

A-133 - 1999-2000 FY

Corrective Action Plan



Indiana State University

Planning and Budgets

Indiana State University Corrective Action Plan For Audit Period Ending June 30, 2000

Finding No. 2000-1

This finding applied to Student Financial Aid Programs.
Auditee Contact Person: William A. Crichfield
Title of Contact Person: C.F.O. & Treasurer
Phone Number: 812-237-2372
Expected Completion Date: April 2001

Corrective Action Planned:

For the 1999-2000 academic year, the Institution's Satisfactory Academic Progress (SAP) standards were revised in an attempt to fully comply with the federal Satisfactory Academic Progress requirements. Using the revised standards, the Reasonable Academic Progress Standards (RAPS) applied at the close of the spring term resulted in the audit sample reflecting possible potential RAPS difficulties under the published standards, not the standards that were applied by the University. The review of the student's files using the revised SAP policy only identified applicants who were not in compliance with the new revised SAP policy.

The three students in question are in fact eligible for the financial assistance that was received when the revised Standard for Satisfactory Academic Progress was applied. A review of the student academic transcript indicated that the three students SAP progress was taken into consideration in the following manner:

- One student was newly transferred and eligible for aid as long as accepted in a degree program.
- One student reviewed was eligible and met both the qualitative, i.e. grades, GPA etc, and quantitative measure, i.e., maximum time frame (150% rule).
- One student was a returning student that had been out of college for thirteen years. Student was allowed to return after being dismissed. A student in this category in most instances would be reviewed, appealed and most likely approved. This was the case of the student in question.

The University has procedures in place to identify students who are ineligible for financial assistance. However, we will review the application of these procedures to prevent overpayments.



**Indiana State
University**

Planning and Budgets

**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2000**

Finding No. 2000-2

This finding applied to SEOG Program.
Auditee Contact Person: William A. Crichfield
Title of Contact Person: C.F.O. & Treasurer
Phone Number: 812-237-2372
Expected Completion Date: April 2001

Corrective Action Planned:

The Office of Student Financial Services (OSFS) is aware that the Supplemental Education Opportunity Grant (SEOG) funds are to be made reasonably available **first** to all eligible students who meet the most exceptional need criteria. A review of the actual packaging process indicates that SEOG was initially awarded to eligible applicants with (0) EFC, and who met the University's priority packaging deadline date. Since this process did not exhaust the Institution's allocation, the eligibility criteria was increased to an EFC equal to or less than 400 but once again to applicants who met the University's priority packaging deadline. Subsequently, the SEOG account was open to students who were Pell Grant eligible.

OSFS will conduct a 100% review of 1999-2000 student files and take appropriate action to correct any allocation discrepancies in light of the actual awarding process of SEOG. In the 2000-2001 award year we revised our packaging practices to insure that only the most needed is awarded SEOG (zero only students to be considered through January 31st).



**Indiana State
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**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2000**

Finding No. 2000-3

This finding applied to Student Loan Programs.
Auditee Contact Person: William A. Crichfield
Title of Contact Person: C.F.O. & Treasurer
Phone Number: 812-237-2372
Expected Completion Date: April 2001

Corrective Action Planned:

As noted in the finding, the University submitted the student status confirmation report on a regular basis but not every 30 days. The institution is in the implementation process with the National Student Loan Clearinghouse to provide the required reporting every 30 days.



**Indiana State
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Planning and Budgets

**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2000**

Finding No. 2000-4

This finding applied to Student Loan Programs.
Auditee Contact Person: William A. Crichfield
Title of Contact Person: C.F.O. & Treasurer
Phone Number: 812-237-2372
Expected Completion Date: April 2001

Corrective Action Planned:

The Office of Student Financial Services (OSFS) notifies student or parent borrowers when loan proceeds are received and applied to the student account. Notification content will be reviewed for required information.

The OSFS will further review the notification process to insure compliance with Federal regulations.



**Indiana State
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Planning and Budgets

**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2000**

Finding No. 2000-5

This finding applied to Student Financial Aid Programs.
Auditee Contact Person: William A. Crichfield
Title of Contact Person: C.F.O. & Treasurer
Phone Number: 812-237-2372
Expected Completion Date: April 2001

Corrective Action Planned:

For the 1999-2000 academic year, the Satisfactory Academic Progress (SAP) standards were revised in an attempt to fully comply with the Satisfactory Academic Progress requirements. The institution acknowledges that this revised policy was not published and circulated adequately. Although the review of the student files under the revised SAP policy was applied, the process only identified applicants who were not in compliance with the new revised SAP policy. The new policy superseded the published policy.

