



Internal Audit Department

Private Donor Scholarships

**March 2017
Report Number FY 17-04**

This page left blank intentionally.

Northern Arizona University
Private Donor Scholarships
Audit Report
March 3, 2017

Summary

Our audit of NAU scholarships funded by private donations is in the Annual Audit Plan for FY 2017, as approved by the Audit Committee of the Arizona Board of Regents. This audit links to NAU's strategic goal of student success.

Background: NAU received \$10,502,270 from private donations during FY 2016 to help NAU students to pursue their academic interests. Approximately \$7.7 million of the funds received was from donors who specified the scholarship recipients, including \$2.8 million from Native American tribes. The remainder of the scholarships, \$2.8 million, was awarded to recipients through the NAU Foundation.

The Foundation communicates with donors to determine each donor's intent. Once the donor's intent is known, the Foundation works with scholarship committees and the Office of Scholarships and Financial Aid (OSFA) to identify the most qualified scholarship applicants. The Foundation then sends OSFA a check to fund the awards.

OSFA is responsible for depositing all scholarship funds, including those from the Foundation, crediting the awards to the students' accounts in LOUIE (NAU's student financial information system), and recording the transactions in PeopleSoft Financials. OSFA also ensures students are not over-awarded. OnBase, a document management/imaging application, is used to track and document each transaction beginning with receipt of the donors' check through the award of scholarships.

Audit Objectives: The primary objectives of this audit are to determine whether NAU has effective policies and procedures for: receiving scholarship donations, awarding scholarships per donor intent, and accounting for private donor scholarships.

Scope: The scope of our audit included a review of scholarships funded by private donors during FY 2016 and the current policies and procedures to administer the scholarship process. The awarding of Foundation scholarships was not in the audit scope.

Methodology: The following procedures were performed to achieve the audit objectives:

- gained an understanding of the procedures used by OSFA to administer and award private donor-funded scholarships by interviewing OSFA and Foundation staff;
- queried all privately funded scholarship transactions recorded in OnBase for FY 2016. Segregated scholarship transactions that were awarded to pre-determined recipients (non-Foundation) from those transactions whose recipients were selected through the Foundation (Foundation);

Northern Arizona University
Private Donor Scholarships
Audit Report

- for each transaction, selected a sample of students awarded scholarships for further testing;
- queried all non-Foundation scholarships (deposits and awards) by department recorded in PeopleSoft and compared the total to non-Foundation scholarships recorded in OnBase. Reconciled two departments that reflected a significant variance between deposits and scholarships awarded during FY 2016;
- queried all Foundation scholarships (deposits and awards) by project as recorded in PeopleSoft and compared the total with Foundation scholarships recorded in OnBase;
- for each sample student selected in OnBase (160 Foundation scholarship samples and 20 non-Foundation scholarship samples), matched to PeopleSoft Financials records;
- verified that the availability of scholarships are adequately publicized and applications are made available to interested students; and
- for each award sampled and for a sample of scholarship reversals (60 samples), verified that the scholarship was accurately posted to, or removed from, the student's account. Reversals occur when a student is no longer eligible for a scholarship or does not enroll.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Conclusion: OSFA policies and procedures are adequate to ensure scholarships are properly awarded and posted to students' accounts in PeopleSoft Financials and are supported by data in OnBase. These procedures are labor intensive and subject to clerical errors. OSFA's processes should be enhanced so that clerical errors can be efficiently identified and resolved.

Management is supportive of our recommendation and has actively begun working to implement the identified action item.

The control standards we considered during this audit and the status of the related control environment are provided in the following table.

Northern Arizona University
Private Donor Scholarships
Audit Report

General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	Control Environment	Recommendation No.	Page No.
Reliability and Integrity of Financial and Operational Information			
<ul style="list-style-type: none"> Scholarship awards for privately funded scholarships are accurately posted to students' accounts. 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> Scholarship transactions are accurately reflected in PeopleSoft Financials. 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> OnBase adequately supports scholarship transactions. 	Reasonable to Strong Controls in Place		
Safeguarding of Assets			
<ul style="list-style-type: none"> Funds are safeguarded and controlled. 	Reasonable to Strong Controls in Place		
Effectiveness and Efficiency of Operations			
<ul style="list-style-type: none"> NAU has an effective process to ensure donor intent is met when awarding or re-evaluating scholarship recipients. 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> OSFA has an effective process to review compliance with donor criteria when students' status changes, such as for disenrollment. 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> OSFA regularly ensures that PeopleSoft accounts are reconciled and that all transactions are supported by OnBase 	Opportunity for Improvement	1	5
<ul style="list-style-type: none"> There is an adequate segregation of duties between evaluating eligibility for scholarships or awarding scholarships, and posting scholarships to student accounts. 	Reasonable to Strong Controls in Place		

