April 30, 2010

Denver McClendon, Chairman
Robert Zárate, ABF Committee Chairman
Board of Trustees
Alamo Colleges
201 W. Sheridan
San Antonio, Texas 78204

Dear Mr. McClendon, Mr. Zárate and Trustees

Re: Transmittal of the Student Financial Services Department Operations Review Reports

Alamo Colleges' Internal Audit Department completed a review of the Student Financial Services Department. This was the first phase of several student financial services projects included in the Approved Internal Audit Plan for Fiscal Year 2009. Other phases planned were reviews of the computer applications, transaction processing, and awards. A report for the student computer applications review is forthcoming. Field work continues on the transaction and awards analyses with completion anticipated in early summer.

Student services are the focal point of the District's strategic plan. Each year, Alamo Colleges receives over $100 million in financial aid to award/disburse to students. This District Department and its campus offices handle the financial aid functions and funds. During this performance review, the Vice Chancellor for Student Success, her Directors and their staff were exceptionally cooperative. They truly exhibit a desire for continuous improvement in their activities.

This operations review began in the spring of 2009 and concluded in late-summer. Revised draft reports were distributed in November accompanied by numerous appendices to support the findings and/or recommendations. Various meetings have been held with Student Financial Services Department Management and the Vice Chancellor to present and discuss the results of the audit. Small meetings were held in lieu of a very large group exit conference.

Typically, Management responses are expected within thirty days after the draft reports have been issued; however, Management has not formalized its responses as yet. This delay has been due in part to the implementation of the Banner Student and Financial Aid Modules and the related business process analyses. Internal Audit has been briefed on several organizational and process changes made as part of these initiatives that might address some of the control concerns identified in this review.
Enclosed are the final reports for the Student Financial Services Operations Review which includes an executive summary and the more detailed report with related appendices. This operations review report offered thirty-two unique recommendations to Management for greater efficiency and/or for enhanced controls. The recommendations also include actions that Management could address to improve compliance with federal requirements and with District policies/procedures.

In the past, Management may not have adequately understood and assessed the various risks involved with this Department’s student service functions. Consequently, business decisions about resource allocations may not have evaluated major risks in conjunction with reasonable cost-benefit analyses. Having cost effective preventive and detective controls are fundamental risk management responses. Appropriately addressing these risks is also critical for Alamo Colleges to successfully achieve the administrative capability standards required by federal regulations.

A formatted document has been provided electronically by Internal Audit to assist the Vice Chancellor for Student Success and her team in responding to this performance review. A copy of this document which highlights the recommendations reported is attached for your consideration. To the extent allowed by professional standards, Internal Audit has been and will be available to answer questions and assist Management in bringing this project to closure.

We are available to discuss with you individually any of the information provided or to respond to any questions that you might have about this project. Internal Audit also thanks the Board of Trustees for its continued support of our activities.

Sincerely,

[Signature]

Patricia M. Major CPA, CIA, CGAP
District Director of Internal Audit

Attachments: 3

cc: Dr. Bruce Leslie, Chancellor  
Ms. Diane Snyder, Vice Chancellor for Finance & Administration  
Dr. Adelina Silva, Vice Chancellor for Student Success  
Dr. Thomas Cleary, Vice Chancellor for Planning, Performance & Information Systems  
Ms. Linda Boyer-Owens, Associate Vice Chancellor for Human Resources  
Mr. Richard Hernandez, District Director of Student Financial Services  
Mr. Roger Castro, District Director of Information Technology Services  
Mr. Erik Dahler, District General Counsel  
Ms. Pamela Ansboury, Associate Vice Chancellor for Finance & Fiscal Services
Student Financial Services (SFS) Department

Operations Review

Executive Summary

July 31, 2009

Prepared by: Alamo Colleges’ Internal Audit Department
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Rosaura Ramirez CPA, CIA, CTP
Francisco Cortez CIA, CISA, CISSP
Oscar T. Salazar CISA, CISSP
Cynthia Munoz
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OVERVIEW

In the higher education industry, student financial aid is considered a significant risk area regardless of the adequacy of a specific college's enterprise risk management activities. Alamo Colleges has engaged in periodic risk management analysis of student financial aid functions. These efforts include the 2006 District-wide risk assessment performed by Deloitte & Touche, and a 1989 review of St. Philip's College financial aid office by a local accounting firm. However, Alamo Colleges has never experienced a thorough evaluation of its student financial aid functions.

For these reasons, the 2009 Internal Audit Plan included a project with multiple phases to evaluate how the five Colleges and the District perform student financial services activities. This report addresses an operations audit, or performance review, of the Student Financial Services Department (SFS). Issued concurrently with this report is another about the student Mainframe application, SIS Plus, security and access. At this time, the phases involving transaction processing, and employee/dependent financial aid awards are in process. Reports for these phases should be available by year-end. Other project phases to be completed involve student awards and compliance with verification regulations.

Alamo Colleges was the largest Texas distributor of Pell Grant Funds among two-year institutions during award year 2007. It administered $92.8 million to 27,600 students in award year 2008, as shown in Table 1; with an average award amount of $3,354.