If the students in question met the SAP guidelines under the revised policy they would have been approved for aid for the academic year in question. The Institution will review the students in question to confirm whether or not the new SAP standards were applied. The Institution will also appropriately document each student's SAP status.

The Institution will ensure that the revised SAP guidelines are properly published and made available to all students.



**Indiana State
University**

Planning and Budgets

**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2000**

Finding No. 2000-6

This finding applied to Stafford Loan Programs.
Auditee Contact Person: William A. Crichfield
Title of Contact Person: C.F.O. & Treasurer
Phone Number: 812-237-2372
Expected Completion Date: April 2001

Corrective Action Planned:

Every attempt is made to ensure that proper documentation is maintained to verify entrance and exit counseling with student borrowers. The institution will review its entrance and exit counseling procedure to insure compliance with the federal regulations.



**Indiana State
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Planning and Budgets

**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2000**

Finding No. 2000-7

This finding applied to Property Management.
Auditee Contact Person: William A. Crichfield
Title of Contact Person: C.F.O. & Treasurer
Phone Number: 812-237-2372
Expected Completion Date: September 2001

Corrective Action Planned:

The University utilizes the Banner Fixed Asset system to maintain fixed asset records. The Banner system contains information regarding the funding source for each asset and the dollar allocation between different accounts when the asset has been purchased from multiple funding sources. The Fixed Asset system does not have the ability to maintain award numbers but that information is kept by the Grant and Contract office and maintained in the Banner General Ledger system. Based upon the knowledge of the University, at the present time, all title for federally purchased equipment rests with the University upon termination of the grant.

The University is in the process of establishing physical inventory procedures for all University assets, including those purchased with federal funds. A physical inventory of federally purchased assets will be conducted every two years.

A-133 - 2000-01 FY

Summary Schedule of Prior Audit
Findings



Indiana State University

Planning and Budgets

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 17, 2002

Finding No. 2000-1

Original SBA Audit Report Number:	<u>B16133</u>
Fiscal Year:	<u>1999-00</u>
Auditee Contact Person:	<u>William A. Crichfield</u>
Auditee Current Contact Person:	<u>Melony Sacopulos</u>
Title of Contact Person:	<u>C.F.O. & Treasurer</u>
Title of Current Contact Person:	<u>Interim Treasurer</u>
Phone Number:	<u>812-237-4146</u>

Status of Finding:

In the spring of 1999, the institution's Reasonable Academic Progress standards were revised in order to simplify the federal satisfactory academic standards requirement. The revised Satisfactory Academic Progress policy has been in effect since the 1999-2000 academic year. Indiana State University has since published the Satisfactory Academic Progress policy on the web and in the University's newspaper. In addition, the Office of Student Financial Services is currently working to assure the policy and procedures governing the standard of satisfactory progress is fully published, disseminated and made readily available to all students. Indiana State University, for purposes of determining student eligibility for assistance under a Title IV, HEA program, has established, and made available to the public reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress.

Sincerely,

INDIANA STATE UNIVERSITY

Melony Sacopulos
Interim Treasurer



Indiana State University

Planning and Budgets

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 17, 2002

Finding No. 2000-2

Original SBA Audit Report Number:	<u>B16133</u>
Fiscal Year:	<u>1999-00</u>
Auditee Contact Person:	<u>William A. Crichfield</u>
Auditee Current Contact Person:	<u>Melony Sacopulos</u>
Title of Contact Person:	<u>C.F.O. & Treasurer</u>
Title of Current Contact Person:	<u>Interim Treasurer</u>
Phone Number:	<u>812-237-4146</u>

Status of Finding:

According to correspondence dated November 20, 2001, the US Department of Education does not deem it necessary that the University review all of its SEOG applicants from the 1999-2000 in order to make any possible adjustments. The Office of Student Financial Services has taken appropriate action for the 2000-2001 award year to ensure that future awards are provided fully in accordance with SEOG funding requirements.

Sincerely,

INDIANA STATE UNIVERSITY

Melony Sacopulos
Interim Treasurer



Indiana State
University

Planning and Budgets

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 17, 2002

Finding No. 2000-3

Original SBA Audit Report Number:	<u>B16133</u>
Fiscal Year:	<u>1999-00</u>
Auditee Contact Person:	<u>William A. Crichfield</u>
Auditee Current Contact Person:	<u>Melony Sacopulos</u>
Title of Contact Person:	<u>C.F.O. & Treasurer</u>
Title of Current Contact Person:	<u>Interim Treasurer</u>
Phone Number:	<u>812-237-4146</u>

Status of Finding:

As of June 14, 2001, Indiana State University revised its Student Status Confirmation Report reporting cycle from four times a year, to six times a year to ensure compliance with 34 CFR 682.610.

