UCLA ENROLLMENT MANAGEMENT – FINANCIAL AID AND SCHOLARSHIPS

AUDIT REPORT #20-4009

Audit & Advisory Services

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# Background

In accordance with the Campus fiscal year 2019-20 audit plan, Audit & Advisory Services (A&AS) performed an audit of UCLA Enrollment Management – Financial Aid and Scholarships (FAS).

FAS has the primary responsibility for administering the annual financial aid programs. FAS’ mission is to help students pursue their education by awarding scholarships, grants, and other aid to assist with educational costs. FAS also supports the University’s enrollment and retention goals by providing counseling services and access to financial resources to increase opportunities for students’ success in reaching their higher education goals.

FAS uses the Financial Aid Management (FAM) System to facilitate financial processing. The FAM system is a software package that assists with the collection and evaluation of data for the processing of need-based and merit-based student financial support at UCLA. The FAM system also supports FAS in identifying, evaluating, and processing UCLA students and applicants applying for federal or state financial aid. Further, the FAM system interacts with the Undergraduate Admissions System, the Graduate University Admissions System, and the Registrar’s Office Student Records System.

At the time of the audit, FAS employed approximately 51 part and full-time employees. FAS is managed by the FAS Director, who reports to the Vice Provost of Enrollment Management. For fiscal year 2018-19, the total administrative total revenue was approximately $5.6 million, with total expenses of $4.8 million. Additionally, according to the 2017-18 UCLA Financial Aid Annual Report, there was approximately $973 million in student support disbursed to students for the 2017-18 academic year.

According to the UCLA 2018-19 Undergraduate Profile report posted on the Academic Planning and Budget website, in the 2018-19 academic year, 15,495 undergraduates received a need-based scholarship or grant, with an average award of $20,775. Additionally, of UCLA’s 2017-18 graduating class, 58% had no student loan debt, and the 42% who did borrow had an average debt of $22,390, well below the national average.

# Purpose and Scope

The purpose of the review was to ensure that there were adequate internal controls over the FAS’ administrative and financial activities. Where applicable, compliance with University policies and procedures was also evaluated. The scope of the audit focused on the following areas:

Information Technology

Cash Handling

Conflict of Interest

Student Eligibility, Awarding, and Disbursement

Mandatory Training

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests, and other procedures considered necessary to achieve the objective.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, FAS’ internal controls are generally conducive to accomplishing the department’s business objectives surrounding administrative and financial activities. However, internal controls in the following areas could be strengthened:

Information Technology

Management should remove access for 12 former employees. Also, management should periodically review access listings for the Education Loan Management (ELM), FAM, FAM Campus Data Warehouse (CDW), Student Affairs Web (SaWeb), and Image-Now systems to ensure that only authorized individuals have access. Management should document these reviews.

Cash Handling

Management should appropriately segregate the duties associated with the processing of checks.

Management should require two individuals to be present when opening the safe. Additionally, management should ensure that monies are stored in receptacles that comply with the requirements of University Business and Finance Bulletin BUS-49, “Policy for Cash and Cash Equivalents Received.”

Mailed-in remittances should be verified and processed by two individuals when feasible, and deposits should be prepared under dual custody, in order to strengthen accountability over the funds and ensure compliance with BUS-49.

Management should institute the use of a check log to document that the mail is opened under dual custody. Also, management should designate an independent person to reconcile the log to supporting documentation to ensure that all funds are accounted for.

Management should require that the transfer log include the total amounts being transferred to Payment Solutions and Compliance (PSC) and the names of the individuals who prepared the deposits. This enhancement will help to ensure that accountability is maintained.

Checks should be deposited when collections exceed $500, in accordance with BUS-49.

Management should create a log that documents changes made to the safe combination. The log should include the date and reason for the change.

Conflict of Interest

Management should implement a policy or include language in the FAS Employee Handbook that discusses the handling of potential conflicts of interest related to the awarding of aid to relatives, co-workers, or student workers within the office.

The audit results and corresponding recommendations are detailed in the following sections of this report.

# Audit Results and Recommendations

## Information Technology (IT)

Controls over system access were reviewed to determine whether only authorized users are permitted to use the FAS-related systems.

### IT Access

A&AS obtained the current access listings for the following systems as of October and November 2019:

* Education Loan Management (ELM)
* FAM
* FAM Campus Data Warehouse (CDW)
* SaWeb
* WebGrants
* Image-Now

A&AS selected a sample of users from each listing to verify whether access for the selected user was appropriate. A&AS reviewed the UCLA online directory to obtain the employee's title and inquired with management to confirm whether access was appropriate. Also, A&AS reviewed the University of California Payroll, Academic Personnel, Timekeeping and Human Resources (UCPath) system to verify whether the individuals selected were current employees. If an employee had been separated from UCLA and still had access, A&AS followed up with management to determine the reason the individual still had access.

