



**Internal Audit Department**

## **Extended Campuses – Personalized Learning**

**October 2015  
Report Number FY 16-02**

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Audit Report  
October 29, 2015

## Summary

Our audit of NAU's Personalized Learning Program is in our Annual Audit Plan for FY 2016, as approved by the Audit Committee of the Arizona Board of Regents. This audit links to Northern Arizona University's goal of having efficient, effective, and accountable practices.

**Background:** NAU is the first public institution to offer competency-based degree programs and is among the few institutions that offer financial aid for these degree programs. NAU's Personalized Learning Program enables motivated students to earn a high quality degree more efficiently and at a lower cost by customizing coursework to fit individual learning styles and previously acquired knowledge. This competency-based approach provides students with a level of personalization that differs from the traditional classroom. Students may transfer prior formal learning. Before a student is admitted, he or she must complete a readiness assessment that covers reading, writing and math to determine candidacy. The assessment provides insight on whether the student has the motivation and prerequisite competencies required to succeed. Deficiencies identified by the assessment in reading, writing and/or math are addressed in free developmental modules before the student is admitted at their own pace at no cost to them. While in the Personalized Learning Program, coaching faculty members advise students concerning their success in the program, including career options, learning skills and life-work-study balance. The Student Dashboard at the program, course and lesson level ensures students interact not just with students in the same course, but also with other students who have completed courses. Interim assessments, quizzes, papers and projects provide feedback to students on their progress. Students decide when they are ready to attempt to complete the post-assessment (final exam). To complete the course, they must score a minimum of 86 percent.

The Personalized Learning Program opened to students in May 2013 and the first student enrolled in June 2013. As of August 31, 2015, there were 635 active subscriptions and 16 students that graduated from the Personalized Learning Program. With an administrative and faculty staff of approximately 36 full-time and part-time employees comprised of 10 support staff and 26 instructional staff, the Personalized Learning Department is responsible for managing all aspects of Personalized Learning, including staffing, curriculum development, enrollment, student learning assessment, application development and system monitoring. To help in this endeavor, Personalized Learning uses four integrated systems:

- Personalized Learning Middleware (Dashboard)
  - The Dashboard was created by Extended Campuses as one convenient platform that allows students to access lessons and materials, pay subscriptions, review their progress, contact their faculty mentor and access

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Pearson's Learning Management System website for 24/7 technical help.

- Learning Management System
  - This system utilizes Pearson's Learning Studio, which is used to assign and monitor lessons. The system also utilizes MyLabs, which is used in the Readiness Test required of all students wishing to enroll in Personalized Learning.
- Extended Campuses Customer Relationship Management (CRM "Connect")
  - CRM is used to capture prospective student information from the Information Form on the Personalized Learning public website. Once the student fills out this online information form, a series of communications is sent to the prospective student.
- PeopleSoft (Lumberjack Online University Information Environment "LOUIE")
  - PeopleSoft is used to capture revenues, expenses, credit hours, financial aid, and subscription payments related to Personalized Learning.

Several other applications/systems are instrumental in providing the Personalized Learning Program.

Personalized Learning was honored by the NAU Commission on Disability Access and Design with a Leadership Award for outstanding commitment to the disability community. NAU was recognized in March 2015 by Best College Reviews as the top college offering online degrees. Institutions were evaluated for the award based on metrics that students value most: affordability, flexibility and academic rigor and support. The Best College Reviews survey recognized the Personalized Learning Program as one of the most affordable programs.

NAU recently designed a platform that allows conversion of competencies into credit hours, which is a unique competitive advantage.

**Audit Objective:** The primary objective of the audit is to determine if internal controls over enrollment in the Personalized Learning Program are effective.

**Scope:** The scope of our audit included a review of all policies and procedures governing the management of the Personalized Learning Program as well as other procedures that helped us achieve our primary audit objective. We conducted a comprehensive review of documents and system reports supporting transactions that occurred from fall 2013 to summer 2015, as well as current practices and procedures.

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**Methodology:**

- Reviewed the Personalized Learning website to develop an understanding of competency-based learning.
- Reviewed ABOR and NAU policies and procedures related to the Personalized Learning enrollment process, subscription billing, awarding of financial aid and collections.
- Interviewed the individuals in financial aid dedicated to awarding, cancelling and monitoring financial aid to Personalized Learning students to develop an understanding of the manual process related to processing financial aid.
- Reviewed financial reports as well as enrollment reports to develop an understanding of how revenues and expenses are captured and enrollment is analyzed.
- Interviewed Personalized Learning's Information Technology department to develop an understanding of systems used and safeguards that exist to protect the integrity of those systems.