In addition, per correspondence of November 20, 2001, the US Department of Education has no further follow up regarding this Finding at this time.

Sincerely,

INDIANA STATE UNIVERSITY

Melony Sacopulos
Interim Treasurer



Indiana State
University

Planning and Budgets

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 17, 2002

Finding No. 2000-4

Original SBA Audit Report Number:	<u>B16133</u>
Fiscal Year:	<u>1999-00</u>
Auditee Contact Person:	<u>William A. Crichfield</u>
Auditee Current Contact Person:	<u>Melony Sacopulos</u>
Title of Contact Person:	<u>C.F.O. & Treasurer</u>
Title of Current Contact Person:	<u>Interim Treasurer</u>
Phone Number:	<u>812-237-4146</u>

Status of Finding:

Starting with the summer 2001 semester, Indiana State University revised the documentation and notification process to comply with 34 CFR 668.165(2), and confirmed the required information is included on Loan Disbursement Notifications.

In addition, for the 2001-2002 award year, the award notification process was revised to assure that students are notified of each change in their financial package throughout the entire school year.

As requested per correspondence dated November 20, 2001, Indiana State University has provided to the US Department of Education confirmation that the award notification process has now been brought into compliance with applicable provisions of 34 CFR 668.165.

Sincerely,

INDIANA STATE UNIVERSITY

Melony Sacopulos
Interim Treasurer



Indiana State
University

Planning and Budgets

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 17, 2002

Finding No. 2000-5

Original SBA Audit Report Number:	<u>B16133</u>
Fiscal Year:	<u>1999-00</u>
Auditee Contact Person:	<u>William A. Crichfield</u>
Auditee Current Contact Person:	<u>Melony Sacopulos</u>
Title of Contact Person:	<u>C.F.O. & Treasurer</u>
Title of Current Contact Person:	<u>Interim Treasurer</u>
Phone Number:	<u>812-237-4146</u>

Status of Finding:

Indiana State University has since published it's Satisfactory Academic Progress policy on the web and in the University's newspaper. In addition, the Office of Student Financial Services is currently working to assure the policy and procedures governing Indiana State University's standard of satisfactory progress is fully published, disseminated and made readily available to all students.

Sincerely,

INDIANA STATE UNIVERSITY

Melony Sacopulos
Interim Treasurer



Planning and Budgets

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 17, 2002

Finding No. 2000-6

Original SBA Audit Report Number:	<u>B16133</u>
Fiscal Year:	<u>1999-00</u>
Auditee Contact Person:	<u>William A. Crichfield</u>
Auditee Current Contact Person:	<u>Melony Sacopulos</u>
Title of Contact Person:	<u>C.F.O. & Treasurer</u>
Title of Current Contact Person:	<u>Interim Treasurer</u>
Phone Number:	<u>812-237-4146</u>

Status of Finding:

The institution has reviewed the entrance and exit counseling procedure to ensure compliance with the federal regulations.

According to correspondence of November 20, 2001, the US Department of Education indicated this Finding is quite similar to one presented in the ED Office of Inspector General Audit, which has already been resolved. The US Department of Education has no intention of pursuing this Finding at this time.

Sincerely,

INDIANA STATE UNIVERSITY

Melony Sacopulos
Interim Treasurer



**Indiana State
University**

Planning and Budgets

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 17, 2002

Finding No. 2000-7

Original SBA Audit Report Number:	<u>B16133</u>
Fiscal Year:	<u>1999-00</u>
Auditee Contact Person:	<u>William A. Crichfield</u>
Auditee Current Contact Person:	<u>Melony Sacopulos</u>
Title of Contact Person:	<u>C.F.O. & Treasurer</u>
Title of Current Contact Person:	<u>Interim Treasurer</u>
Phone Number:	<u>812-237-4146</u>

Status of Finding:

As outlined in the corrective action plan of the audit period ended June 30, 2000, the property management system uses the Banner fixed asset system to maintain fixed asset records. These records are reconciled on a monthly basis between the fixed asset system, the general ledger and the subsidiary ledger. The information required in the Federal Regulations is maintained in either the fixed asset system or the general ledger system.

A physical inventory of federally purchased assets was conducted in the spring of 2001 and will be conducted on a two-year rotation. A four-year physical inventory cycle has been established for all University assets and will begin in the spring of 2002. A listing of all University assets will be sent out annually to all departments with a positive response requested.