<table>
<thead>
<tr>
<th>Description</th>
<th>SAC</th>
<th>SPC</th>
<th>PAC</th>
<th>NVC</th>
<th>NLC (b)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts Disbursed (in 000s)</td>
<td>$40,409</td>
<td>$23,523</td>
<td>$15,127</td>
<td>$13,827</td>
<td>$7</td>
<td>$92,893</td>
</tr>
<tr>
<td>Unduplicated Numbers Disbursed</td>
<td>11,950</td>
<td>6,505</td>
<td>4,923</td>
<td>4,305</td>
<td>10</td>
<td>27,693</td>
</tr>
<tr>
<td>Average Award</td>
<td>$3,382</td>
<td>$3,616</td>
<td>$3,073</td>
<td>$3,212</td>
<td>$700</td>
<td>$3,354</td>
</tr>
</tbody>
</table>

Notes: (a) Award information from SIS Plus SFA037 Report “Financial Aid Activity Report” as of 11/19/08. (b) NLC awards represent scholarships.

SFS provides financial assistance to students in the form of grants, scholarships, work study, and loan programs. Table 2 provides a breakdown of the financial aid disbursed by type for award year 2008. Grants accounted for $65.6 million, including $54.5 million in Pell Grants; the average grant disbursed for Alamo Colleges was $1,809. Loans accounted for $23.6 million while the average loan disbursed was $1,878. Scholarships and Other Awards disbursed totaled $3.6 million, averaging $644 each.
TABLE 2
Alamo Colleges’ Overview of Awards Disbursed (a)
Award Year July 1, 2007 through June 30, 2008

<table>
<thead>
<tr>
<th>Description</th>
<th>SAC</th>
<th>SPC</th>
<th>PAC</th>
<th>NVC</th>
<th>NLC (b)</th>
<th>Total</th>
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<tr>
<td>Grants Disbursed</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts Disbursed (in 000s)</td>
<td>$27,608</td>
<td>$16,043</td>
<td>$12,356</td>
<td>$9,631</td>
<td>$0</td>
<td>$65,640</td>
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<tr>
<td>Duplicated Numbers Disbursed</td>
<td>16,356</td>
<td>7,648</td>
<td>6,732</td>
<td>5,349</td>
<td>0</td>
<td>36,285</td>
</tr>
<tr>
<td>Average Grant Disbursed</td>
<td>$1,688</td>
<td>$2,044</td>
<td>$1,836</td>
<td>$1,801</td>
<td>$0</td>
<td>$1,809</td>
</tr>
<tr>
<td>Loans Disbursed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts Disbursed (in 000s)</td>
<td>$11,129</td>
<td>$6,525</td>
<td>$2,153</td>
<td>$3,771</td>
<td>$0</td>
<td>$23,678</td>
</tr>
<tr>
<td>Duplicated Numbers Disbursed</td>
<td>5,823</td>
<td>3,482</td>
<td>1,186</td>
<td>2,109</td>
<td>0</td>
<td>12,610</td>
</tr>
<tr>
<td>Average Loan Disbursed</td>
<td>$1,911</td>
<td>$1,897</td>
<td>$1,815</td>
<td>$1,788</td>
<td>$0</td>
<td>$1,878</td>
</tr>
<tr>
<td>Scholarships and Other Disbursed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts Disbursed (in 000s)</td>
<td>$1,672</td>
<td>$855</td>
<td>$616</td>
<td>$425</td>
<td>$7</td>
<td>$3,575</td>
</tr>
<tr>
<td>Duplicated Numbers Disbursed</td>
<td>2,618</td>
<td>1,205</td>
<td>1,077</td>
<td>548</td>
<td>11</td>
<td>5,549</td>
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<tr>
<td>Average Scholarship Disbursed</td>
<td>$639</td>
<td>$710</td>
<td>$572</td>
<td>$776</td>
<td>$636</td>
<td>$544</td>
</tr>
</tbody>
</table>

Notes: (a) Award information from SIS Plus SFA037 Report “Financial Aid Activity Report” as of 11/19/08. (b) NLC awards represent scholarships.

SIS Plus does not reflect Federal Work Study Program payments since these are made through the Human Resources System. For 2008, $1.9 million in Federal Work Study Aid was anticipated for about 1,067 students, or an average award of $1,802.

SCOPE
In fiscal year 2009, the Approved Internal Audit Plan included a Student Financial Services Project. Preliminary planning suggested that such a project would require multiple phases due to the five student databases, the millions of records processed by each, and the number of office locations. The project was initially scoped as an operational audit of the department, a computer application and transaction review, a compliance verification, and an award distribution audit.

This initial phase of the project focused on a high level operations audit of the Student Financial Services Department. In addition, a general review of controls and of compliance with significant federal regulations was included. The audit was accomplished through interviews with staff, observations made and documented through photographs, analysis of various records such as job descriptions, reports on financial aid activity, and research on best practices. The areas reviewed included:

- Personnel and Staffing
- Laws and Regulations
- SFS Policies and Procedures
- Facilities and Assets
AUDIT METHODOLOGY
Alamo Colleges’ Internal Audit Department conducted this engagement in accordance with generally accepted auditing standards and the professional practice standards promulgated by the Government Accountability Office (GAO), commonly referred to as the “Yellow Book,” and the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, also known as the “Red Book.” These standards require that a peer review for the department occur every three to five years; it is anticipated that this will be completed in 2010. In addition, Alamo Colleges’ Audit Committee and Internal Audit Department Charters were used for this engagement.