Northern Arizona University
Private Donor Scholarships
Audit Report

General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	Control Environment	Recommendation No.	Page No.
<ul style="list-style-type: none"> OSFA has a process to ensure that donors are reimbursed whenever scholarship funds cannot be applied. 	Reasonable to Strong Controls in Place		
Compliance with Laws and Regulations			
<ul style="list-style-type: none"> Scholarships are offered and awarded in compliance with State and Federal Laws. 	Reasonable to Strong Controls in Place		

We appreciate the assistance of the staff of the Office of Scholarships and Financial Aid and the NAU Foundation.

/s/
Penny Whitmore
Senior Internal Auditor
Northern Arizona University
(928) 523-6459
penny.hock-whitmore@nau.edu

/s/
Mark Petterson
Chief Audit Executive
Northern Arizona University
(928) 523-6438
mark.petterson@nau.edu

Northern Arizona University
Private Donor Scholarships
Audit Report

Audit Results, Recommendations and Responses

1. The reconciliation process should be made more efficient.

Condition: The process of reconciling scholarship deposits to awards in PeopleSoft Financials is difficult and time consuming.

Research into posting errors and timing differences related to scholarship information in PeopleSoft Financials is inefficient.

It is inefficient and difficult to trace postings in PeopleSoft Financials to OnBase transactions or OnBase transactions to PeopleSoft.

Criteria: Reconciliation processes should be straightforward and efficient.

Cause: There is no reliable interface between PeopleSoft Financials and OnBase.

Effect: Research into errors and timing differences is inefficient and reconciliations are not done regularly

Recommendation: A common key field should be established in each software application to allow for more efficient reconciliation of transactions between PeopleSoft Financials and OnBase. A reconciliation between OnBase and PeopleSoft should be performed at least annually, or more frequently if staffing resources permit.

Response: We acknowledge and agree that scholarship departments and project numbers (accounts) should be reconciled to ensure a zero balance between receipts from donors and disbursements to students.

We agree that a reliable interface between PeopleSoft and OnBase would be the best solution to accomplish efficient reconciliations. However, creating such an interface would require software modifications on one or both applications, and OSFA will need to determine if resources can be redirected from projects required by the administration. We will consult with Enterprise Reporting Solutions staff to develop new reports or enhance existing reports that include additional fields that will facilitate more efficient reconciliation.

Northern Arizona University
Private Donor Scholarships
Audit Report

Preliminary FY2017 reconciliation will begin 5/1/17, with diligent effort made to have all accounts reconciled and adjustments made prior to fiscal year closing. Any reconciliations and adjustments not completed by fiscal year closing will be completed by 9/30 of the following fiscal year. The FY2017 effort will be evaluated to determine whether this timeline is efficient, or if further improvements can be made.

Distribution:

Audit Committee, Arizona Board of Regents
Rita Cheng, President
Jacque Buchanan, Assistant Director, Office of Scholarships and Financial Aid
Amanda Cornelius, Director, Office of Scholarships and Financial Aid
Esther Cuellar, Associate Director, Office of Scholarships and Financial Aid
Bjorn Flugstad, Chief Financial Officer
Cheryl Heitz, Chief Foundation Officer
Jane Kuhn, Vice President, Enrollment Management & Student Affairs
Nydia Nittmann, Executive Director, Office of Scholarships and Financial Aid
Michelle Parker, General Counsel
Wendy Swartz, Associate Vice President and Comptroller

This report is intended for the information and use of the Arizona Board of Regents, NAU administration, the Arizona Office of the Auditor General, and federal awarding agencies and sub-recipients.

4.B.4

This page left blank intentionally.