

**THE UNIVERSITY OF NEW MEXICO - TAOS
AUDIT OF OVER-AWARDING FINANCIAL AID**

THE UNIVERSITY OF NEW MEXICO

**Report 2006-48
April 2, 2007**



Audit Committee Members

Raymond Sanchez, Chair
John M. "Mel" Eaves, Vice Chair
Carolyn Abeita

Audit Staff

G. Christine Chavez, Director
Yvonne Cox, Internal Audit Manager
Pamela Losinski, Senior Auditor
Lisa Wauneka, Information Systems Auditor

CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION.....	2
BACKGROUND	2
PURPOSE.....	2
SCOPE	2
OBSERVATIONS, RECOMMENDATIONS AND RESPONSES	3
CHANGING FINANCIAL AID INFORMATION.....	3
Errors in Reporting Financial Aid Dependency.....	3
Enrollment Associate’s Role in Inaccurately Reporting Financial Aid Dependency.....	3
Documentation of Other Professional Judgment Changes	4
CONTROLS IN THE CASHIERING FUNCTION	5
CONCLUSION	6
APPROVALS	6

ABBREVIATIONS

Enrollment Associate	Senior Student Enrollment Associate
HR	Department of Human Resources
FAFSA	Free Application for Federal Student Aid
NMSA	New Mexico Statutes Annotated
UBP	University Business Policies and Procedures Manual
UNM	The University of New Mexico
USDE	United States Department of Education

EXECUTIVE SUMMARY

The Internal Audit Department received a hotline tip indicating that the Senior Student Enrollment Associate (Enrollment Associate) responsible for managing financial aid at UNM-Taos was providing additional financial aid for family members. When the Internal Audit Department reviewed the financial aid files of the Enrollment Associate's family members, we found that there were irregularities that resulted in increases in the amounts of financial aid for which the family members were eligible. The Enrollment Associate made changes to family members' files without including adequate documentation for the changes, and made entries into the files that resulted in increased financial aid for family members. We identified where similar entries were made to two files where we could not determine if the students were related to the Enrollment Associate. The Enrollment Associate is no longer employed by The University of New Mexico (UNM).

According to University Counsel, the conduct of the Enrollment Associate may violate both state and federal criminal laws. Internal Audit forwarded the information to the University Police Department and the New Mexico Office of the State Auditor.

CHANGING FINANCIAL AID INFORMATION

The Interim Executive Director of UNM-Taos should work with Main Campus to implement a process at UNM-Taos to assure that financial aid files include documentation to support changes made to the financial aid information for individual students. The Financial Aid Director and the Interim Executive Director of UNM-Taos will set up once-a-semester visits by a financial aid professional from Main Campus.

CONTROLS IN THE CASHIERING FUNCTION

The Interim Executive Director of UNM-Taos should direct her staff to have separate share cash drawers in the Cashier's Office as required by policy or ask for an exception to the policy. The Interim Executive Director of UNM-Taos will seek an exception to policy. If she does not get the exception, she will comply with the policy.

INTRODUCTION

BACKGROUND

UNM-Taos is a branch community college of UNM which offers Associate degree and vocational Certificate programs, adult basic education, workforce training, and courses for personal enrichment. Per the 2005 UNM Fact Book, UNM-Taos had 109 faculty who are mostly adjunct professors, and 36 regular staff members. In 2005, the student head count at UNM-Taos was 1,307 students which translates into 584 full-time equivalents.

Through UNM's Compliance Hot Line which is managed by a third party provider, the Internal Audit Department received a complaint alleging that the family members of the Enrollment Associate responsible for managing financial aid at UNM-Taos were receiving unusually large amounts of aid.

UNM-Taos has its own personnel who process financial aid, manage enrollment, receive tuition payments, and, before the UNM implemented Banner in Fall 2006, disburse financial aid through their cashiering function. As with all of the Branch Campuses, UNM-Taos uses the same accounting system as Main Campus.