ACKNOWLEDGEMENTS
Alamo Colleges’ Management and Staff were extremely cooperative during the engagement. The Vice Chancellor for Student Success and her staff in the Student Financial Services Department, especially the District Director, have been instrumental in completing this project. Also, the assistance and coordination provided by the College Directors for the interviews and surveys was very much appreciated.

OBJECTIVES
The broad objectives established in the audit plan for this project were to determine:
- The Alamo Colleges’ resources used for Student Financial Services operations.
- The policies and procedures used by the Student Financial Service Offices.
- If proper controls exist and are functioning.
- If processes are sufficiently documented and consistently performed.
- If Alamo Colleges’ processes are representative of higher education best practices.

As the work progressed, additional objectives established were to determine if:
- Student Financial Services resources are used efficiently and effectively.
- Policies and procedures used are adequate.
- Student Financial Services complied with the general provisions of the Code of Federal Regulations Title 34, Chapter VI, Part 668.
- Management has taken action on financial aid findings referenced in prior audit report recommendations.
CONCLUSIONS

As stated previously, student financial services activities are a high risk area for any college. Alamo Colleges faces greater risks than normal due to the decentralized functions, various office locations, and multiple databases used. It does not appear that Alamo Colleges has properly assessed its risks and made resource allocation and business decisions based on an appropriate cost-benefit analysis. These risks appear to impact Alamo Colleges’ ability to successfully achieve the administrative capability standards required by federal regulations. Therefore, it is important that Alamo Colleges improve its administration and management of student financial services functions. The recommendations in this report provide ideas for Management to consider that address and/or mitigate these risks.

Resources

SFS operated with 56 full-time employees (FTEs) and annual expenditures of over $3 million during fiscal year 2008. As Table 3 indicates, labor costs and benefits accounted for 71 percent of the expenditures with the remainder attributed to $735,000 in computer costs charged to the District Northeast Processing Center (District-NEC). In 2009, these allocated computer costs were charged to another District account. It is unclear why these expenses have not been assessed to each College since they support serving students using the five distinct databases.

<table>
<thead>
<tr>
<th>Description</th>
<th>District-NEC</th>
<th>SAC</th>
<th>SPC</th>
<th>PAC</th>
<th>NVC</th>
<th>NLC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD Activity-Total Expenditures</td>
<td>$1,413,676</td>
<td>$718,034</td>
<td>$297,812</td>
<td>$289,815</td>
<td>$240,698</td>
<td>$110,998</td>
<td>$3,070,833</td>
</tr>
<tr>
<td>YTD Activity-Labor Expenditures</td>
<td>$642,827</td>
<td>$652,662</td>
<td>$285,149</td>
<td>$277,938</td>
<td>$227,103</td>
<td>$106,355</td>
<td>$2,192,032</td>
</tr>
<tr>
<td>Labor Percentage of Total</td>
<td>45%</td>
<td>91%</td>
<td>96%</td>
<td>96%</td>
<td>94%</td>
<td>96%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Source: Costs-Banner amounts from FGIBDST Screens for SFS Department.

The SFS Department is spending over $3 million a year in labor, some benefits, and other expenditures; however, it appears that the space occupied, equipment, and computers used may be excessive. Several benefits, such as the substantial cost of health related insurance, are not allocated to the Department. As of April 2009, the salaries and partial benefits included fifty-two FTEs and numerous part-time staff. Fifteen of the fifty-two employees are considered supervisory positions which appear disproportionate since the ratio is one supervisor for two staff. SFS also had 104 computers valued at approximately $1,400 each, 68 telephones valued at about $268 each, and 85 phone extensions. Other resources included 26 private offices, 14 counter spaces, 5 storage/meeting rooms, and 131 file cabinets.
The audit indicated that despite this level of resource commitment certain controls are not being accomplished. Most SFS personnel operate independently and everyone seems engaged in the daily activities. Formal monitoring functions are not being performed which is an essential detective control since adequate manual and information technology controls are not in place for financial aid transactions. All staff input information into SIS Plus; once an entry is made, the transaction is final. There are no effective reconciliation processes of posted transactions, and no specific output reports are reviewed to spot check data entries. Without adequate controls, Alamo Colleges risks that errors and inappropriate activity, including fraud, may occur and go undetected.

The Board of Trustees adopted revisions to the DC (Local) Hiring Practices Policy in 2002 which required criminal background checks for employees in security-sensitive positions handling currency, using computers, access to master keys, or working in security designated areas. Since SFS staff use computers extensively to fulfill their fiduciary responsibility of awarding student aid funds, these are considered security-sensitive positions. Only ten of the SFS Department employees had background checks on file in summer 2009. Not performing background checks as required increases Alamo Colleges' risks related to student data and the Family Educational Rights and Privacy Act.

Several other observations were made indicating that customer service needs improvement. The office arrangement at the Colleges appeared to separate an area for student contact from staff workstations. Walk-up counters are used to serve customers resulting in long-lines and wait-times while standing. Only the SPC location in the new Welcome Center Building had a sitting area available for customers. The customer service workspace does not appear to provide an appropriate level of privacy for students and/or parents. Of the five locations, SAC appears to have the least customer friendly environment due to extensive security measures observed which seemed uncharacteristic with the other locations. Customer service is further hampered by the redundant processing functions performed at the Colleges despite having established the District-NEC Office as a processing center fourteen years ago. In addition, telephone and E-mail communications received by the Department are managed in an ad hoc manner resulting in customer service that may not be timely or adequate. In most cases everyone is responsible for answering the phones resulting in interruptions for staff with calls often going directly to the voicemail system.

