12/2011</td>
<td>Sample Group: Amount of Tuition Assistance awarded to students receiving other aid = $37,000</td>
<td>BP, PO, PR</td>
<td>A, D, F, N, P, R, S</td>
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<td>1</td>
<td><strong>Action plan:</strong> The Vice Chancellor of Student Success will work with the Vice Chancellor for Finance and Administration and the Vice Chancellor for Planning, Performance and Information Systems to strengthen procedures in monitoring the Tuition Assistance Program to ensure compliance with federal, state and Alamo policy.</td>
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<td>Establish a compliance function to review all financial aid awards distributed to employees and their immediate family members to ensure that decisions are (a) in compliance with laws and regulations; and (b) based on objective, fair, and reasonable practices</td>
<td>C, VCSS, SFS</td>
<td>8</td>
<td>Accept</td>
<td>VCSS</td>
<td>12/2011</td>
<td>Not Estimated</td>
<td>BP, PO, PR, SI</td>
<td>A, D, F, N, P, R, S</td>
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<td>2</td>
<td><strong>Action plan:</strong> See Item #1.</td>
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<td></td>
<td>Develop exception reports for evaluating and monitoring financial aid awards to employees and dependents</td>
<td>C, VCSS, SFS</td>
<td>8</td>
<td>Accept</td>
<td>VCSS</td>
<td>12/2011</td>
<td>Not Estimated</td>
<td>BP, PO, PR, SI</td>
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<td><strong>Action plan:</strong> See Item #1.</td>
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  - SI = Specific Internal Control
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- **Risk Ranking:**
  - H = High
  - M = Medium
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<td>4</td>
<td>Propose that the Board of Trustees approve a new policy to adopt and implement a formal internal control framework, preferably the Committee of Sponsoring Organizations Enterprise Risk Management (COSO ERM) framework • Develop and provide training for personnel about the approved control framework • Implement a continuous communication plan to reinforce these control concepts</td>
<td>C, VCFA, VCSS</td>
<td>9</td>
<td>Duplicate VCFA/VCPPIS</td>
<td>Alamo Colleges Management’s Responses:</td>
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<td>5</td>
<td>Comply with Policy D.6.1 Professional Development and recommend to the Board of Trustees changes to Policy D. 6.1 to clarify the following: • Reimburse employees for tuition and/or fees – only upon successful completion, grades of “C” or better, of courses • Excluding repeated courses • For academic courses in an approved degree plan, excluding audited courses • For approved continuing education or certification courses</td>
<td>C, VCFA, HR</td>
<td>9</td>
<td>Accept VCFA</td>
<td>Completed</td>
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**Action plan:** As responded to in previous audits, the adoption of COSO Risk Management would be a major undertaking and would divert resources away from other high priority initiatives. We need to balance operational performance with internal controls. Management is consistently engaged in risk assessment, risk response, monitoring and control objectives, and the associated mitigation strategies. While we agree that COSO would provide more formality to these efforts, this is not currently a high-priority/high-impact initiative for the enterprise. This recommendation is currently being assessed and is expected to be presented to the Chancellor by January 2012 timeframe.

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<td>6</td>
<td>Comply with Policy C.2.4 Records Management as approved by the Board</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Accept</td>
<td>Completed</td>
<td>C, VCFA, FFS, HR</td>
<td>Estimated Potential Civil Penalties for Employee Records = $270,000</td>
<td>BP, PO, PR</td>
<td>A, D, N, R</td>
<td>M</td>
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### Action plan:
The Vice Chancellor for Finance and Administration, through the Records Management Officer, continues to educate employees on records retention requirements. Incidents of non-compliance with this policy are brought to the attention of management and corrected.