A major portion of financial aid is funded by the US Department of Education (USDE). For students to receive financial aid they must complete a *Free Application for Federal Student Aid* (FAFSA); most students complete this form on the Web. At the student's request, this completed form is electronically submitted to UNM. The USDE allows universities latitude in changing the information that students submit. The USDE expects institutions to evaluate, on a case-by-case basis, things such as the cost of attendance, dependency status and satisfactory academic progress. The institutions' financial aid offices are required to maintain records showing the reason for the decisions.

PURPOSE

The purpose of our audit was to determine whether the amounts of financial aid awarded to the family members of the Enrollment Associate were appropriate.

SCOPE

Our audit was limited to a review of the financial aid given to the family members and a review of related documents. We did not review the controls in the entire financial aid system. A review of this system is part of the FY 2007 Audit Plan.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

CHANGING FINANCIAL AID INFORMATION

As noted in the *Background*, USDE allows universities to use professional judgment in adjusting individual financial aid information. However, the Universities must document the reason for these changes in each student's financial aid file.

Errors in Reporting Financial Aid Dependency

We found two instances where a mother was claiming her daughter and her grandchild as dependents, and the daughter was showing herself as independent and her child (the grandchild) as a dependent. For one of these instances, this error was made for five consecutive years.

Per the FAFSA, a person is considered a dependent if they are under the age of 24 unless certain circumstances apply. One of those circumstances is if they have children for whom they provide over 50% of the support. The mother and the daughter cannot both provide over 50% of the support so either the daughter's financial file or the mother's financial aid file is incorrect. The remedy for this situation may include the institution reimbursing the USDE for all of the financial aid that was given to the student who has the incorrect financial aid file for the entire period of the error. This may result in repaying the USDE over \$80,000.

Recommendation 1

The Financial Aid Director should report to the USDE the possible over-awards of financial aid and should take remedial steps, if any, that the USDE requires.

Response from the Financial Aid Director

Management concurs with this recommendation. The Financial Aid Director will refer the records collected by the UNM Department of Internal Audit to the United States Department of Education Office of Inspector General (USDE/OIG) for investigation. After investigating and determining what if any actions will be taken at the federal level, OIG will advise UNM regarding any action UNM must take.

Enrollment Associate's Role in Inaccurately Reporting Financial Aid Dependency

We asked the Enrollment Associate why the Enrollment Associate's [REDACTED] claimed herself as independent and was also claimed as her [REDACTED] dependent. The Enrollment Associate stated that the Enrollment Associate did not know the proper way to handle this type of situation. The Enrollment Associate stated that, sometime in the past, the Enrollment Associate asked a coworker the proper way to handle this transaction. The Enrollment Associate was told that both the Enrollment Associate's [REDACTED] and [REDACTED] could claim the [REDACTED] and that the [REDACTED] was independent.

As noted above, the FAFSA clearly states that a student must provide over 50% of the support for a child to claim the child as a dependent. This is information that should have been known by the Enrollment Associate.

The UNM-Taos Interim Executive Director worked with the UNM Human Resources Department and University Counsel's Office with regard to any personnel action needed for the employee. This personnel action was completed in January 2007.

Documentation of Other Professional Judgment Changes

The Enrollment Associate made changes to the on-line financial aid information for the Enrollment Associate's family members but the reason for these changes was not documented in the financial aid files. We found the following issues.

- The Enrollment Associate's [REDACTED] was given exceptions for lack of academic progress. This allowed the [REDACTED] to continue to receive financial aid even though the [REDACTED] dropped classes instead of completing them. The paperwork to support these exceptions was either incomplete or not in the financial aid file.
- The Enrollment Associate's [REDACTED] financial aid file did not contain a contract to show that the [REDACTED] would complete the appropriate number of credits to continue to qualify for financial aid.
- The Enrollment Associate's [REDACTED], [REDACTED] and [REDACTED] files all had missing documentation for child care costs which is required by UNM when child care is included in the cost of education.

Per USDE's *Information for Financial Aid Professional Library*, "The reason for the adjustment must be documented in the student's file, and it must relate to the special circumstances that differentiate him-not to conditions that exist for a whole class of students... Your school is held accountable for all professional judgment decisions and for fully documenting each decision." The Enrollment Associate placed UNM at risk by not properly documenting the reasons for the changes made which can lead to UNM having to repay financial aid.