During the site visits, it was also noted that the offices rely heavily on paper documentation instead of using existing imaging storage media. This contributes to the privacy concerns, space and equipment utilization.
Despite the substantial expenditures and resources, customer service results are not the best, and some critical controls are not being accomplished. This spending level will continue with modest increases each year unless significant changes are made. Dramatic realignment of the SFS Department is necessary to redirect resources toward measurably improving customer service, internal controls, and establishing monitoring activities to ensure compliance with the various federal regulations.

Policy and Procedure Manuals
The SFS Department has eleven policy and procedure manuals; one for each College and six for the District-NEC Office. None had evidence of approval by the Vice Chancellor for Student Success or the District Director of SFS. Only two of the manuals included a statement regarding conflict of interest. Generally, the manuals varied in content, format, and level of detail. Some of them provide step by step instructions on performing a procedure while others are written in a narrative format explaining procedures in general terms but not the specific steps required. Others consisted of various screen prints and examples of forms that were not very organized or easy to follow.

The SFS manuals were compared to the National Association of Student Financial Aid Administrators (NASFAA) Regulatory Resources Guide and the Policies & Procedures Manual Template. Most of the topics required were included; however, the level of detail provided was not sufficient. In some instances, the SFS manuals had extensive documentation but did not adequately address all the areas suggested by NASFAA.

Policy and procedure manuals serve as a key tool in training personnel. The SFS Department has experienced significant turnover in the last three years; including a total of 20 hires and 22 terminations of their full-time employees. The Department also uses many part-time staff, especially Work Study students each year who should receive appropriate training on the policies and procedures. It is therefore vital that manuals include the necessary information to ensure that processes are performed consistently.

The lack of uniformity among the SFS manuals was evident which affects the consistent performance of financial aid activities. Unless the SFS Department can confidently assure that the processes can be performed by staff with consistency and accuracy, then Alamo Colleges is exposed to unnecessary risks. The most critical risks would be loss of federal financial aid programs and erosion of public confidence.
Controls and Processes

As previously stated, the SFS Department has fifteen supervisory positions yet monitoring, such as reviews of exception or transaction reports to detect errors or inappropriate activity, is not performed. Meaningful critical reviews of transactions relating to employees and their dependents are also not performed. Management relies on staff to forward such transactions to the Directors. The SFS Department does not currently have a process requiring employees to review and sign a conflict of interest statement on an annual basis; which could serve as a strong mitigating control.

Interviews with staff and observations indicated that the functions of authorizing payments and disbursing funds are not always divided so that no one person or office has responsibility for both. An Associate Director is responsible for selecting scholarship recipients, entering awards in SIS Plus, receiving and depositing scholarship checks. At the time of the review, several large checks had not been deposited for over a month. Also, SFS submits direct payments for refunds to Accounts Payable instructing them to return the checks to the department. Accounts Payable should be mailing these refund checks directly instead of returning them to SFS.

Employees indicated that they are primarily trained on the job and that SIS Plus training was only provided when it was implemented twenty-one years ago. Consequently, SFS employees do not appear to be receiving all the necessary training to perform their responsibilities. The lack of standardized training could result in inconsistencies in the performance of duties, a greater frequency of errors, and may adversely affect the delivery of service to students.

Appropriate resource allocations are not being made to ensure that critical control elements are accomplished by the SFS Department. This exposes Alamo Colleges to a variety of risks such as possible non-compliance with federal and state laws, the potential for theft, or possible modification of information for the purpose of criminal activity which could result in financial losses. Collectively, inadequate controls and inefficiencies may adversely affect the Colleges' or District's ability to initiate, authorize, record, process and report student revenue data accurately. Most of these issues could be mitigated through strong system controls. Therefore, their significance can be better evaluated by the separate reviews in-progress of Mainframe security and controls, and transactions processed.
Compliance with Federal Regulations

Compliance with 34 CFR 668.14 Program Participation Agreement, 34 CFR 668.16 Standards of Administrative Capability, and 34 CFR 668.19 Financial Aid History was reviewed. Issues noted during the audit indicated that Alamo Colleges may not be complying with all the provisions of 34 CFR 668.16 or 34 CFR 668.19. Noncompliance with these regulations could result in losing financial aid, possible reputational damage, or reduced public confidence.

34 CFR 668.16 requires an institution to demonstrate that it is capable of adequately administering the federal student aid programs and have adequate checks and balances in its internal controls system. The lack of some critical controls, such as reviews of exception reports to detect errors or inappropriate activity, indicates a lack of administrative capability by not having adequate checks and balances.

34 CFR 668.19 requires an institution to obtain information from the National Student Loan Data System (NSLDS) before disbursing program funds to a student who previously attended another institution, including another Alamo College. The procedures in the manuals were not sufficiently detailed to determine when staff is required to obtain information from NSLDS. Furthermore, an incident occurred in fall 2008 at SPC where an SFS employee inappropriately awarded herself aid. It was noted that SFS had not utilized NSLDS to determine that this employee/student received substantial other financial assistance and was attending other colleges.

