April 28, 2010

District Director of Internal Audit
Alamo Colleges
San Antonio, Texas

RE: Student Financial Services (SFS) Department Operations Review Corrective Action Plan

Alamo Colleges’ Management has reviewed the report and related recommendations for this project. We appreciate the breadth of information provided by the audit team, and believe that it will be valuable in accomplishing the required improvements. As the most extensive audit of the SFS Department and the controls associated with handling financial aid, there are many challenges to address which will require prioritization and allocation of resources. Improved data base management system and automation will provide the vehicle for improved processes and systems.

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.

The Alamo Colleges’ Management works diligently to provide leadership and support for Student Financial Services whose efforts help volumes of individuals receive financial assistance to enroll and provide the opportunities for successfully completing their educational goals. It is noteworthy that the Alamo Colleges Student Financial Services awards more federal aid than any other peer college in Texas and ranks among the leaders in the nation.

Dr. Adelina Silva
Vice Chancellor for Student Success

Richard Hernandez
District Director of Student Financial Services

cc: Dr. Bruce Leslie, Chancellor
RECOMMENDATIONS

<table>
<thead>
<tr>
<th>#</th>
<th>Description</th>
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<tbody>
<tr>
<td></td>
<td>Alamo Colleges Management's Responses</td>
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<td>1</td>
<td>Realign the organizational structure of the Student Financial Services Department. Overview proposed in Table 8 and more detail in Appendix A.</td>
<td>C, VCSS, SFS</td>
<td>9-10</td>
<td>Partially Accept</td>
<td>Dr. Adelina S. Silva, VCSS</td>
<td>AY 2013</td>
<td></td>
<td></td>
<td>BP, PR</td>
<td>F, I, S, U</td>
<td>H</td>
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Action plan:

During Spring 2010, the Alamo Colleges Student Financial Services (SFS) began the first of a three phase plan, district-wide program and operational reorganization. Phase I, 2010-2011, enhances the Processing and Scholarship Center, establishes a Reports and Compliance Center/Banner, centralizes all Colleges student loan program application processing, eligibility determinations, verifications, awarding, funds management, and funds reconciliation. A SFS district training center will also be established. Phase II, 2011-2012, District SFS will also consult communication experts to study the feasibility of centralizing all College telephone and email communication services into a single district office managed call center. Phase II also includes a feasibility assessment of imaging documents at point of intake, and an analysis of the various State, Federal, Institutional, Scholarship, private, and other financial aid programs to centralize at the District SFS Office by the establishment of a College Work Study Center and State Programs Center. If feasible, development and implementation of these centers will take place in Phase III, 2012-2013. This centralization is dependent on whether other student service departments are able to implement and share information required for processing and awarding aid using various components of the Banner system. Some aid programs may be centralized at the District office earlier than Phase III if SFS is able to obtain the information needed in a timely and efficient manner. Furthermore, a Special Programs Center (partnerships) will be established in Phase III. Growth in student enrollments, financial aid programs, and increasing service demands by college departments and outside agencies prohibit implementing the recommended College staffing reductions. Additionally, equipment needs, operational costs, and staffing consistent with staffing levels at the peer institutions referenced.
2. Centralize all financial aid processing at the District-Northeast Processing Center.  VCSS, SFS  9  Accept  Dr. Adelina S. Silva, VCSS  AY 2013  

**Action plan:**
See response #1: Reference Realignment of the organizational structure of the Student Financial Services Department.

3. Establish and monitor department performance measures.  VCSS, SFS  9  Partially Accept  Dr. Adelina S. Silva, VCSS  March 2011  

**Action Plan:**
Performance measures are established annually for timely processing of applications, documents, and requests. Measures will be documented and reviewed with all staff to display results for monitoring and evaluation. The measures are representative of the SFS Office mission, purpose, and strategic plan. The SFS Leadership Team conducts employee performance evaluations using consistent district standards.

4. Deploy staff with the appropriate skills.  VCSS, SFS  9  Accept  Dr. Adelina S. Silva, VCSS  AY 2013  

**Action Plan:**
Staff deployment has begun with implementation of Phase I of the reorganization plan. Additionally, to ensure continued skills development the various College training programs will be consolidated into a single training plan and will be shared district wide at the new SFS Training Center to address technical issues encountered by staff, customer service, and Federal and State regulatory compliance. In partnership with Alamo Colleges Employee Services and Federal, State, and external agencies the District SFS directors will provide training to all SFS employees. A series of Customer Services Workshops have been developed and conducted district-wide to all SFS employees.