## PROCEDURE COMPLIANCE

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<td>7</td>
<td>Immediately request reimbursements from employees for unacceptable grades and/or not completing courses; this is estimated to be approximately $327,800 for the ten terms reviewed</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Accept</td>
<td>Completed</td>
<td>VCFA, FFS, HR</td>
<td>Historical Recoveries from Employees and Dependents for 10 Terms Reviewed = $327,800 Historical Recoveries from Employees and Dependents for 2006 to Summer 2007 and after Spring 2010 – Not Estimated Future Estimated Recoveries from Employees = $57,000</td>
<td>BP, PO, PR</td>
<td>A, D, F, M, P, R, S</td>
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### Action Plan: The Vice Chancellor for Finance and Administration has completed a review of the employees and dependents identified in this audit. In 1st quarter 2011, HR billed $298,021.71 to 710 employees/dependents, which represents all tuition owed by employees and dependents for courses taken in 2005-2009, and is recovering the reimbursements for unacceptable grades and/or not completing courses. As of August 15, 2011, $103,536.37 has been recovered.
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<td>8</td>
<td>Improve Procedure D.6.1.3 Educational Assistance, especially to address:</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Duplicate</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Estimate of Annual Processing Costs for Employee Applications = $22,275</td>
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<td>BP, PO, PR</td>
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<td>• Reimbursing students after completing the courses</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Duplicate</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Estimate of Annual Costs Related to Release Time = $145,800</td>
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<td>BP, PO, PR</td>
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<td>• Holding students accountable for academic outcomes</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Duplicate</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Estimate of Annual Costs</td>
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<td>BP, PO, PR</td>
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<td>• Administering and monitoring of the Program</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Duplicate</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Estimate of Annual Costs for After Term Follow Up Procedures for Employees = $36,450</td>
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<td>BP, PO, PR</td>
<td>A, D, F, N, R</td>
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<td>• Reporting to Management and the Board the annual results, especially exceptions</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Duplicate</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Estimate of Annual Costs</td>
<td></td>
<td>BP, PO, PR</td>
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<td>• Segregating duties appropriately</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Duplicate</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Estimate of Annual Costs</td>
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<td>BP, PO, PR</td>
<td>A, D, F, N, R</td>
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<td></td>
<td>• Defining a qualified dependent, if coverage continues</td>
<td>VCFA, FFS, HR</td>
<td>9</td>
<td>Duplicate</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Estimate of Annual Costs</td>
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<td>BP, PO, PR</td>
<td>A, D, F, N, R</td>
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**Action Plan:** A detailed review of the Tuition Assistance Program for possibly redesign is underway, with recommended changes to be presented to the Board by January 2012. This Audit recommendation previously provided in the St. Philip's Student Financial Services Audit Report.

| 9 | Provide additional training to District and Department staff about all policies and procedures related to the Tuition Assistance Program | VCFA, HR | 9 | Duplicate | March 2012 | Not Estimated | BP, PR | D, P, R | M |

**Action Plan:** Training will be conducted once the new program is adopted by the Board. See item #8. This Audit recommendation previously provided in the St. Philip's Student Financial Services Audit Report.

**Detailed Report**

**Bursar's Office Management's Responses:**

| # | The Bursar's Office should develop a comprehensive procedure for its role in administering this Program | VCFA, FFS/ BUR | 9 | Partially Accept | VCFA | Completed | Not Estimated | BP, PR | D, F, R | M |

**Action Plan:** Procedures are in place to apply waivers/exemptions for the Tuition Assistance Program.

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  - U = Urgent need for corrective action (Less than 90 days)

- **Risk Ranking:**
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#### CONTROLS

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<tr>
<td>11</td>
<td>Establish and monitor performance measures for the Tuition Assistance Program, such as participation, courses taken, repetitive courses, cost of tuition and fees paid, administrative costs, release time and associated costs, collection efforts, and success rates especially if funds continue to be advanced.</td>
<td>VCFA, FFS, HR</td>
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**Action Plan:** See item #8. Performance measures will be established for the new program in accordance with The Alamo Way – the Baldrige centered model for continuous improvement.

| 12 | Provide the Board and Management with reports on performance, including financial and non-financial data to assess its success and identify opportunities for improvement. | VCFA, FFS, HR | 10 | Partially Accept | VCFA | May 2012 | Not Estimated | BP, PR, SI | D, F, P, R, S | H |

**Action Plan:** Management reporting to be developed of key metrics listed in item #11 above; however based on the immateriality of the program ($250K) to the entire annual budget, reports to Board not considered necessary unless requested.