Sincerely,

INDIANA STATE UNIVERSITY

Melony Sacopulos
Interim Treasurer

A-133 - 2001-02 FY

Corrective Action Plan



**INDIANA STATE UNIVERSITY
AUDIT FINDING 2002-1
OVERPAYMENTS OF STUDENT FINANCIAL AID**

Executive Summary

Annually, at the end of each spring semester, for purposes of determining Indiana State University (ISU) student eligibility for financial assistance under the U.S. Department of Education's (USDOE) Title IV HEA programs¹, the academic records of students stored on ISU's BANNER² database are examined electronically with reference to ISU's established satisfactory academic progress (SAP) standards. ISU's SAP standards, implemented in the spring of 1999 to determine student eligibility for financial aid for the 1999-2000 academic year (AY00), comprise three parts:

- The student must maintain satisfactory academic progress by making at least a 2.0 GPA³ of all courses attempted (GPA rule).
- The student must maintain satisfactory academic progress by completing at least 67% of all courses attempted (67% rule).
- The student must complete all degree requirements within 150% of the published credit hour length of the degree program selected (150% rule).

Decisions concerning federal financial aid disbursements for the 2001-2002 academic year (AY02) were made in the spring of 2001 based upon students' SAP status codes derived from the application of the published SAP standards to the data in ISU's BANNER student database. A review of a sample of students' SAP status codes by the ISU internal auditor revealed a potential problem: that is, some courses a student may have dropped may not have been picked up by the computer program that extracts the BANNER data needed to test the SAP standards. This could lead to an incorrect decision concerning the 67% rule and the 150% rule and, consequently, an inaccurate financial aid eligibility determination under the SAP policy.

An ISU senior programmer, using a high level programming language, designed and tested a program that extracted all the BANNER data needed to test the SAP standards. An examination of these data revealed that the AY02 SAP status codes for some students may have been set incorrectly: that is, some students may have been reported as eligible to receive federal financial aid when, in fact, they may not have met one of the three SAP standards. Based upon the AY02 information, the determination of students' SAP status codes for AY00 and AY01 was reviewed for accuracy. ISU president Lloyd W. Benjamin, III and provost Steven K. Pontius held a meeting with the staff of the Indiana State Board of Accounts (SBA) to disclose the potential problem and to seek guidance on corrective actions. The USDOE was informed by

¹ Aid programs include Federal Perkins Loans, Federal Parent Loan for Undergraduate Student (PLUS) Loans, Federal Stafford Loans, College Work Study, Federal Pell Grants, and Supplemental Educational Opportunity Grants.

² The software used to maintain student data had been converted to the SCT BANNER product in the fall of 1997.

³ GPA varies by the student's class standing, from 1.60 for freshman to 2.0 for seniors and above.

one of the three SAP standards. Based upon the AY02 information, the determination of students' SAP status codes for AY00 and AY01 was reviewed for accuracy. ISU president Lloyd W. Benjamin, III and provost Steven K. Pontius held a meeting with the staff of the Indiana State Board of Accounts (SBA) to disclose the potential problem and to seek guidance on corrective actions. The USDOE was informed by ISU's president and the provost of the potential problem via a conference telephone call on September 19, 2002.

An action team was established and charged with clarifying the problem; identifying solutions, and proposing recommendations for modifying systems to prevent any future problems. This action team met several times each week during the summer and early fall of 2002, and continues to meet weekly and as needed to the present time. Financial aid experts from two institutions of higher education—Purdue University Calumet in Indiana and Valdosta State University in Georgia—were brought to ISU to consult concerning ISU's SAP policy and the computer programs used to extract the BANNER data needed to determine a student's SAP status. A set of corrective actions has been taken by ISU to address the determination of SAP status. These include development and extensive testing of computer programs to extract the BANNER data needed to set a student's SAP status, changes in policy concerning course adds and drops, personnel reassignments, revision to financial aid staff supervisory procedures, and the hiring of a financial aid consultant with expertise in the BANNER software product to reengineer business processes and information management processes in the student financial aid area. By April 15, 2003, ISU will have in place a robust system to monitor and evaluate student financial aid operations to ensure complete compliance with all rules and regulations concerning the disbursement of federal financial aid.

It is important to note that, during the three academic years covered by this audit finding, any error in financial aid eligibility determination that may have been made by ISU was in the favor of the student receiving aid. Moreover, the corrective actions detailed in ISU's corrective action report will ensure that no student will suffer negative consequences of ISU's financial aid eligibility determination in the future.