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<td>5</td>
<td>Train existing staff at least annually and now staff more frequently.  VCSS, SFS  9  Accept  Dec 2010</td>
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**RECOMMENDATIONS**

**Detailed Report**

Alamo Colleges Management's Responses

**LEGENDS:**

- Directed To:  
  - C = Chancellor  
  - VCSS = Vice Chancellor for Student Success  
  - VCFA = Vice Chancellor for Finance and Administration  
  - SFS = Student Financial Services Management  
  - ITS = Information Technology Services  
  - F = Finance and Fiscal Services  
  - ES = Employee Services Department

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

- Risk Factors:  
  - A = Noncompliance - policies/procedures/contracts  
  - C = Student perception of service quality  
  - D = Likelihood that it would not be detected  
  - F = Potential for fraud to occur  
  - I = Significant inefficiency  
  - M = Financially material

- Risk Factors:  
  - 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
**Action Plan:**
The various College training programs will be consolidated and shared district-wide to train on the technical issues encountered by staff. Customer service training and Federal and State regulatory compliance training will be documented annually. Alamo Colleges Employee Services Department will be consulted for assistance with the annual training program. District and College Student Financial Services staff may provide training and additional assistance will be sought from Federal, State, and external agencies.

Training is contingent of funding as well, setting aside time for staff to participate in local training, and possibly with the U.S. Department of Education's Regional Office in Dallas, Texas and with the Texas Guaranteed Student Loan Corp. (TGSLC) center in Austin, Texas. Unit Plan for FY11 includes a Report and Compliance Officer/Training Director.

<table>
<thead>
<tr>
<th></th>
<th>Use appointments for student counseling to alleviate waiting times and lines.</th>
<th>VCSS, SFS</th>
<th>9</th>
<th>Partially Accept</th>
<th>Dr. Adelina S. Silva, VCSS</th>
<th>BP, PR</th>
<th>A, C, I, N</th>
<th>M</th>
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</table>

**Action Plan:**
Upon request, appointments are available for students with Special Conditions at all Colleges. Available times for appointments will be posted at the Student Financial Services offices and SFS websites. However, appointments are not available to every student on a walk-in basis as service demand fluctuates during the course of the academic year which makes this impractical.

<table>
<thead>
<tr>
<th></th>
<th>Use the existing individual offices at each of the Colleges to meet with students instead of the service counters to increase individual contact and to provide privacy.</th>
<th>VCSS, SFS</th>
<th>9</th>
<th>Partially Accept</th>
<th>Dr. Adelina S. Silva, VCSS</th>
<th>BP, PR</th>
<th>A, C, I, N</th>
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**Action Plan:**
Only general information is provided at the counters. Confidential information is limited but cannot be eliminated; use of counter dividers is being pursued to ensure privacy. Issuing of Banner I.D. numbers will provide confidentiality of Social Security Numbers.

<table>
<thead>
<tr>
<th></th>
<th>Use a drop box at each College to facilitate and expedite document intake.</th>
<th>VCSS, SFS</th>
<th>9</th>
<th>Decline</th>
<th>Dr. Adelina S. Silva, VCSS</th>
<th>BP, PR, SI</th>
<th>C, I</th>
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**Action Plan:**
Drop boxes located outside the office present a significant security risk as students private information is subject to theft. Furthermore, students frequently submit documents that are unsigned, illegible and incomplete which can be corrected immediately if submitted in person, lack of complete documents causes additional processing delays.

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<td>VCSS = Vice Chancellor for Student Success</td>
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<td>VCTA = Vice Chancellor for Finance and Administration</td>
<td>PR = Management Procedures</td>
<td>D = Likelihood that it would not be detected</td>
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<td>SFS = Student Financial Services Management</td>
<td>SI = Specific Internal Control</td>
<td>F = Potential for fraud to occur</td>
<td>S = Significant deficiency</td>
<td></td>
</tr>
<tr>
<td>ITS = Information Technology Services</td>
<td>TE = Technical</td>
<td>I = Significant Inefficiency</td>
<td>U = Urgent need for corrective action (Less than 90 days)</td>
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<td>F = Finance and Fiscal Services</td>
<td>M = Financially material</td>
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## RECOMMENDATIONS