Of the 30 users selected from the various system listings, four individuals were no longer employed. Based on discussion with management, requests to remove access are processed after an employee has separated and employee logon credentials to computers are revoked; however, in these four instance access was not removed for the specific system. Furthermore, user access listings are not reviewed annually for the following systems: ELM, FAM, FAM QDB, SaWeb, and Image-Now. Management indicated that WebGrants access must be granted yearly.

A&AS also obtained a recent listing of FAS employee separations from the UCLA Campus Data Warehouse (CDW). A&AS then selected a sample of 10 recent employee separations to verify whether systems access for the recently separated employees had been removed.

This review revealed that eight separated employees did not have SaWeb access removed. (These eight employees did not have access to the five other systems tested.)

Recommendation: Management should immediately remove access for the 12 former employees mentioned above. Also, management should periodically review access listings for the ELM, FAM, FAM CDW, SaWeb, and Image-Now systems to ensure that only authorized individuals have continued access. Management should document these reviews.

Response: Once identified, management immediately removed access for the 12 former employees mentioned. Management will annually review and document the review every December.

### Electronic Student Records

Discussion with management revealed that FAS systems are backed up by Student Affairs Information Technology (SA-IT) and Campus Information Technology (C-IT).

SA-IT and C-IT are each responsible for specific system back-ups. SA-IT backs up Image-Now and MyUCLA. C-IT backs up the FAM system. Back-ups are performed incrementally on a daily basis, and fully on a weekly and monthly basis. Discussions with both groups revealed that access to the storage site for back-ups is limited to only authorized individuals. Also, off-site back-up storage for both units is managed through a third-party, Iron Mountain. Further, both groups mentioned that they perform testing on an on-going basis to ensure that data is readily available.

A&AS reviewed support as of October 2019 and ensured that backups of MyUCLA, Image-Now, and FAM data were performed.

There were no significant control weaknesses noted in this area.

## Cash Handling

Controls surrounding check collections and deposits were reviewed to ensure that cash and cash equivalents are properly recorded and deposited in compliance with BUS-49.

Some improvements are warranted.

### Separation of Duties

### Segregation of duties is compromised in the processing of certain checks. Chafee grants are provided by the California Student Aid Commission (CSAC) to current or former foster youth that are enrolled in college courses at least half-time and making satisfactory academic progress. FAS staff members indicated that CSAC reviews applications, determines eligibility, processes awards, and mails Chafee checks to schools for disbursement. Separation of duties is not maintained for Chafee checks, as two FAS personnel each have the responsibility to obtain the checks, record the checks, and reconcile related information on their own.

### Recommendation: Management should appropriately segregate the duties associated with the processing of Chafee checks. Different individuals should be responsible for receiving, recording, and reconciling these checks.

Response: Management has assigned different individuals to handle the receiving and recording of Chafee checks and another individual for the reconciliation of it.

### Physical Security

Procedures for safeguarding checks were examined to verify that controls are adequate and comply with BUS-49. Audit testing included discussions with management, walk-throughs, and physical observations.

### FAS uses a safe and a lockable drawer to safeguard checks. The safe is used to store mailed-in Chafee checks that are made payable to students. The lockable drawer is used to store other checks that are mailed to FAS. One employee maintains custody of the key to the locked drawer.

The following concerns were noted:

* Accountability over the safe warrants improvement. Eight FAS employees have the combination to the safe and can access the contents on their own. Under the current set-up, it would be difficult to hold any one person accountable if checks were to go missing. BUS-49, Policy VIIIA.2, states that “individual accountability must be maintained and documented for all cash handling procedures.”
* Checks that typically totaled amounts above $1,000 were stored in a locked receptacle that did not meet BUS-49 requirements. Also, Chafee checks that typically totaled amounts above $2,500 were stored in a safe that did not have a door thickness of more than 1 inch. BUS-49 policy states that “each campus shall use lockable receptacles or burglarproof/fire resistant safes to store cash based on the following cash limits:
  + - 1. Up to $1,000 in a lockable receptacle
      2. From $1,001 to $2,500 in a safe
      3. From $2,501 to $25,000 in a steel-door safe, with a door thickness of

not less than 1 inch and wall thickness of not less than ½ inch.

* + - 1. From $25,001 to $250,000 in a class TL-15 composite safe or better.

### Recommendation: Management should require two individuals to be present when opening the safe. Management should consider implementing one of the following options:

### Put the safe into a locked cabinet for which one set of authorized employees would have the key, and the other set would have the safe combination.

### Share the first portion of the combination with one set of authorized employees and the second portion with another set of authorized employees so that one person does not have the full combination.