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<td>13</td>
<td>Establish a control so that the Program expenditures do not exceed the budget amount</td>
<td>VCFA, FFS, HR</td>
<td>10</td>
<td>Accept</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Budget Variance for 5 Fiscal Years = ($580,000)</td>
<td>BP, PR, SI</td>
<td>D, R, S</td>
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*Action Plan:* The budget amount for this program is an estimate. All requests for expenditures under this program are processed – additional budget will be allocated in the future. A detailed review of the Tuition Assistance Program is underway and will be completed with recommended changes presented to the Board by January 2012. Budgetary impact of this program is included in this review.

| 14 | Implement appropriate segregation of duties in the activities performed by the Human Resources Department, Bursar's Office, Miscellaneous Receivable Section, and the Student Financial Services Department | VCFA, FFS, HR | 10                | Accept                           | VCFA                           | January 2012    | Not Estimated                     | BP, PR, SI | D, F, R, S |             | H           |

*Action Plan:* A risk assessment will be conducted as part of the Tuition Assistance Program review which is currently underway and expected to be presented to the Board by January 2012.

| 15 | Establish a control so that Tuition Assistance Program expenditures and related revenues are reported in the same fiscal year | VCFA, FFS | 10                | Accept                           | VCFA                           | Completed        | Average Fall Term Expenditures = $200,000 | BP, PR, SI | D, M, R, S |             | M           |

*Action Plan:* A plan has been developed to ensure related expenses and revenues are included in the same fiscal year. Tuition Assistance Program expenditures for Fall 2011 has been reclassified from FY 2011 to FY 2012 to match the deferred revenue for Fall 2011.

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<td>16</td>
<td>Limit assistance to</td>
<td>C, VCFA, HR</td>
<td>10</td>
<td>Accept</td>
<td>VCFA</td>
<td>January 2012</td>
<td>See #5, #7, #8</td>
<td>BP, PO, PR</td>
<td>A, I, P, R</td>
<td>M</td>
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<td>• Paying $80 per course up to a maximum of $480 per term to simplify the process and administrative system algorithms (Note: Summer terms would be $240 each)</td>
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<td>• Paying for a course only once</td>
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<td>• Supporting degree plan courses only</td>
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<td></td>
<td>• Including only approved continuing education or certification courses</td>
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<td>• Assisting full-time employees after completing one-year of service</td>
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<td></td>
<td><strong>Action Plan:</strong> See item #8.</td>
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<tr>
<td>17</td>
<td>Reconsider continued coverage of adjunct faculty and dependents; three major college districts in Texas do not provide assistance to these individuals</td>
<td>C, VCFA, HR</td>
<td>10</td>
<td>Accept</td>
<td>VCFA</td>
<td>January 2012</td>
<td>Not Estimated</td>
<td>BP, PO, PR</td>
<td>A, F, I, R</td>
<td>M</td>
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<td></td>
<td><strong>Action Plan:</strong> See item #8.</td>
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</tbody>
</table>

### LEGENDS:

- **Directed To:**
  - C = Chancellor
  - VCFA = Vice Chancellor for Finance and Administration
  - VCSS = Vice Chancellor for Student Success
  - HR = Human Resources Department Management
  - BUR = District and Colleges Bursar's Office
  - FFS = Finance and Fiscal Services Department
  - SFS = Student Fin Services Management

- **Issue Types:**
  - BP = Business Process
  - PO = Board Policy
  - PR = Management Procedures
  - SI = Specific Internal Control
  - TE = Technical
  - M = Financially material