Major information management system conversions, such as the conversion by ISU to the SCT BANNER system in 1997, are never easy. Complex software modifications may be needed to implement preexisting policies and procedures. Moreover, an institution can become overly reliant on these software modifications to extract the data necessary to make critical business and financial decisions. In this case, a significant problem with the implementation of its published SAP standards for the determination of student eligibility for federal financial aid was identified by ISU and self-disclosed to the SBA and USDOE. The dedicated professional staff of ISU worked diligently over many months to understand and correct the software programming that led to the problem, and to modify business practices designed to prevent such a problem from reoccurring. ISU's self-discovery and self-disclosure of the potential problem is evidence of its long-standing commitment to improvement and compliance. ISU has gained much from this experience. ISU appreciates the assistance of the professional staff of the SBA and the USDOE in dealing with this matter.

EVENT AND CORRECTIVE ACTION TIMELINE

Date	Event or Action
Fall 1997	ISU implements BANNER software product
Spring 1999	ISU replaces RAP policy with SAP policy
Spring 1999	SAP standards used to determine student eligibility for financial aid
Spring 2000	SAP standards used to determine student eligibility for financial aid
July 1, 2000	Dr. Lloyd W. Benjamin, III appointed ISU president
March 2001	SBA issues FY00 audit report with two findings concerning SAP policy
March 2001	ISU publishes SAP standards as directed by SBA and issues overpayment refund to USDOE for 3 students
Spring 2001	SAP standards used to determine student eligibility for financial aid
July 1, 2001	Dr. Steven K. Pontius appointed ISU provost
July 1, 2001	Internal auditor position established at ISU, reporting to president
Summer 2001	ISU auditor tests SAP determinations and discovers potential problem; programming to correct problem undertaken
Fall-Winter 2001	Programming continues but with little success
January 2002	ISU discusses efforts with SBA staff at an informal exit interview
Spring 2002	Programming continues but with little success
Spring 2002	SAP standards used to determine student eligibility for financial aid
Summer 2002	Decision reached that solution is beyond the abilities of financial aid staff programmer.
August 12, 2002	Financial aid programmer transferred to OIT with direct supervision by a senior director of institutional computing
August 2002	Senior programmer in OIT assigned to project; develops necessary software using a high level programming language; scope of potential problem identified
August 2002	ISU president notified of potential problem by internal auditor; meeting held with SBA staff to seek guidance on corrective actions

Date	Event or Action
August 2002	Action team appointed by provost to clarify the problem, identify solutions, propose recommendations for modifying systems to prevent future problems
Summer 2002	All students determined eligible by SAP status for FY03 financial aid retested; 677 notified of ineligibility based upon further testing; 293 appeals conducted meeting ISU's timeliness and documentation standards
September 19, 2002	USDOE informed by ISU of potential problem identifying student eligibility for Title IV HEA program via telephone conference call led by ISU president and provost
September 2002	Financial aid policy and procedure modified to require senior programmers in OIT to test all software prior to implementation
October 25, 2002	Associate VP for Enrollment Services Lee Young leaves ISU to accept a position at another university
October 28, 2002	Former SOE dean Rebecca Libler is appointed interim Associate VP for Enrollment Services
Fall 2002	ISU drop policy modified to assign a special letter designation to students who drop a course after the end of the drop and add period to permit accurate determination of SAP status
Fall 2002	Financial aid experts from Purdue University Calumet and Valdosta State University brought to ISU to consult on ISU's SAP policies and use of BANNER data and software to determine SAP status; reports confirm problem and suggest solutions
January 2003	Financial aid consultant hired to reengineer business and information management processes in student financial aid
Winter-Spring 2003	ISU senior programming staff in OIT design and test a new BANNER table recommended by consultants to allow financial aid staff to view a student's entire academic activity transcript form to make SAP status determinations
February 27, 2003	FY02 audit exit interview



Indiana State University

ATTACHMENT #2

Business Affairs, Finance,
and University Treasurer

INDIANA STATE UNIVERSITY
CORRECTIVE ACTION PLAN
For Audit Period Ending June 30, 2002

Finding 2002-1

This finding applied to: Overpayments of Student Financial Aid
Auditee contact person: Gregg S. Floyd
Title of contact person: Vice President for Business Affairs and Finance, University Treasurer
Telephone number: 812-237-2372
Expected completion date: April 15, 2003

Understanding of the Problem

Annually, at the end of each spring semester, for purposes of determining Indiana State University (ISU) student eligibility for financial assistance under the U.S. Department of Education's (USDOE) Title IV HEA programs¹, the academic records of students stored on ISU's BANNER² database are examined electronically with reference to ISU's established satisfactory academic progress (SAP) standards. ISU's SAP standards³ were implemented in the spring of 1999 and replaced the standards that were used to determine eligibility under the former Reasonable Academic Progress (RAP) policy. The SAP standards were first applied to determine student eligibility for financial aid for the 1999-2000 academic year (AY00).