Recommendation 2

The Interim Executive Director of UNM-Taos should work with the Main Campus and other Branch Campuses to form a plan where UNM employees from other locations periodically review files to assure that they contain the appropriate information.

Response from the Interim Executive Director of UNM-Taos and the Financial Aid Director

Management concurs with this recommendation. The Director of UNM-Taos and the Director of Financial Aid will establish a schedule for visits to the Taos financial aid office by a financial aid professional from Main Campus once per regular (fall and spring) semester, beginning fall 2007. The Director of Financial Aid will also work with each Branch Director to establish a schedule for each Branch Campus to have a sample of financial aid applications reviewed by a different office's financial aid staff once per semester after aid awards are disbursed, to review the manner and method of awarding aid at each location.

CONTROLS IN THE CASHIERING FUNCTION

During the audit of financial aid, we worked with the cashiers at UNM-Taos to obtain records for the audit. At that time, we noted that the cashiers work from the same cash drawer throughout the day. They have separate user numbers but they do not close out the cash drawer when the cashiers change shifts. Per Section 3.1. "Cash Management" Policy 7200, the University Business Policies and Procedures Manual (UBP), "Access to monies must be restricted to the employee responsible for the monies. Separate cash drawers should be used to accommodate employee breaks."

When we discussed this issue with your staff, they indicated that it may be inefficient to have separate drawers because the number of staff available for cashiering is small and the number of transactions is generally small. The policy allows for exceptions: Section 5. "Cash Management" Policy 7200, UBP states, "Any exceptions to this policy must be approved in writing by the Associate Vice President for Financial Services.

Recommendation 3

The Interim Executive Director of UNM-Taos should direct her staff to either comply with UNM policy regarding cash drawers or seek the appropriate exception to policy.

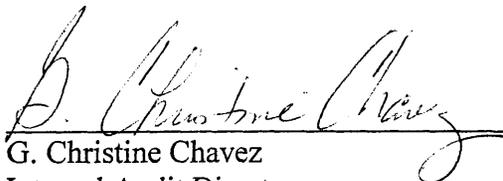
Response from the Interim Executive Director of UNM-Taos

UNM-Taos concurs with the auditors' recommendation and will seek approval from the Associate Vice President for Financial Services for an exception per the Cash Management Policy referenced above. If an exception to the policy is not granted, UNM-Taos will comply with the auditors' request for cashier staff to work out of separate cash drawers. UNM-Taos will be in compliance within six months.

CONCLUSION

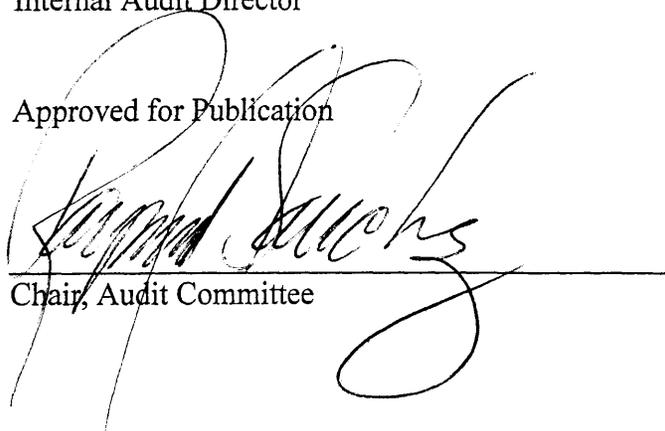
The Enrollment Associate made changes to family members' files without including adequate documentation for the changes and made entries into the files that resulted in increased financial aid for family members. We identified where similar entries were made to two files where we could not determine if the students were related to the Enrollment Associate. As a result of our findings, the Financial Aid Director should report to the USDE the possible over-awards and should take remedial steps, if any, that the USDE requires. The Interim Executive Director of UNM-Taos should direct her staff to have separate cash drawers as recommended by policy or to ask for an exception to policy.

APPROVALS



G. Christine Chavez
Internal Audit Director

Approved for Publication



Robert Sanchez
Chair, Audit Committee