- **Risk Factors:**
  - A = Noncompliance - Alamo Colleges policies/procedures
  - D = Likelihood that it would not be detected
  - F = Potential for fraud to occur
  - I = Significant inefficiency
  - M = Noncompliance - Federal or Texas laws/regulations
  - N = Noncompliance - Federal or Texas laws/regulations
  - P = Alamo Colleges reputation impacted
  - R = Likelihood of repetition if not corrected
  - S = Significant deficiency
  - U = Urgent need for corrective action (Less than 90 days)

- **Risk Ranking:**
  - H = High
  - M = Medium
  - L = Low
## RECOMMENDATIONS

<table>
<thead>
<tr>
<th>#</th>
<th>Description</th>
<th>Directed To</th>
<th>Audit Report Page</th>
<th>Accept, Partially Accept, or Decline</th>
<th>Responsible Person's Name/Title</th>
<th>Completion Date</th>
<th>Projected Savings / Finding Value</th>
<th>Estimated Cost</th>
<th>Issue Type</th>
<th>Risk Factor</th>
<th>Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Reengineer the processes for the Tuition Assistance Program to utilize Banner Application functionality and controls, such as workflow for documents and approvals and algorithms for applying credits</td>
<td>VCFA, FFS, HR</td>
<td>10</td>
<td>Accept</td>
<td>VCFA</td>
<td>March 2012</td>
<td>See #5, #7, #8</td>
<td>BP, PR</td>
<td>I, R</td>
<td>M</td>
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<tr>
<td>19</td>
<td>If Tuition Assistance advances are continued, then implement a one-term suspension for students who do not meet academic/grade performance requirements (grade of C or better in the courses paid for by the District)</td>
<td>C, VCFA, HR</td>
<td>10</td>
<td>Accept</td>
<td>VCFA</td>
<td>March 2012</td>
<td>See #5, #7, #8</td>
<td>BP, PR</td>
<td>F, I, P, R</td>
<td>M</td>
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</tbody>
</table>

**Action Plan:** See item #8. Increased use of any standard functionality in Banner to support the new program will be investigated.

**Action Plan:** See item #8.

## OTHER EFFICIENCY AND EFFECTIVENESS

<table>
<thead>
<tr>
<th>#</th>
<th>Description</th>
<th>Directed To</th>
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<th>Responsible Person’s Name/Title</th>
<th>Completion Date</th>
<th>Sample Group: Estimated Faculty Costs = $18,000 Estimated Tuition and Fees = $8,000</th>
<th>Estimated Cost</th>
<th>Issue Type</th>
<th>Risk Factor</th>
<th>Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Human Resources Management should discontinue the use of Tuition Assistance Program funds to pay for private lessons.</td>
<td>C, VCFA, HR</td>
<td>11</td>
<td>Accept</td>
<td>VCFA</td>
<td>January 2012</td>
<td>BP, PR</td>
<td>I, P, R</td>
<td>M</td>
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**Action Plan:** See item #8.

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- Risk Ranking: H = High, M = Medium, L = Low
Alamo Colleges
Student Financial Aid Awards – Tuition Assistance Program Review

RECOMMENDATIONS

# Description Directed To Audit Report Page Accept, Partially Accept, Decline Responsible Person's Name/Title Completion Date Projected Savings / Finding Value Estimated Cost Issue Type Risk Factor Risk Rating

Detailed Report
Chancellor and Executive Management should
discontinue offering students' private lesson
courses for any discipline due to the
disproportionate costs; this would include
kinesiology, music and voice.

Partially accept VCFA

Chancellor and Executive Management's Responses:
Completed

Action Plan: Private music lesson fees were added effective Fall 2011 to cover the increased costs.

Summary of Recommendations
Recommendations - 21

Accepted - 15
Partially Accepted - 3
Declined - 0
Duplicate (prior report) - 3

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