The SAP standards comprise three parts. The first standard is qualitative and based upon grade point average (GPA). The student must maintain satisfactory academic progress by making at least a 2.0 GPA⁴ of all courses attempted (GPA rule). The second and third standards are quantitative. A student must maintain satisfactory academic progress by completing at least 67% of all courses attempted (67% rule), and all degree requirements are to be completed within 150% of the published credit hour length of the degree program selected (150% rule).

The Indiana State Board of Accounts (SBA) conducted an audit of federal financial aid awards for AY00 and issued its report in March 2001 with two findings: (a) ISU had not properly published its new SAP policy, and (b) based upon ISU's application of the unpublished SAP policy, three students who should have been suspended from receiving Title IV aid had been awarded aid. ISU quickly responded by properly publishing the institution's SAP policy and making the policy available to all students. A corrective action plan was submitted indicating that ISU had "put procedures in place to identify students who are ineligible for financial assistance." The plan went on to state that ISU would "review the application of these procedures to prevent overpayments."

Decisions concerning federal Title IV aid disbursements for the 2001-2002 academic year (AY02) were made in the spring of 2001 based upon student data in the BANNER database and the SAP status codes derived from the application of ISU's published SAP standards. During the summer of 2001, the

¹ Aid programs include Federal Perkins Loans, Federal Parent Loan for Undergraduate Student (PLUS) Loans, Federal Stafford Loans, College Work Study, Federal Pell Grants, and Supplemental Educational Opportunity Grants.

² The software used to maintain student data had been converted to the SCT BANNER product in the fall of 1997.

³ ISU's current SAP policy can be viewed on the web at: www.indstate.edu/finaid/handbook/saps.html.

⁴ GPA varies by the student's class standing, from 1.60 for freshman to 2.0 for seniors and above.

promised follow-up to the SBA audit for AY00 conducted by the ISU internal audit department revealed potential problems. In particular, the calculation of attempted hours critical to the application of the three SAP standards to a student's record may not have been correct. A BANNER software modification for the attempted hours definition was thought to pick up all grades that appeared on the academic history tables in the system, but it was discovered that the software modification may have failed to include some dropped courses. (Any course that is dropped in the BANNER system has its credit hours set to zero.) This may have led to an inaccurate testing of the 67% rule and the 150% rule and, consequently, an inaccurate financial aid eligibility determination under the SAP policy.

ISU's internal auditor worked closely with the professional staff of the student financial aid office to gain a better understanding of the SAP policy and its implementation. For example, it was decided to examine the registration tables rather than the academic history tables, but this solution was only available for those semesters after the implementation of the BANNER software in the fall of 1997. Efforts to correct the programming and to extract the required data from BANNER continued through the fall and winter 2001. In January 2002, at an informal exit conference with the SBA staff, ISU discussed these efforts. The SBA strongly encouraged ISU to seek a means of determining the attempted hours correctly for the SAP calculation.

In the summer of 2002, it became apparent that the programming necessary to design and test a software solution was beyond the abilities of the programmer in the student financial aid office⁵. In August 2002, a senior programmer in the Office of Information Technology (OIT) was reassigned to the project. Using a high level programming language, the data necessary to apply ISU's SAP standards to the student records were extracted to calculate correctly attempted hours. The scope of the potential problem became apparent from these revised analyses. ISU president Lloyd W. Benjamin, III and provost Steven K. Pontius decided to hold a meeting with the staff of the SBA to disclose the potential problem and to seek guidance on corrective actions.

Using the correct data, it was determined that the AY02 SAP status codes for 289 students were set incorrectly: that is, these 289 students were reported as meeting the SAP standards when, in fact, they may not have met one of the three SAP standards. The computer program used to determine the students' SAP status reports only one SAP deficiency per student, with the rules applied in this order: GPA rule, 67% rule, and 150% rule. ISU's internal auditor reviewed the data for a sample of the 289 students to substantiate the accuracy of the eligibility determinations. Based upon the information generated concerning the AY02 financial aid eligibility determinations, the determination of students' SAP status codes in AY00 and AY01 was reviewed for accuracy.

ISU's president and the provost informed the USDOE of the potential problem identifying student eligibility for Title IV HEA program via a conference telephone call on September 19, 2002.

It is important to note that, during the three academic years covered by this audit finding, any error in financial aid eligibility determination that may have been made by ISU was in the favor of the student receiving aid. Moreover, the corrective actions detailed in this corrective action report will ensure that no student will suffer negative consequences of ISU's financial aid eligibility determination in the future.

Corrective Actions

1. In August 2002 an action team, composed of representatives from enrollment services, academic affairs, information technology, and internal audit, was charged with clarifying the problem, identifying solutions, and proposing recommendations for modifying systems to prevent any future problems. This action team met several times each week during the summer and early fall of 2002, and continues to meet weekly and as needed to the present time.