Prior Year Findings

The status of findings related to financial aid activities noted in three prior year audits was assessed. These audits included a 1989 review of the SPC’s SFS operations, the Single Audits for fiscal years ended August 31, 2007 and 2008. Of the thirteen issues identified in the 1989 review, corrective actions have been completed on two of the findings. Issues related to the limitations with the student counter, filing, and telephone systems continue to exist. Findings noted in the 2008 Single Audit were similar to those in the 2007 Audit. These related to the accurate and timely return of Federal Title IV Funds and reporting of student status changes. The Department of Education (DOE) uses the timeliness and accuracy of the repayment of these federal funds as one criteria to evaluate an institution’s administrative capability.

Given the continuity of SFS Management, it appeared unusual that some of the same issues still exist twenty years later. With repeat findings in the Single Audits and no current improvements in the process, there is an increased risk that Alamo Colleges could face adverse administrative action from the DOE. This adverse action may include a fine, suspension, or termination of eligibility to participate in the federal student aid programs.
Therefore, appropriate action should be taken in response to audit findings to ensure that deficiencies are corrected in a timely manner. The lack of timely corrective action is itself considered a control weakness.

**Best Practices**

SFS operations were compared to Austin Community College District, Dallas County Community College District, El Paso County Community College District, Lone Star College System, the University of Texas at San Antonio (UTSA), and Maricopa County Community Colleges. The comparison does not address the volume of financial aid administered or the quality of the services provided. However, it raises general questions regarding the SFS Department operations and organization. For example, Alamo Colleges and Dallas appear to have a supervisor for every two employees while Austin, El Paso, Lone Star, UTSA, and Maricopa have one for at least three staff. Instead of Directors at its colleges, Austin uses “Campus Supervisors,” while El Paso and Lone Star use “Managers.” The salary for a Manager or a Supervisor ranges from $31,508 to $58,229 at these institutions. The salary for a SFS Director at Alamo Colleges ranges from $56,816 to $88,122. The SFS Department could achieve cost savings by implementing a similar strategy.

Another technique was to use the NASFAA Staff Analysis Model Worksheet to project the number of financial aid staff needed. The Model projected 50 FTEs for Alamo Colleges. A variety of data was used including the total unduplicated awards plus an estimate of 9,000 denied financial aid requests and a partial count of Information Technology Services Department staff. It is assumed that the Model projects staff levels commensurate with an appropriate control environment. While the NASFAA Staff Model indicates that the SFS Department’s 52 FTEs may be reasonable, the current staffing structure does not reflect an appropriate control environment based on the various issues noted. It is essential that there be a proper balance between costs, staffing, and controls.

The DOE issued a notice in February 2008 inviting higher education institutions to participate in the Quality Assurance (QA) Program. Alamo Colleges’ SFS Department elected not to participate due to resource constraints. The QA Program, implemented in 1992, has institutions perform self-evaluations of their operations to improve services. As the largest recipient and distributor of Pell Grants in Texas, SFS is not taking advantage of this opportunity to implement an established continuous improvement process.
RECOMMENDATIONS
Results of the SFS Department performance review generally indicated that adopting best/better practices will enhance the quality of the service provided to students, improve internal controls, and result in more cost effective processes.

Customer Service
Alamo Colleges’ Management should significantly improve customer service in Student Financial Services Department’s operations by implementing the following:
- Realign the organizational structure of the SFS Department as proposed in the Table 4 and in the Appendix A.
- Centralize all of the financial aid processing at the District-NEC.
- Establish and monitor performance measures.
- Deploy staff with the appropriate skills.
- Train existing staff at least annually and new staff more frequently.
- Use appointments for counseling sessions to alleviate student waiting times and lines.
- 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.
- Use a drop box at each College to facilitate and expedite document intake.
- Image documents at the point of intake for greater efficiency and timely sharing.
- Maximize use of various media for more timely and better communications.
  - Establish a centralized call center for all Colleges at the District-NEC with appropriate industry standards.
  - Redesign and standardize the SFS websites for improved functionality by:
    - Centralizing information into a single consolidated website.
    - Including administrative and operational procedures for staff.
    - Organizing student material for obtaining financial aid.
    - Automating applications and forms to submit via the internet, except FAFSA.
  - Create a centralized E-mail address to be managed by the Call Center.
  - Document student issues and track customer statistics using existing Alamo Colleges’ application software.
- Use the existing server environment to maintain a centralized database of student records, departmental documents, correspondence, and reports filed with federal and state agencies.
- Realign resources to the SFS Department such as floor space, telephones, computers, furniture, and equipment. Based on appropriate staffing.
Control Environment
Alamo Colleges' Management should substantially improve the SFS Department control environment by implementing the following:

- 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.
RECOMMENDATIONS – Continued

Control Environment

- 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 their course load.
  - 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.
- Propose that the Board of Trustees revise D.2.3 (Policy) Qualifications to require credit checks of employees in positions involving financial transactions.
- 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.
- Conduct criminal background and credit checks of existing employees based on these policies and procedures.
- Perform formal business process analyses (BPAs) for SFS Department processes not related to Banner and/or SIS Plus.
- Develop a consolidated formal procedures manual that includes all the elements and areas necessary to comply with federal and state regulations.
  - Review and update the manual at least annually.
- Have the Chancellor and Vice Chancellor of Student Success approve all procedures and related manuals.
- 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.
- Require 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.
AUDIT CRITERIA
In performing this review the following represent the major criteria used:

- Federal websites and resources such as –
  - Code of Federal Regulations – 34 CFR 668
    - 14 Program Participation Agreement
    - 16 Standards of Administrative Capability
    - 19 Financial Aid History
  - Higher Education Act of 1965 and 1998 Amendments
  - NASFAA Regulatory Resources Guide
  - NASFAA Policies and Procedures Manual Template
- Alamo Colleges Policies and Guidelines: [http://www.alamo.edu/district/ethics/policies.htm#c](http://www.alamo.edu/district/ethics/policies.htm#c)
  - DC (Local) Hiring Practices Revised to D.2.3 (Policy) Qualifications dated 4/28/2009
  - CI (Local) Equipment and Supplies Management Revised to C.2.7(Policy) Equipment/Property Management dated 8/18/2009
  - Inventory Control Guidelines revised May 2000, [http://www.alamo.edu/district/purchase/invbook.htm](http://www.alamo.edu/district/purchase/invbook.htm)
- Alamo Colleges Employee Services Department’s website
  - Job Descriptions, [http://www.alamo.edu/ACCD/hr/JD/ALLJOBS.htm](http://www.alamo.edu/ACCD/hr/JD/ALLJOBS.htm)
    - District Director of Student Financial Aid (4226) not dated
    - Director of Student Financial Services (2123) dated 8/30/1999
    - Senior Associate Director, Student Financial Services (2494) dated 4/23/1997
    - Associate Director, Student Financial Services (2444) dated 4/23/1997
    - Financial Aid Advisor (2122) dated 9/21/2004
    - Programmer (5223) dated 2/4/2002
    - Office Supervisor (1091) dated 8/14/1996
    - Financial Aid Technician, Senior (5061) dated 3/11/2002
    - Financial Aid Assistant (1121) dated 9/21/2004
- Student Financial Services Department Policy and Procedure Manuals
  - SAC Financial Aid Procedures Manual
  - NVC Student Financial Services Policies and Procedures, dated 6/26/2008
AUDIT INFORMATION SOURCES USED
For this review, the following are the major sources of information and data used:

Student Financial Services
- Program Participation Agreements with the Department of Education
  - SAC with Approval Expiration Date of 03/31/2013
  - SPC with Approval Expiration Date of 09/30/2012
  - PAC with Approval Expiration Date of 09/30/2012
  - NVC with Approval Expiration Date of 03/31/2011
- Return of Title IV Funds Excel Worksheets for fiscal year ended 08/31/2008

Electronic Sources
- Alamo Colleges Digital Documents System (WebXtender):
  - Personnel Action Request Forms
  - Criminal Background Checks Forms
- SCT Plus Human Resource System:
  - Screens
    - 012 Assignment Add/Maintain
    - 016 Corporation Add/Maintain
    - 049 Terminate Employee
  - Labor Distribution Reports
    - 08/29/2006
    - 08/29/2007
    - 08/27/2008
    - 01/28/2009
- Wise Track System – Student Financial Services Detail Transactions
- Control-D Web Application SIS Plus SFA037 Financial Aid Activity Reports by College as of 11/19/2008
- Voice Over Internet Protocol Reports for April 2009 call activity
- Banner FGIBDST Screens for fiscal years 2006 through 2008
- Student Financial Services Department websites, www.alamo.edu
Finance and Fiscal Services
- Alamo Colleges' Annual Financial Report for Fiscal Years Ended
  - 08/31/2006
  - 08/31/2007
  - 08/31/2008

Observations
- Observations and photos taken of SFS Offices during April through May 2009
- Physical inventory of computers in the SFS offices performed during April through May 2009
- Written surveys completed by SFS Department personnel
- Interviews with SFS Department personnel
- Garza/Gonzalez & Associates Audit Report dated 05/15/1989

Best Practice Sources
- Texas Higher Education Coordinating Board Accountability Reports, http://www.txhreredata.org/Interactive/Accountability/
- Austin Community College District, www.austincc.edu
- Dallas County Community College District, www.dcccd.edu
- El Paso County Community College District, www.epcc.edu
- Lone Star College System, www.lonestar.edu
- Maricopa County Community Colleges, www.maricopa.edu
- University of Texas at San Antonio, www.utsa.edu
APPENDIX A

STUDENT FINANCIAL SERVICES (SFS) PROPOSED ORGANIZATIONAL REALIGNMENT

OVERVIEW
Based on an evaluation of risks, the proposed organizational realignment was developed to be more cost effective while improving the control environment which will further enhance Alamo Colleges' compliance with federal and state regulations. The examples of responsibilities and duties provided are ideas and not meant to be all-inclusive. Organizational charts of other higher education institutions' financial aid department were reviewed to generate ideas of how to structure the SFS Department. This appendix provides details of the Proposed Organizational Realignment Overview recommended in Table 8 of the detailed audit report.
APPENDIX A.1 SFS PROPOSED REALIGNMENT DISTRICT OVERVIEW

Student Financial Services Department
Proposed Alignment
District Overview

Legend:

Director | Manager | Staff | Function

Responsibilities and Duties

Functional Responsibilities
- Deliver exceptional financial aid services to students
- Ensure that financial assistance programs are administered in compliance with all laws, regulations, policies, and procedures
- Responsible for implementing and monitoring an internal control structure as required by 34 CFR 668.16 Standards of Administrative Capability and Board of Trustee policies
- Provide leadership in the development of the strategic plan and its component parts, including performance measures, action plans and tasks throughout the departmental and college operations to achieve the vision of becoming the best community college
- Implement and monitor performance measures to achieve the results stipulated in the strategic plan for departmental and college operations
- Develop and implement the performance budget model for the department