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<td>9</td>
<td>Image documents at the point of intake for greater efficiency and timely sharing.</td>
<td>VCSS, SFS</td>
<td>9</td>
<td>Partially Accept</td>
<td>Dr. Adelina S. Silva, VCSS</td>
<td>Dec 2010</td>
<td></td>
<td></td>
<td>BP, PR, TE</td>
<td>C, I</td>
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### Action Plan:
District Information Systems is assisting with researching this process for cost and systems compatibility: (BPA) and equipment needs. However, scanning, indexing and tracking documents at service counters and other points of contact add significant burden to the intake process thereby causing additional delay to students waiting to submit documents.

| 10 | Maximize use of various media for timelier and better communications.  
   - Establish a centralized call center for all Colleges at the District-Northeast Processing Center with appropriate industry standards. | C, VCSS, SFS | 9 | Accept | Dr. Adelina S. Silva, VCSS | AY 2012 |                                  |                | BP, PR, TE | C, I       | M           |

### Action Plan:
District Student Financial Services will consult communication experts to study the feasibility of centralizing all College telephone and email communication services into a single district managed call center. The call center is scheduled to be implemented in 2011-2012 subject to allocating significant resources to hire and train permanent and part-time staff. Resources for furniture, equipment, and space requirements will also be necessary.

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### LEGENDS:

- Directed To:
  - C = Chancellor
  - VCSS = Vice Chancellor for Student Success
  - VCFA = Vice Chancellor for Finance and Administration
  - SFS = Student Financial Services Management
  - ITS = Information Technology Services
  - F = Finance and Fiscal Services
  - ES = Employee Services Department

- Issue Types:
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- Risk Factors:
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- Risk Ranking:
  - H = High
  - M = Medium
Maximize use of various media for timelier and better communications.
- **Redesign and standardize the SFS websites for improved functionality by:**
  - Centralizing information into a consolidated website.

### Action Plan:

#11, 12, 13, and 14 address SFS websites. The Colleges currently use the respective College webmaster to maintain the information on their web pages. District office will research the cost and feasibility of hiring a computer expert to serve as the District Student Financial Services webmaster to design, implement, maintain and manage the District web site. Service Level Agreements (SLA’s) will be developed with the colleges.

#### RECOMMENDATIONS

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| 12 | • Redesign and standardize the SFS websites for improved functionality by:
- Including administrative and operational procedures for staff. | VCSS, SFS | 9 | Partially Accept | Dr. Adelina S. Silva, VCSS | AY 2012 | | | | | |

#### Action Plan:

See response #11. In addition, Federal and State financial aid program regulations and guidelines are updated annually by the various agencies.

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| 13 | • Redesign and standardize the SFS websites for improved functionality by:
- Organizing student material for obtaining financial aid. | VCSS, SFS | 9 | Partially Accept | Dr. Adelina S. Silva, VCSS | AY 2012 | | | | | |

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**LEGENDS:**

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Action Plan:

See response #11: In addition, Federal and State financial aid program guidelines and regulations are updated annually by the various agencies.

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<td>14</td>
<td>Redesign and standardize the SFS websites for improved functionality by:</td>
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<td>- Automating applications and forms to submit via the internet, except</td>
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Action Plan:

See response #11: In addition, Federal and State financial aid program guidelines and regulations are updated annually by the various agencies. Also, Student Financial Services will work collaboratively with Information Systems and Fiscal Affairs for electronic signatures.

RECOMMENDATIONS

Detailed Report

15 Maximize use of various media for timelier and better communications.
- Create a centralized E-mail address to be managed by the Call Center.

VCSS, SFS, ITS | 9 | Accept | Dr. Adelina S. Silva, VCSS | Aug 2010 | BP, PR, TE | C, I | M

Alamo Colleges Management's Responses

Action Plan:

The Student Financial Services District office currently manages a centralized email system for student inquiries and in the future, with the support of Information Technology the Banner system will enhance this process. The establishment of a Call Center is tentative at this point, therefore, recommend current email response system. ITS will support whatever decision the SFS Department makes in these areas.

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Maximize use of various media for timelier and better communications.
- Document student issues and track customer statistics using existing Alamo Colleges' application software.

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<td>Communication continues to be a priority for all student success and student processes. A full process redesign is underway with the implementation of Banner Student module and the operational reorganization described in Item #1.</td>
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Use the existing server environment to maintain a centralized database of student records, departmental documents, correspondence, and reports filed with federal and state agencies.