⁵ The programmer has since been transferred to the Office of Information Technology with direct supervision provided by a senior director of the institutional computing professional staff.

2. An organizational change was made on August 12, 2002, transferring the programming staff in the student financial aid office to the Office of Information Technology (OIT) with direct supervision provided by a senior director of the institutional computing professional staff.
3. ISU revised its financial aid policy and procedure implementation process to require the senior programmers in the OIT to undertake thorough testing of all software used to generate the data needed to make financial aid disbursement decisions. Administrators in the student financial aid office and in the provost's office are required to review all data for computational accuracy and consistency with the SAP policy before the student financial aid office make financial aid eligibility decisions. The ISU internal auditor will continue to monitor the method of determining financial aid eligibility using ISU's published SAP standards.
4. In the summer of 2002, ISU financial aid staff, under the direction of the internal auditor, undertook an investigation of the SAP status codes for students who were tested in the spring of 2002 using the new method of calculating attempted hours and ISU's published SAP standards for the purposes of determining financial aid eligibility for AY03. The internal auditor reviewed a sample of 20 AY03 SAP codes to determine compliance and concluded that all 20 were in agreement with ISU's published SAP policy. Based upon the new data, ISU mailed out notifications to 677 students informing them they had not met SAP standards and encouraged them to appeal if they believed the determination to be inaccurate. A total of 293 students appealed, with all appeals following ISU's published appeal process and meeting the timeliness standards. All communications with students and appeal decisions were fully and completely documented. The internal auditor subsequently audited a sample of 50 AY03 SAP appeals for proper documentation and determined that all 50 appeals followed ISU policies and procedures, with all outcomes correctly implementing the published SAP standards.
5. Starting with the fall 2002 semester, ISU implemented a change in the drop policy that now assigns a special letter designation to students who drop a class after the end of the drop and add period. This change will permit the accurate determination of ISU's 67% rule and the 150% rule in the SAP review process.
6. Two institutions of higher education (IHEs) that have implemented the BANNER financial aid software—Purdue University Calumet in Indiana and Valdosta State University in Georgia—were contacted to discover if they might consult with ISU on SAP policies and the procedures used to implement them through modifications to the BANNER software. These two institutions are similar to ISU in size of student body and amount of financial aid administered. Consulting agreements were developed and the financial aid directors were brought to ISU in November 2002 and December 2002, respectively. Specifically each consultant was asked to:
 - Undertake a complete review of ISU's SAP policy.
 - Complete a technical review of ISU's implementation of the SAP requirement in BANNER.
 - Determine if the BANNER calculation of attempted hours is adequate and verify that attempted hours listed in BANNER are accurate, or explain any differences noted.
 - Determine what BANNER screens should be used to verify attempted hours.
 - Determine if ISU's implementation of the BANNER system for financial aid as it relates to SAP is using the system to its potential.

In the opinion of the consultants, ISU's SAP policy complies with federal regulations. The implementation of the qualitative portion of the policy, based on GPA, was satisfactory; however, implementation of the quantitative portion, which includes the 67% rule and 150% rule, was noted as problematic. Both consultants questioned university procedures that may not allow for adequate monitoring of the student's course withdrawal activity. In particular, the consultants noted that the

data for students who withdraw from a course after the end of the two-week drop and add period and before the end of the 10th week of classes never roll to the academic history table. Therefore, not all of a student's attempted hours are in the academic history data that serve as the basis for determining SAP status. Because the BANNER process was not designed to evaluate records outside of the standard academic history, ISU will never be able to use BANNER for the SAP evaluation process unless it is highly modified. Both consultants recommended the creation of new BANNER tables to include all of the student's academic activity. Several other recommendations were made by the consultants, including further changes to the grading policies of the university to include a grade of "W" for students withdrawing from the institution before the 10th week. This, in addition to the grading policy changes implemented in the fall of 2002, will ensure that drop and withdrawal activities are effectively monitored.

7. The ISU senior programming staff in OIT has designed and tested a new BANNER table recommended by the financial aid consultants. This table can be used by the staff in the student financial aid office to view a student's academic activity transcript form. This form captures the student's entire enrollment history and will provide the data required to apply correctly the SAP standards for the determination of a student's eligibility for financial aid. The determination of SAP status of students will be made using this new form to make decisions concerning eligibility for financial aid in AY04.
8. A financial aid consultant with expertise in the BANNER software product was hired by ISU in January 2003 and is working full-time with the staff of the student financial aid office to reengineer business processes and information management processes.
9. By April 15, 2003, ISU will complete the process of refining its SAP policies and procedures that determine student eligibility for financial assistance under the USDOE Title IV HEA program.
10. By April 15, 2003, ISU will have in place a robust system to monitor and evaluate the operations of the office of student financial aid to ensure compliance with all rules and regulations concerning the disbursement of federal financial aid.