Examples of Duties
- Direct the administration of federal, state, local, and District financial aid programs
- Ensure that regulatory reports are submitted in a timely and accurate manner
- Evaluate effectiveness of financial aid programs, developing and implementing changes as needed
- Serve on District Committees as approved by the Vice Chancellor, such as the Project Phoenix Business Process Analysis
- Manage department budget for efficient use of resources
- Ensure that annual personnel evaluations are properly done and in a timely manner
- Ensure that staff training is appropriate and timely
APPENDIX A.2 SFS PROPOSED REALIGNMENT DIRECT REPORTS OVERVIEW

Legend:
- Director
- Manager
- Staff
- Function

Responsibilities and Duties

<table>
<thead>
<tr>
<th>IT Specialist</th>
<th>Senior Secretary</th>
<th>Document Specialist</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Functional Responsibilities</strong></td>
<td><strong>Functional Responsibilities</strong></td>
<td><strong>Functional Responsibilities</strong></td>
</tr>
<tr>
<td>- Provide technical support to SFS to properly monitor and manage the financial assistance programs</td>
<td>- Deliver timely and quality administrative services to District Director and his/her direct reports</td>
<td>- Maintain a document management system for non-computerized records</td>
</tr>
<tr>
<td><strong>Examples of Duties</strong></td>
<td><strong>Examples of Duties</strong></td>
<td><strong>Examples of Duties</strong></td>
</tr>
<tr>
<td>- Coordinate with SFS management to design financial system reports and programs</td>
<td>- Coordinate department records retention</td>
<td>- Image documents at point of intake</td>
</tr>
<tr>
<td>- Develop, maintain, and implement financial aid system reports and programs</td>
<td>- Assist with budget preparation and monitoring</td>
<td>- Appropriately index these records and post to a networked application</td>
</tr>
<tr>
<td>- Provide training and documentation to staff on the use of reports and programs</td>
<td>- Process timesheets, payroll, and leave District forms</td>
<td>- Properly destroy the originals of imaged documents</td>
</tr>
<tr>
<td>- Extract and provide financial aid information to support compliance and data analysis functions</td>
<td>- Assist with personnel performance appraisals</td>
<td>- Supervise Document Specialists to ensure timely and quality performance of tracking and scanning of documents at the point of intake</td>
</tr>
<tr>
<td>- Coordinate with the Information Technology Services Department and other colleges to improve the financial aid system</td>
<td>- Assist in preparation/coordination of travel documents</td>
<td>- Maintain the most efficient document imaging system possible</td>
</tr>
<tr>
<td>- Maintain the most efficient document imaging system possible</td>
<td>- Order office supplies, equipment, and services</td>
<td>- Supervise Document Specialists to ensure timely and quality performance of tracking and scanning of documents at the point of intake</td>
</tr>
</tbody>
</table>

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APPENDIX A.3 SFS PROPOSED REALIGNMENT ASSISTANT DIRECTOR – PROGRAMS OVERVIEW

Student Financial Services Department
Proposed Realignment
Assistant Director – Programs Overview

District Director

Senior Secretary 1

IT Specialist 1

Document Specialist 2

Assistant Director Programs

Assistant Director Customer Service

Legend:

Director  Manager  Staff  Function

Responsibilities and Duties

Functional Responsibilities
- Deliver exceptional financial aid services to students
- Ensure that financial assistance programs are administered in compliance with all laws, regulations, policies, and procedures
- Responsible for enforcing and monitoring the internal control structure
- Provide input in the development of the strategic plan and its component parts, including performance measures, action plans and tasks as it relates to assigned functions
- Monitor and report on performance measures to achieve the results stipulated in the strategic plan

Examples of Duties
- Coordinate and manage the administration of federal, state, local, and District financial aid programs
- Supervise staff to include managing leave, performance appraisals, timesheets, work schedules, and successful completion of appropriate training
- Coordinate the preparation and timely submission of regulatory reports
- Evaluate and monitor effectiveness of assigned functions, develop and implement changes as needed
- Serve on District or College committees approved by the District Director, such as Project Phoenix

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APPENDIX A.4 SFS PROPOSED REALIGNMENT ASSISTANT DIRECTOR – CUSTOMER SERVICE OVERVIEW

Student Financial Services Department
Proposed Realignment
Assistant Director – Customer Service Overview

Legend:
- Director
- Manager
- Staff
- Function

Responsibilities and Duties

Functional Responsibilities
- Deliver exceptional customer service to students
- Ensure that financial aid information provided to students is accurate and timely
- Responsible for enforcing and monitoring the internal control structure
- Provide input in the development of the strategic plan and its component parts, including performance measures, action plans and tasks as it relates to assigned functions
- Monitor and report on performance measures to achieve the results stipulated in the strategic plan

Examples of Duties
- Manage College SFS Offices to ensure the consistent delivery and exceptional quality of service to students conducted through telephonic means or in-person
- Supervise staff to include managing leave, performance appraisals, timesheets, work schedules, and successful completion of appropriate training
- Monitor and evaluate the effectiveness of assigned functions, develop and implement changes as needed
- Serve on District or College committees approved by the District Director, such as Project Phoenix
APPENDIX A.5 SFS PROPOSED REALIGNMENT CALL CENTER OVERVIEW

Student Financial Services Department
Proposed Realignment
Customer Service Call Center Overview

