



UNIVERSITY OF
TEXAS
ARLINGTON

SCHOLARSHIP MANAGEMENT AUDIT

DECEMBER 2, 2016

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MEMORANDUM

TO: Dr. Vistasp Karbhari
President

FROM: David A. Medrano *DM*
Chief Audit Executive

Globen Sabado
Senior IT Auditor

DATE: May 4, 2017

SUBJECT: Scholarship Management Audit Dated December 2, 2016

EXECUTIVE SUMMARY

We have completed the Scholarship Management Audit as included in our Fiscal Year 2016 audit plan. The objective was to verify if the new scholarship management system is being utilized to fulfill the University's commitment in providing a central site for students to view all available scholarships.

Based on the results of the audit procedures performed and the samples tested, we determined that the new scholarship management system has not been fully utilized by the University's colleges and schools to ensure scholarship funds are awarded to qualified students.

The reportable findings and recommendations are deemed significant to the department or process. None of the findings are deemed as a "priority finding" to the University. A priority finding is defined as *"an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT Institution or the UT System as a whole. Standard factors for determining a priority finding have been established in three categories: namely, Organizational Controls, Quantitative Risks, and Qualitative Risks."*

We appreciate the courtesy and cooperation we received from the Office of Development and Alumni Relations and the Scholarship Office staff throughout this audit.

MEMORANDUM: May 4, 2017

SUBJECT: Scholarship Management Audit dated December 2, 2016

cc: Jean Hood, Vice President-Human Resources, UT Arlington
Jennifer Chapman, Executive Director, University Compliance Services, UT Arlington
Michael Kingan, Vice President for Development, UT Arlington
Karen Krause, Executive Director, Office of Financial Aid and Scholarships, UT Arlington

Institutional Audit Committee Voting Members:

Randal Rose, Managing Director, JPMorgan Chase
Brian Gutierrez, Vice Chancellor for Finance and Administration, Texas Christian University
Stephen Frimpong, Vice President-Internal Audit, Kimberly-Clark Corporation
Ronald Elsenbaumer, Interim Vice Provost and Vice President for Academic Affairs, UT Arlington
Kelly Davis, Chief Financial Officer and Vice President, UT Arlington
John Hall, Vice President for Administration and Campus Operations, UT Arlington
Chandra Subramaniam, Interim Dean-College of Business Administration, UT Arlington

BACKGROUND INFORMATION

July 2016:

Interim Provost indicated to the Office of Internal Audit that the University had approximately \$2 million in private scholarships which remained unawarded to UTA students in the prior academic year, which was driven in large part due to a lack of student awareness regarding the breadth of scholarship funds available.

October 2015:

University contracted with a third party service provider, AcademicWorks, to electronically warehouse private scholarships available to UTA students, and to facilitate (i) the candidate application process and (ii) the awarding of scholarship funds to qualified student candidates. The AcademicWorks service can be accessed by interested scholarship candidates through a University webpage called Mav ScholarShop (MSS).

Roles:

Office of Development and Alumni Relations: (i) accountable for training scholarship (i.e. opportunity) administrators from each of the University's colleges, schools, and units (CSUs), (ii) providing MSS user administrator accounts, and (iii) providing MSS system usage and system administration support.

CSUs: responsible for ensuring that their respective scholarship funds are accurately posted and available in the MSS database.

Scholarship Office: processes payments of the awarded scholarships to qualified students' accounts.

OBJECTIVES

1. Evaluate adequacy of MSS training participation rates to determine the extent of participation by departments/colleges/schools.
2. Verify that processes are in place to post available scholarships in MSS and that there are appropriate and timely notifications to management when posting of available scholarships is not occurring.
3. Verify compliance with:
 - UTA's standard distribution accumulation ratio;
 - Reinvestment of distribution, which should not exceed 10% of available expendable funds.
4. Evaluate if there is adequate user account controls to ensure integrity of the MSS data.

CRITERIA

- UTA Procedure 2-6, *Endowment Establishment and Management*, Section IV.F,
- Texas Administrative Code (TAC) 202 Security Control Standards Catalog: AC-2, *Account Management* as our criteria.

SCOPE AND METHODOLOGY

Scope: covered the (a) status of MSS implementation to date and (b) endowment general ledger account balances as of July 31, 2016.

Methodology: We utilized the following techniques to support our verification and testing:

- Interviewed key personnel in the Office of Development and Alumni Relations;
- Used data analytics software (IDEA) to select samples and analyze user accounts and scholarship data;
- Reviewed pertinent documentation such as MSS scholarships and University of Texas Investment Management Company (UTIMCO) distribution reports.

AUDIT RESULTS

Objective 1 MSS training participation rate: We reviewed the MSS training tracker being maintained by the Office of Development and Alumni Relations since August 2015 to determine the extent of participation by the CSUs.

Objective 2 MSS Usage and management notification: We also reviewed the scholarships listed in MSS as of 9/22/2016 to verify that processes are in place to post available scholarships in MSS.

Criteria: The University's expectation is for all CSUs to utilize MSS as the single warehouse site to facilitate the scholarship candidate application process and awarding of scholarships to qualified students.