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<td>The Student Financial Services district office will research the cost and feasibility of hiring a computer expert to serve as the District Student Financial Services webmaster to design, implement, maintain, and manage the District web site. Currently, established a shared data base; will work to establish and maintain similar shared data base in Banner.</td>
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<td>18</td>
<td>Realign resources to the SFS Department such as floor space, telephones, computers, furniture, and equipment based on appropriate staffing.</td>
<td>VCSS, SFS</td>
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<td>Accept</td>
<td>Dr. Adelina S. Silva, VCSS</td>
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#### Action Plan:

As part of the reorganization of Student Financial Services this would require the assessment of all areas listed above, changes shall be made accordingly. As enrollment and Student Financial Services recipients increase, reassessment of staff and space needs will need to be reviewed. Alamo Colleges support and response to these needs are vital to student enrollment.

#### Control Environment

Alamo Colleges' Management should substantially improve the SFS Department control environment by implementing the following:

| 19 | 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. | C, VCSS, VCFA | 10 | Partially Accept | D. Snyder, VCFA; Dr. Adelina Silva, VCSS | | | BP, PO | F, I, S | H |

#### 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 will be assessed after Banner systems and processes are fully deployed at end of FY11.

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### LEGENDS:

- Directed To: C = Chancellor, VCSS = Vice Chancellor for Student Success, VCFA = Vice Chancellor for Finance and Administration, SFS = Student Fin Services Management, ITS = Information Technology Services, F = Finance and Fiscal Services, ES = Employee Services Department
- Issue Types: BP = Business Process, PO = Board Policy, PR = Management Procedures, SI = Specific Internal Control
- Risk Factors: A = Noncompliance - policies/procedures/contracts, C = Student perception of service quality, D = Likelihood that it would not be detected, F = Potential for fraud to occur, I = Significant inefficiency, M = Financially material
- Risk Factors: 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

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Page 9 of 15
20. Develop and provide training for personnel about the approved control framework.  

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<th>#</th>
<th>Description</th>
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<th>Accept, Partially Accept, Decline</th>
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<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>
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<tbody>
<tr>
<td>21</td>
<td>Implement a continuous communication plan to reinforce these control concepts.</td>
<td>C, VCSS, VCFA</td>
<td>10</td>
<td>Partially Accept</td>
<td>Dr. Adelina S. Silva, VCSS</td>
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<td></td>
<td></td>
<td>PR, SI</td>
<td>F, I, S</td>
<td>M</td>
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**Action Plan:**  
See response #19 above.

**RECOMMENDATIONS**

**Detailed Report**  
Alamo Colleges Management's Responses

22. Propose that the Board of Trustees adopt a new policy to require the recovery of scholarship funds from students when deemed appropriate such as withdrawing completely from classes or reducing course load.

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<tr>
<td>22</td>
<td>Propose that the Board of Trustees adopt a new policy to require the recovery of scholarship funds from students when deemed appropriate such as withdrawing completely from classes or reducing course load.</td>
<td>C, VCSS, VCFA</td>
<td>11</td>
<td>Decline</td>
<td>Dr. Adelina S. Silva, VCSS</td>
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<td></td>
<td></td>
<td>BP, PO</td>
<td>F, I</td>
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**Action Plan:**  
See response #19 above.

A risk level is undeterminable given the unavailability of data. While it is undesirable for students to obtain scholarship funds and subsequently withdraw from classes, data has not been collected to determine the number of incidents or frequency of occurrences.

While it is not concurred to propose a new board policy, it is proposed to incorporate Student Academic Progress (SAP) State and Federal requirements to the awarding of scholarship for students with prior academic record. Student Financial Services will collaborate with Institutional Advancement staff to establish new scholarship awarding criteria.

**LEGENDS:**

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  - C = Chancellor
  - VCSS = Vice Chancellor for Student Success
  - VCFA = Vice Chancellor for Finance and Administration
  - SFS = Student Financial Services Management
  - ITS = Information Technology Services
  - ES = Employee Services Department

- **Issue Types:**
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  - PO = Board Policy
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  - TE = Technical

- **Risk Factors:**
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  - S = Significant deficiency
  - U = Urgent need for corrective action (Less than 90 days)

- **Risk Ranking:**
  - H = High
  - M = Medium
  - L = Low
Develop procedures to implement the policy prospectively to include obtaining a signed acknowledgement from students at time of award and defining how the amounts are to be calculated.

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<td></td>
<td>BP, PR, SI, TE</td>
<td>A, F, I, R</td>
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**Action Plan:**

See response #22 above. In addition, information is already provided to students via award notification of eligibility and through the terms and conditions statement which is posted in Banner Self Serve.