### Purchase a safe that requires dual access.

### Also, management should ensure that monies are stored in receptacles that comply with BUS-49 requirements.

Response: We will purchases a TL-15 Safe that requires dual access and relocate the safe to a more secure area within our office.

### Mailed-in Checks and Deposits Process

### Mailed-in checks are not always adequately controlled. Discussion with FAS indicated that an FAS staff member opens mailed-in checks alone in the FAS office. BUS-49, Policy VIIIA.1.3, states that "mailed remittances shall be verified and processed by two employees."

### Further, deposits are prepared in the same manner, by the FAS staff member alone in the office. BUS-49, Policy XA.1, states that "deposits must be validated and prepared under dual custody at all times in a safe and secure area."

### Recommendation: Mailed-in remittances should be verified and processed by two individuals when feasible, and deposits should be prepared under dual custody, in order to strengthen accountability over the funds and ensure compliance with BUS-49.

Response: When mailed in remittances are identified in the mail room they will be directed to the custody of the scholarships unit, who will prepare the checks under dual custody for handling by Payments, Solutions and Compliance.

### Check Logs

FAS does not use a check log that documents checks received in the mail. As a result, individual accountability is not maintained. Further, the lack of a completed check log prevents management from adequately verifying that all checks received have been properly deposited.

### Recommendation: Management should institute the use of a check log to document that the mail is opened under dual custody. Also, management should designate an independent person to reconcile the log to supporting documentation to ensure that all funds are accounted for.

Response: A check log will be prepared to keep track of remittances opened under dual custody and a reviewer will be assigned to reconcile the log to supporting documentation. The preparer and reviewer will sign-off as part of the process.

### Accountability

Discussion with FAS employees revealed that a transfer log is used when deposits are transferred between individuals; however, the log does not specify the contents in the bag nor the individual who prepared the deposit. BUS-49, Policy XA.1, states that “all cash transfers must be documented and the documentation of accountability maintained by category (i.e., currency, checks and other forms of payment).”

### Recommendation: Management should require that the transfer log include the total amounts being transferred to Payment Solutions and Compliance (PSC) and the names of the individuals who created the deposits. This enhancement will help to ensure that accountability is maintained.

Response: We will use the check logs to use as documentation for the total transferred to PSC. The total will be added to the Armored Transfer Vendor pick up form and a copy of the check log will be included with the checks to assist PSC with deposits and reconciliation.

### Deposits

Discussion with staff indicated that checks were not always deposited at PSC whenever collections exceeded $500. Instead, FAS would typically wait until the end of the week for armored car service to pick up the checks, even when collections exceeded $500. BUS-49, Policy VIIIB.1, states that “collections at Sub-cashiering Stations and Departments shall be deposited at the designated Main Cashiering Station at least weekly or whenever collections exceed $500.”

### Recommendation: Checks should be deposited when collections exceed $500, in accordance with BUS-49.

Response: We will schedule a pick up by Armored Transfer Vendor when collections exceed $500 and checks will be kept in the secure safe until pick up.

### Safe Log

The safe combination was changed recently, at the beginning of the fiscal year; however, the date and reason for the change was not documented because FAS does not maintain a safe log. According to BUS-49, Policy IX.11, "Documentation must be maintained showing the date and the reason for the combination changes."

Recommendation: Management should create a log that documents changes made to the safe combination. The log should include the date and reason for the change.

Response: We created a log that documents changes made to the safe combination giving the date and reason for the change.

## Conflict of Interest

Discussions were held with management to verify whether Conflict of Interest trainings provided are adequate to cover the awarding of aid to relatives, co-workers, or student workers within the office.

Based on the results of test work performed, it appears that the University of California Ethical Values and Conduct training, the UC Statement of Ethical Values, and the FAS Employee Handbook collectively establish expectations for each employee to exercise sound judgment and serve the best interests of the institution and the community.

The FAS Employee Handbook discusses ethical values and contains language to prevent conflict of interest for all employees and agents of the UC system whose responsibilities include private student loans. However, A&AS noted that there is an opportunity to improve the handbook to address potential conflicts of interest related to the awarding of aid to relatives, co-workers, or student workers within the office.

Recommendation: Management should implement a policy or include language in the FAS Employee Handbook that discusses the handling of the above-mentioned potential conflicts of interest.

Response: We have included language in the FAS Handbook addressing conflicts of interest related to the awarding of aid to relatives, co-workers, or student workers within the office and informed all staff regarding the update.

## Student Eligibility, Awarding, and Disbursement

Controls surrounding student eligibility, awarding, and disbursement were reviewed to verify that they are adequate.