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

**Conclusion:** Internal controls over enrollment in the Personalized Learning Program are effective. NAU has developed a Personalized Learning program that allows for convenient access to lessons, faculty mentors and technical support.

Since the program's inception of June 2013, Personalized Learning is continuing to see growth in enrollment. However, to meet the demands in growth, staff in the financial aid office should increase as well.

Infrastructure as well as the corresponding safeguards exist to support the applications and systems used for the Personalized Learning Program.

**Observations:** We noted that:

- NAU is currently working to change processes to simplify and shorten the admission process to 24 hours on average by streamlining evaluation of transfer credit, and by improving financial aid counseling, admission and enrollment processes.
- Financial Aid has implemented a PeopleSoft page to capture information related to Personalized Learning students. The PeopleSoft page has no functionality other than to capture data; it does not feed to other areas of PeopleSoft. The PeopleSoft

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page as well as a checklist/SAP (satisfactory academic progress) calculation worksheet created in Excel is used to help with the manual process and tracking of financial aid for Personalized Learning students. .

- Personalized Learning plans to introduce two more degree programs in 2016. The subscription fee will likely increase from \$2,500 pending final review of a price elasticity study.
- A new position in Financial Aid has been funded by Personalized Learning to assist with the current workload of financial aid awards and monitoring. With this new position, two Financial Aid staff will be 100% committed to the Personalized Learning Program.
- Hiring of Personalized Learning's first academic advisor has been approved. This position provides the opportunity to shift advising from faculty to the academic advisor and allow the faculty to focus primarily on teaching and supporting students academically. The academic advisor will build uniform and consistent approaches to coaching students through the administrative process of enrolling in Personalized Learning (i.e. admission, payment, graduation requirements, etc.). Additionally, other Personalized Learning staff roles will be reviewed to ensure resources align with workload of the Personalized Learning Program.
- Currently, students may start their subscription any day of the year. However, Personalized Learning will transition to a weekly start as a result of scaling enrollment to allow for:
  - improved tracking,
  - facilitating a more structured approach to student onboarding and orientation, and
  - more efficient admission and financial aid processing.
- As of September 30, 2015, Personalized Learning transitioned from E-Business to TouchNet for processing payments.
- Personalized Learning will institute a refund period and corresponding refund policy. State authorization, financial aid regulations and the increase in student population have contributed to the need for a standard refund policy. This refund period will need to be defined based on Student Academic Activity. The Department of Education has advised that non-term student aid disburse only after the student has conducted academic activity. Academically-related activity includes:
  - Submission of an academic assignment
  - Completion of an exam and/or an interactive tutorial or participation in computer-assisted instruction
  - Participation in an online discussion about academic matters
  - Initiation of contact with faculty member to ask a question about the academic subject studied in the course and

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- Engagement with topic-level instructional materials.
- Personalized Learning is developing a technical safeguard to ensure that topic work accessed after a lesson is passed or mastered will not change the prior learning or earned designation determined at the point of lesson completion.
- Personalized Learning is making corrections for credits erroneously reflected as 'Earned' instead of 'Prior Learning' for subscriptions starting after December 1, 2014. Based on original interpretation of the definition of Prior Learning as it relates to disbursing financial aid as a non-term institution instead of a non-standard term institution caused confusion and led to changing credits in the Personalized Learning database (Personalized Learning is currently working on safeguards to protect the integrity of this data as discussed in the prior bullet point). Personalized Learning is working to generate a list of students impacted by changes made to credits in the Personalized Learning database so their circumstances can be evaluated. Per NAU policy, students in the Personalized Learning Program are required, at a minimum, to earn 12 units and complete 26 weeks of instruction in each subscription period to be eligible for financial aid. The Department of Education regulation stipulates that students must earn at least 12 units and complete at least 15 weeks; however, based on the length of the six-month subscription, NAU is using 26 weeks. The 12 units cannot include any units completed via Prior Learning. Per Personalized Learning's policy, Prior Learning is defined as any lessons completed without having completed any Topic Work. Topic Work consists of, at a minimum, entering and engaging in content within any unit with the exception of the Course Home, Pretest, Posttest and Mastery Units. To qualify for financial aid, the topic work action must be completed prior to completion of the lesson, defined as forfeiting or completing the Mastery Assignment. Topic Work cannot be completed and applied retroactively. In order for the student to retain Title IV eligibility for their overall units earned, the student must have attempted work on record for each lesson.