### RECOMMENDATIONS

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<tbody>
<tr>
<td>Propose that the Board of Trustees revise D.2.3 (Policy) Qualifications to require credit checks of employees in positions involving financial transactions.</td>
<td>BP, PO</td>
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<td>C, VCFA HR</td>
<td>D, F</td>
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<td>M</td>
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<tr>
<td>L. Boyer-Owens, AVC HR</td>
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<td>9/2010</td>
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**Action Plan:**

The Human Resources Department will consult with legal counsel for a current recommendation on conducting credit checks on candidates for high risk positions and will provide a procedure recommendation to the Board of Trustees for approval.

### RECOMMENDATIONS

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<tr>
<td>Develop procedures or revise D.2.3.1 (Procedure) Criminal History Background Checks and Drug Testing to implement the policy for staff hired prior to 2002.</td>
<td>BP, PR, SI</td>
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<tr>
<td>VCSS, VCFA, SFS</td>
<td>A, D, F</td>
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**Action Plan:**

The Human Resources Department will consult with legal counsel for a current recommendation on the feasibility and value of conducting retrospective, not for-cause, criminal

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**LEGENDS:**

- Directed To: C = Chancellor, VCSS = Vice Chancellor for Student Success, VCSA = Vice Chancellor for Student Success, SFS = Student Fin Services Management, ITS = Information Technology Services, ES = Employee Services Department
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background checks and drug testing of existing staff hired prior to 2002. A recommendation will be submitted to the Board of Trustees for approval and implementation.

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<tbody>
<tr>
<td>26</td>
<td>Conduct criminal background and credit checks of existing employees based on these policies and procedures.</td>
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<td>Partially Accept</td>
<td>L. Boyer-Owens, AVC HR</td>
<td>9/2010</td>
<td></td>
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<td>BP, PO, PR, SI</td>
<td>A, D, F, R, U</td>
<td>H</td>
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**Action Plan:**

Criminal backgrounds and credit histories of internal candidates selected for high risk positions will be included in the recommendation for recommendation #24.

**RECOMMENDATIONS**

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<tr>
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<tbody>
<tr>
<td>27</td>
<td>Perform formal business process analyses for Student Financial Services Department processes not related to Banner and/or SIS Plus.</td>
</tr>
<tr>
<td>C, VCSS, VCFA</td>
<td>Dr. Adelina S. Silva, VCSS</td>
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<td>11</td>
<td>BP, PR, SI</td>
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<td>Accept</td>
<td>D, F, I, R, S</td>
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**Action Plan:**

The initial phases of restructuring and realigning Student Financial Services processes includes a formal BPA and documentation of procedures for all Student Financial Services processes.

Website postings, shared data sources, formal training schedules, and performance evaluations are included in the reorganization plan.

**LEGENDS:**

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

The Compliance and Training Director (in reorganization plan) will work with Student Financial Services Directors to develop a procedures manual and ensure compliance with National Association of Student Financial Aid Administrators (NASFAA) Policies and Procedures Tool.

### Action Plan:

Once the manual is completed, annual review of manual and pertinent updates will be incorporated into Performance Review of Student Financial Services Administrators.

## RECOMMENDATIONS

### Detailed Report

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<tbody>
<tr>
<td>30</td>
<td>Have the Chancellor and Vice Chancellor of Student Success approve all procedures and related manuals.</td>
<td>C, VCSS, SFS</td>
<td>11</td>
<td>Decline</td>
<td>Dr. Adelina S. Silva, VCSS</td>
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### Alamo Colleges Management's Responses

| BP, PO, PR, SI | A, D, I, N, R, S | L |

### Action Plan:

This function is addressed at the Student Financial Services District Director's level with VCSS's direction and leadership.

### LEGENDS:

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Page 13 of 15
### Action Plan:

**31**: 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 processes.

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<td>C, VCSS, SFS</td>
<td>11</td>
<td>Partially accept</td>
<td>Dr. Adelina S. Silva, VCSS</td>
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### Action Plan:

**32**: Require department employees to annually sign a conflict of interest/ethics statement such as the examples from the University of Houston-Victoria and the University of New Mexico provided in Appendix D.

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<td>32</td>
<td>Require department employees to annually sign a conflict of interest/ethics statement such as the examples from the University of Houston-Victoria and the University of New Mexico provided in Appendix D.</td>
<td>C, VCSS, ES</td>
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### RECOMMENDATIONS

### Summary of Recommendations

Alamo Colleges Management’s Responses

**Legend:**
- PS/FV = $ (Projected Savings / Finding Value)
- EC = $ (Estimated Cost)
- PO = 8
- A = 12
- H = 11

**Legends:**
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### Recommendations - 32

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