Condition/Observation: We noted the following deficiencies in the training, usage and administration of scholarships in MSS:

- a) There were 22 of 175 (12.6%) opportunity administrators that have not attended training. Also, we noted that seven of 85 (8%) CSUs did not have opportunity administrator user accounts.
- b) There were 27 of 175 (15%) opportunity administrators that have not logged in to MSS.
- c) There were 508 scholarships posted, and as of yet, unawarded in MSS.

- d) Six of 61 (10%) scholarships were deactivated from MSS by the MSS system administrator (Office of Development and Alumni Relations) for lacking answers to questions, applicant qualifications, applications or other relevant information required of student scholarship candidates.
- e) There is no central function that oversees and monitors the effectiveness of the scholarship application and awarding process through MSS.

Consequence: These scholarship management deficiencies noted above may impact students' ability to complete their degrees if available scholarship funding cannot be utilized.

Recommendation (high):

1. A formal procedure should be developed and implemented to ensure that all colleges, schools, and units are on board with the new scholarship application and awarding process. The procedure should define ownership, training, management and administration (centralized and departmental), accounting, reporting, and monitoring of scholarships.

Management Response:

Endowment Services and the Scholarship Office will work with Accounting Services and other departments as appropriate, to develop formal procedures on ownership, training, management and administration, accounting, reporting and monitoring for the new scholarship application and awarding process. The development of this formal procedure will provide an opportunity to review which unit(s) should have primary, campus-wide ownership over the management of scholarships. We will consult with the new Vice President for Enrollment Management and keep in mind best practices during the development of these formal procedures.

Target Implementation Date: November, 1, 2017

Responsible Party: Endowment Services

Condition/Observation: In the process of identifying CSUs without MSS opportunity administrator user accounts, we noted there were changes to scholarship funds designation that were not updated in MSS.

Consequence: Inaccurate scholarship designation will impact the administration and availability of scholarships to qualified student candidates.

Recommendation (medium):

2. The Office of Development should develop and implement a formal procedure to ensure that designations of UTA scholarships are updated and accurate on both the UTIMCO and MSS systems.

Management Response:

This procedure will be included as part of the formal procedures which will be developed.

Target Implementation Date: November, 1, 2017

Responsible Party: Endowment Services

Objective 3 Endowment Compliance: We reviewed the quarterly spending reports of CSUs as of July 31, 2016 to verify adherence to the distribution accumulation ratio and reinvestment rules.

Criteria: Procedure 2-6, *Endowment Establishment and Management*, Section IV.F, requires that endowment distributions should be expended on an annual basis. Accumulations over two times the annual distribution (unless below \$2,500) will be reviewed by the endowment compliance executive (Vice President for Development).

Condition/Observation: As of July 2016, there were 94 out of 431 (22%) scholarships that accumulated over two times the annual distribution. The Director of Endowment Services in the Office of Development and Alumni Relations explained there could be spending in August 2016 for those 94 scholarships. However, the Director also stated that, based on the trend from previous years, only a few (if any) will be spent in August 2016.

Consequence: Unawarded scholarship funds to qualified student candidates may negatively impact the students' ability to complete their degrees.

Recommendation (high):

3. The Office of Development and Alumni Relations should develop and implement an exception reporting process that would cover 100% of all endowments accumulating over two times the annual distribution (unless below \$2,500). Each CSU with an exception should be required to provide justification and a spending plan.

Management Response:

Endowment Services, within the Office of Development and Alumni Relations, will ensure that justifications and spending plans will be obtained for 100% of all endowments accumulating over two times the annual distribution (unless below \$2,500). Accounting and Business Services will be called upon for assistance in developing an automated report to facilitate this task.

Target Implementation Date: September 1, 2017

Responsible Party: Endowment Services

Objective 4 Access Controls: We reviewed the list of MSS user accounts as of 8/31/2016 for general access controls.

Criteria: TAC 202 Security Control Standards Catalog: AC-2, *Account Management:* management approvals are required to create information system accounts and reviews of accounts for compliance with account management requirements.

Condition/Observation:

- a) There are no documented approvals from the deans to authorize designated employees to have opportunity administrator access to MSS. We also noted that the designation of the MSS system and IT administrators, including the editor access are likewise verbal agreements, that is, with no documented approval from the Office of Development and Alumni Relations management.
- b) On the annual review of MSS administrator user accounts, there is also no documented confirmation by the respective management that an employee still needs the administrator user account access in MSS.

Consequence: Without documented approval, there could be administrator user accounts that are unauthorized to access MSS. This could allow actions such as modifying scholarships requirements to allow ineligible students to be awarded.

Recommendation (medium):

- 4. The Office of Development should develop and implement a formal procedure to manage MSS administrator accounts. This process should include documenting formal approval of administrator user account designation and performing periodic review to confirm with the administrator's management that such access is still valid. The results of the review should be documented.

Management Response:

This procedure will be included as part of the formal procedures which will be developed.

Target Implementation Date: November, 1, 2017

Responsible Party: Endowment Services

CONCLUSION

Based on the results of the audit procedures performed and the samples tested, we determined that the new scholarship management system has not been fully utilized by the University's colleges and schools to ensure scholarship funds are awarded to qualified students.

Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. These *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UT System policy UTS 129 titled "Internal Audit Activities" requires that we adhere to the *Standards*.

We appreciate the courtesy and cooperation we received from the Office of Development and Alumni Relations and the Scholarship Office staff throughout this audit.