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

<b>General Control Standard</b> (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.
<b>Reliability and Integrity of Financial and Operational Information</b>			
▪ Existing programs were approved by ABOR.	Reasonable to Strong Controls in Place		
▪ Faculty curricular for Personalized Learning is approved through ABOR and NAU management.	Reasonable to Strong Controls in Place		
▪ Personalized Learning uses standard NAU degree requirements.	Reasonable to Strong Controls in Place		
▪ System automated to allow for efficient billing of subscription fee.	Reasonable to Strong Controls in Place		
▪ System automated to allow for efficient financial aid payment application.	Opportunity for Improvement	1	9-10
▪ Accounting management reviews Personalized Learning accounts receivable aging schedule for collectability and determine allowance for doubtful accounts.	Opportunity for Improvement	1	9-10
▪ Reconciliation of revenue performed.	Opportunity for Improvement	2	11
▪ Proper allocation of direct and indirect expenses related to Personalized Learning.	Opportunity for Improvement	3	12
▪ Monthly management review of actual to budget of revenues and expenses to evaluate performance.	Reasonable to Strong Controls in Place		
▪ Periodic management review of trend analysis.	Reasonable to Strong Controls in Place		
▪ Controls exist to prevent financial aid students from graduating before their subscription expires.	Opportunity for Improvement	1	9-10
▪ Historic information captured in the Personalized Learning database is accurate.	Reasonable to Strong Controls in Place		

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<b>General Control Standard</b> (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.
<b>Effectiveness and Efficiency of Operations</b>			
<ul style="list-style-type: none"> <li>▪ Policies and procedures exist for the operation of Personalized Learning.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>▪ Processing procedures are in accordance with stated policies and procedures.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>▪ Payments on accounts are properly segregated to the Student and Departmental Accounts Services and applied according to NAU payment hierarchy policy.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>▪ The financial aid system is automated.</li> </ul>	Opportunity for Improvement	1	9-10
<ul style="list-style-type: none"> <li>▪ Student dashboards built into the Personalized Learning system allow students to complete lessons, renew their subscription and connect with their faculty mentor.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>▪ Student dashboards provide technical support.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>▪ Personalized Learning Faculty Mentors serve as point of contact for students from enrollment to graduation.</li> </ul>	Opportunity for Improvement	1	9-10
<ul style="list-style-type: none"> <li>▪ Personalized Learning websites and processes are monitored and logged by the Elmah Service with email alerts sent to Personalized Learning technical staff for notification and resolution.</li> </ul>	Reasonable to Strong Controls in Place		
<b>Safeguarding of Assets</b>			
<ul style="list-style-type: none"> <li>▪ Personalized Learning databases and systems are protected behind a firewall.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>▪ Personalized Learning databases/systems are backed-up under lock and key.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>▪ System access is periodically reviewed by management.</li> </ul>	Reasonable to Strong Controls in Place		

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<b>General Control Standard</b> (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.
<b>Compliance with Laws and Regulations</b>			
<ul style="list-style-type: none"> <li>▪ Personalized Learning complies with ABOR Enrollment Policy.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>▪ All Personalized Learning staff members are required to take FERPA class before given access to Personalized Learning systems.</li> </ul>	Reasonable to Strong Controls in Place		

We appreciate the assistance of the staff of the Extended Campuses and Personalized Learning Offices as well as the Financial Aid Office and Comptroller's Office.

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**Audit Results, Recommendations and Responses**

**1. Personalized Learning should improve monitoring of degree and program progress.**

**Condition:** Students are allowed to graduate before their subscription ends. While this may be acceptable for students who pay with check or credit card, it violates the Department of Education's regulation regarding financial aid eligibility. Our trend analysis of course load quantity revealed that most course loads are less than half time. While not all course loads less than half time were funded by financial aid; it indicates that Personalized Learning students were enrolled in less than 12 credit hours.

**Criteria:** Per Department of Education regulation, students must earn at least 12 units and complete at least 15 weeks of instruction in each six-month subscription period to be eligible for financial aid. Because of the six-month subscription period, NAU uses a 26 week instruction period. Students who do not complete at least one academic related activity each week and do not meet the 12 credit hour requirement by the end of their subscription and do not continue onto a subsequent subscription within 45 days will be subject to a Return to Title IV evaluation. This evaluation will determine if a student earned the financial aid they received while in the Personalized Learning Program. If the amount disbursed to the student is greater than the amount the student earned, NAU must return any unearned funds to the U.S. Department of Education, and the student may owe funds to NAU.

Academic related activity includes:

- Submission of an academic assignment
- Completion of an exam and/or an interactive tutorial or participation in computer-assisted instruction
- Participation in an online discussion about academic matters
- Initiation of contact with faculty member to ask a question about the academic subject studied in the course and
- Engagement with topic-level instructional materials.