### Student Eligibility, Awarding, and Disbursement

Discussions were held with management to gain an understanding of the student eligibility, awarding, and disbursement processes. A&AS obtained a listing of students who received financial aid and selected a sample of ten students that were “auto–packaged” by the FAM system and 15 students that were “manually packaged” by FAS counselors for the 2018-19 academic year. Auto-packaged awards are awards that are automatically entered into a student’s account by the FAM system, based on the eligibility criteria of the selected packaging plan set in FAM. Manually packaged awards are awards that are manually entered into a student’s account by a counselor.

For these 25 students, A&AS requested the Financial Aid Notification Letters to select a sub-sample of scholarships, grants, and loans to test. A&AS then made a selection of awards and requested support to verify whether the students were eligible for the awards received. A&AS reviewed screenshots from the FAM system, scholarship documents, award requirements, and grant eligibility requirements to ensure that the students qualified for the awards.

Also, for the same sample of 25 students mentioned above, A&AS reviewed the FAM system to determine whether verification of reported information was required for the student. If verification was needed, A&AS reviewed the FAM system to ensure that verification was properly completed. A&AS also reviewed the student records to verify whether aid to the student was distributed timely and accurately. Of the 25 students selected, A&AS noted that 14 had been awarded loans, and therefore A&AS reviewed the master promissory notes for those 14 students.

Based on testing performed, it appears that, for the 25 students selected, eligibility requirements were met, verification was completed when required, aid to the student was distributed timely and accurately, and if the aid was in the form of a loan, there was an executed loan agreement that outlined the terms of the loan.

Additionally, for a separate sample of 10 financial aid applications, A&AS reviewed support to verify whether current data was accurately transferred from the Free Application for Federal Student Aid (FAFSA) system to the FAM system.

For the 10 applications reviewed, data for the student was accurately downloaded from the federal system to the campus system.

There were no significant control weaknesses noted in this area.

### Data Analytics

To ensure that aid was disbursed appropriately, A&AS performed data analytics by comparing a listing of students that were awarded aid for the Spring 2019 quarter to a listing of students that were registered. A&AS then selected a sample of ten students that were awarded financial aid for the Spring 2019 quarter but were not registered for the Spring 2019 quarter. Based on testing performed, it appears that the ten students selected either did not have awards disbursed because they withdrew, or a Return to Title IV calculation was completed because the student earned a portion of the aid.

Documents reviewed included support from management, comprised of award letters sent to students, Financial Aid Management system screenshots showing student award and disbursement information, and Return to Title IV calculations. The Return to Title IV calculation is used to determine the "earned" amount, based on the last day of the student’s attendance in the semester.

There were no significant control weaknesses noted in this area.

## Mandatory Training

A&AS obtained and reviewed the Ethical Values and Conduct, Cybersecurity Awareness, and Sexual Violence and Sexual Harassment Prevention training compliance reports from the UCLA Compliance Coordinator.  The data in the report was derived from the University of California (UC) Learning Management System (LMS) as of October 22, 2019, for all employees in the FAS department.  Compliance listings were reviewed to verify that all employees had completed their required training courses, as mandated by the University of California Office of the President (UCOP), within the specified timeframe.  Online course assignment notifications of mandated training and reminders for completing the training on a timely basis are sent to employees directly from LMS. The following were noted:

*Ethical Values and Conduct Training*

* The ethics training program raises awareness about the UC Statement of Ethical Values and Standards of Ethical Conduct and conveys University employment obligations with respect to ethical behavior.  The training provides examples of ethical challenges that may arise in the workplace, helps clarify how to apply the standards, and encourages practical application in real-life situations.
* As of October 22, 2019, 100% of employees had completed the Ethical Values and Conduct training.

*Cybersecurity Awareness Training*

* The Cybersecurity Awareness training program is part of a UCOP initiative to enhance cybersecurity awareness systemwide. Due to the rapid pace of technological developments and the highly connected nature of education and research activities, cybersecurity is a continuous effort that must be addressed by educating University employees and students about best practices.  The mandated training covers basic information regarding security, email, passwords, and social engineering, in addition to introducing contemporary threats and providing guidance on behaviors that protect information.
* As of October 22, 2019, 41 of 41 FAS employees required to take such training (100%) had completed the Cybersecurity Awareness training.

*Sexual Violence and Sexual Harassment Prevention Training*

* The University mandates annual sexual violence and sexual harassment prevention training and education for all employees.  The training program helps employees learn and understand their role in ensuring that the University community remains free of all forms of discrimination and harassment, including sexual harassment and violence, which is prohibited by state and federal law and University policy.
* As of October 22, 2019, 94% of FAS employees had completed the Sexual Violence and Sexual Harassment Prevention training. Management routinely follows up when individuals have not completed the training.

There were no significant control weaknesses noted in this area.

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