Legend:
- Director
- Manager
- Staff
- Function

Responsibilities and Duties

Functional Responsibilities
- Deliver exceptional customer service to students
- Provide accurate and timely financial aid information to students
- Responsible for effectively implementing the internal control structure

Examples of Duties
- Assist in defining performance measures for assigned functions and effectively implement and monitor them
- Manage daily Call Center and Centralized E-mail performance ensuring high levels of customer service
- Handle in/out-bound calls and E-mails to ensure timely and quality service
- Inform/educate current and prospective students concerning the full array of financial aid available, its eligibility requirements, deadlines, and processes
- Record notes on purpose of calls/E-mails and status of items to be resolved with caller in SIS Plus or similar software applications such as Service Center, Numara Track-It!, or BMC Remedy IT Service Management
- Monitor and review Voice Over Internet Protocol detailed records to evaluate the call activity against performance measures

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APPENDIX A.6 SFS PROPOSED REALIGNMENT CUSTOMER SERVICE - COLLEGES OVERVIEW

Student Financial Services Department
Proposed Realignment
Customer Service - Colleges Overview

Legend:
- Director
- Manager
- Staff
- Function

Responsibilities and Duties

Functional Responsibilities
- Deliver exceptional customer service to students
- Provide accurate and timely financial aid information to students
- Responsible for effectively implementing the internal control structure

Examples of Duties
- Assist in defining performance measures for assigned function and effectively implement and monitor them
- Conduct community outreach to educate the public about the availability of financial assistance programs and the application process by making presentations to local schools, organizations, prospective and current students
- Provide information to students concerning the full array of financial aid available, its eligibility requirements, deadlines, and processes
- Assist students as necessary in completing applications and financial aid forms, such as a verification worksheet
- Serve as the primary point for document intake and maintain a centralized file accessible to all SFS departmental and college personnel
- Supervise Document Specialist in the performance of tracking and scanning of documents at the point of intake

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APPENDIX A.7 SFS PROPOSED REALIGNMENT PROGRAMS - ACCOUNTING MANAGER OVERVIEW

Student Financial Services Department
Proposed Realignment
Programs - Accounting Manager Overview

Legend:

Director □ Manager □ Staff □ Function □

Responsibilities and Duties

Functional Responsibilities
- Deliver exceptional service to students
- Ensure the accurate recording and reporting of financial assistance programs
- Perform duties in compliance with all laws, regulations, policies, and procedures
- Responsible for effectively implementing the internal control structure

Examples of Duties
- Assist in defining performance measures for assigned function and effectively implement and monitor them
- Complete verification procedures required by the Department of Education
- Process Returns of Title IV Funds in an accurate and timely manner
- Process recalculations of financial aid awards due to changes in student enrollment
- Reconcile financial assistance programs to Banner
- Compile data for institutional, fiscal, federal, and state reports on student aid as needed
APPENDIX A.8 SFS PROPOSED REALIGNMENT PROGRAMS OVERVIEW

Student Financial Services Department
Proposed Realignment
Programs Overview

Legend:

Responsibilities and Duties

Functional Responsibilities
- Deliver exceptional financial aid services to students
- Administer financial assistance programs in compliance with all laws, regulations, policies, and procedures
- Responsible for effectively implementing the internal control structure

Examples of Duties
- Assist in defining performance measures for assigned functions and effectively implement and monitor them
- Correspond with financial aid applicants when additional information or data are required for processing applications
- Verify financial aid eligibility, enrollment, and academic status prior to awarding students
- Process federal, state grants, scholarships, loans, and work-study in an accurate and timely manner
- Process appeals and special conditions requiring use of professional judgment in a timely manner
APPENDIX A.9 SFS PROPOSED REALIGNMENT PROGRAMS – COMPLIANCE OVERVIEW

Responsibilities and Duties

Functional Responsibilities
- Monitor activities to ensure that financial assistance programs are administered in compliance with all laws, regulations, policies, and procedures
- Develop continuous monitoring to ensure that appropriate activity occurs

Examples of Duties
- Assist in defining performance measures for assigned function and effectively implement and monitor them
- Conduct periodic reviews of activities, including Return of Title IV Funds, recalculation, and appeals to determine appropriateness and compliance with laws, regulations, policies, and procedures
- Perform procedures for employees and their immediate family members receiving financial assistance to verify the accuracy of information provided in the application and to ensure awarding decisions are based on objective, fair and reasonable processes and practices
- Administer a compliance training program for all employees, especially during new employee orientation
- Coordinate an annual Conflict of Interest Certification Process with the District Ethics and Compliance Officer
APPENDIX A.10 SFS PROPOSED REALIGNMENT PROGRAMS – PROCESS ANALYSIS OVERVIEW

Student Financial Services Department
Proposed Realignment
Programs – Process Analysis Overview

Legend:
- Director
- Manager
- Staff
- Function

Responsibilities and Duties

Functional Responsibilities
- Responsible for capturing and analyzing financial aid data and performance measures
- Develop and implement summarized reporting and data analysis for distribution to the Director and department management to assist in directing and managing the financial assistance programs

Examples of Duties
- Communicate with District Director and Assistant Director to establish data elements to analyze
- Create tools or queries to obtain data for the purposes of reporting and analysis
- Collect, analyze, evaluate, and summarize data
- Present final analysis to the Vice Chancellor of Student Success, District Director, and department managers