**Cause:** To attract students, Personalized Learning markets the Personalized Learning Program as a convenient and flexible degree option for motivated students to earn their degree quickly. Federal regulations, however, require unit and week quantity expectations for financial aid eligibility. Personalized Learning Faculty Mentors manage a caseload of approximately 150 students, serving as the primary contact and providing students with counseling if they are not progressing. While Faculty Mentors serve as the

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primary point of contact, no positions exist to focus on monitoring degree and program progress.

**Effect:** As of June 30, 2015, \$67,832 was recorded as a receivable for return of Title IV funds. The return of Title IV funds is a result of over awarding during 2014 due to:

- misinterpretation of non-term federal regulations, and
- students that failed to complete 12 credit hours and/or 26 weeks of instruction and did not enroll in another subscription.

**Recommendation:** Personalized Learning should develop an effective process to monitor degree and program progress to avoid and/or reduce return of Title IV funds. A process should be implemented to identify students that have graduated from the Personalized Learning Program before their subscription expires. Financial Aid should be notified of these students for evaluation of return of Title IV funds.

**Response:** The Personalized Learning program is built as a self-paced approach. A student who makes progress through their degree quickly might finish prior to the end of a subscription. This is an issue when the student is federally funded for a 26 week period and completes their coursework in less than 26 weeks. The flexibility to move quickly is at odds with the federal requirement that you must be academically active for 26 weeks. A few initiatives underway and in discussion may impact this issue:

- Intent to Enroll – All Personalized Learning students are required to complete an Intent to Enroll form. This form is intended to describe their plans for each subscription. When it is identified that a student intends to complete enough work to graduate in a subscription window, their advisor/mentor can alert financial aid so their package can be adjusted appropriately.
- Academic Advisors – We will be involving additional staff in the Personalized Learning Program who will be required to more systematically monitor degree progress.

Financial Aid has reached out to the Department of Education regarding graduation preceding the subscription expiration date and is awaiting a response from the Department of Education on guidance in handling situations of this nature. In the meantime, Financial Aid has adjusted financial aid academic year and payment period date information to transmit accurate information to the National Financial Aid databases to avoid overlapping loan period situations.

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**2. Personalized Learning should reconcile revenue monthly.**

**Condition:** The system to capture subscriptions is not being reconciled to the General Ledger.

**Criteria:** Documentation of periodic reconciliations should be available that include the signature of the employee performing the reconciliation and the date reconciled.

**Cause:** Management relies on the NAU Budget Office to evaluate the performance of Personalized Learning based on enrollment numbers and comparing that to budget.

**Effect:** Revenue capture could be incomplete or inaccurate, which impacts decision making and performance evaluation.

**Recommendation:** Personalized Learning should reconcile the subscription system to the General Ledger on a monthly basis.

**Response:** A monthly report of expense to budget is currently reviewed; however it will be enhanced to include revenue collection per month. A monthly reconciliation of subscriptions to tuition revenue will also be implemented beginning November, 2015.

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**3. Personalized Learning should track all direct and indirect costs associated with the Personalized Learning Program.**

**Condition:** Personalized Learning tracks direct and indirect costs associated with the Personalized Learning Program with the exception of several Extended Campuses staff and Financial Aid staff.

**Criteria:** Comparing indirect and direct costs to subscription per student is important in determining if the subscription is sufficient to recover costs associated with Personalized Learning.

**Cause:** Financial aid staff do not fall within Personalized Learning's budget and no process exists to allocate portions of salaries and/or wages of Extended Campuses staff that dedicate a portion of their time to Personalized Learning.

**Effect:** It is not known if the subscription charged to students is sufficient to cover all costs (direct and indirect) associated with providing the Personalized Learning Program.

**Recommendation:** Personalized Learning should include the Financial Aid staff's salary as well as the salaries and/or wages of Extended Campuses staff that dedicate a portion of their time to Personalized Learning to more accurately reflect the cost to provide this program to each student.

**Response:** The financial aid position will be reflected in the FY17 budget for Personalized Learning. The position was identified as a need this fall and was not in view during the budget planning for FY16 that was completed in Spring 2015. As part of the larger Extended Campuses division, Personalized Learning does receive indirect or in-kind support from other parts of the Extended Campuses organization, as well as the broader University.

Further discussions on the split of FTE will take place prior to the budget planning cycle for FY17. Since Personalized Learning is not currently self-sufficient, Extended Campuses provides local funding to cover the shortfall.

The tuition rate for Personalized Learning was not set with the intention to cover all costs of program deliver. It was set to be competitive in the emerging market place and to fall within the amount of a Pell Award.

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