A-133

2002-03 FY

Summary Schedule of Prior Audit
Findings



Indiana State University

Business Affairs, Finance,
and University Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 7, 2004

Finding No. 2002-1

Original SBA Audit Report Number:	<u>B20466</u>
Fiscal Year:	<u>2001-02</u>
Auditee Contact Person:	<u>Norman Hayes</u>
Auditee Current Contact Person:	<u>Domenic Nepote</u>
Title of Contact Person:	<u>Director, Office of Student Financial Services</u>
Title of Current Contact Person:	<u>Interim Executive Director,</u> <u>Office of Student Financial Services</u>
Phone Number:	<u>812-237-7615</u>

Status of Finding:

Effective October 1, 2003, responsibility for the Office of Student Financial Services was transferred to the Vice President for Business Affairs and Finance. In conjunction with this transfer of authority, responsibility for the daily operations of the Office of Student Financial Services was placed with an interim executive director and interim director, both of whom have experienced several years of successful service at the university. The interim executive director brings twenty-three years of experience at Indiana State University (ISU), coupled with CPA certification, while the interim director brings eighteen years of relevant experience. The former director resigned effective July 31, 2003, and an active national search for a new director is well underway.

In preparation for the new assignment, the interim executive director participated in the NASFAA Auditor Training Workshop that was offered in September 2003. In addition, both interim directors have since participated in a videoconference detailing changes for 2004/2005, NASFAA's 2003 Fall Conference, and ISFAA's 2003 Winter Conference. Training remains a top priority for the entire Financial Aid Office personnel, including the interim leadership.

Under the guidance of the interim directors, a new action team has been identified within the Office of Student Financial Services, whose purpose is to review the Satisfactory Academic Progress (SAP) process at ISU. This action team has been meeting no less than three times a week, and incorporates as necessary staff members from units such as Institutional Computing, the Office of Registration and Records, and Internal Audit. A major benefit associated with the incorporation of staff from other offices is the clarification of the use of information maintained by those offices, coupled with an understanding of programming specifications, all of which result in the determination of SAP at ISU. The committee is proceeding in accordance with planned timelines.

The SAP policy itself is being carefully reviewed, and personnel not previously knowledgeable with SAP policy continue to be trained. The importance of ensuring an appropriate knowledge base for purposes of maintaining the integrity of the program is well recognized. ISU has not yet received the Final Determination Letter from the U.S. Department of Education.

Reflective of their recognition of the urgency and importance of compliance by the Office of Student Financial Services, university leadership has not only realigned responsibility for the office, but they have also required and have been receiving regular updates of operational improvements within the Office of Student Financial Services. The interim directors and internal audit staff meet for weekly updates with the Vice President for Business Affairs and Finance. In addition, periodic updates occur with the following present: University President, Provost and Vice President for Academic Affairs, Vice President for Business Affairs and Finance, and University Treasurer, Internal Audit, and the interim directors.

Sincerely,

INDIANA STATE UNIVERSITY



Gregg S. Floyd
Vice President, Business Affairs and Finance, and University Treasurer

A-133 2003-04 FY

Summary Schedule of
Prior Audit Findings



**Indiana State
University**

More. From day one.

Legal Affairs

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

February 2, 2005

Finding No. 2002-1

Original SBA Audit Report Number: B20466

Fiscal Year: 2001-02

Auditee Contact Person: Melony A. Sacopulos

Title of Contact Person: General Counsel

Phone Number: 812-237-7776

Status of Finding:

In addition to the actions outlined in the Summary Schedule of Prior Audit Findings dated January 7, 2004, Indiana State University filed, on November 14, 2004, a formal Request for Review of the Prior Audit Findings. Of the original determination, it is the position of Indiana State University that it owes \$388,574.36. Indiana State University has been granted a review of the Prior Audit Determination, and the matter is currently pending in the Office of Higher Education Appeals in the U.S. Department of Education.

On or about November 16, 2004, Indiana State University transferred or otherwise appropriately accounted for funds totaling \$388,574.36 in accordance with instructions provided by the U.S. Department of Education.

A-133 2004-06 FY

Summary Schedule of Prior Audit
Findings

Corrective Action Plan



**Indiana State
University**

More. From day one.

Legal Affairs

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 6, 2006

Finding No. 2002-1

Original SBA audit Report Number: B20466

Fiscal Year: 2001-02

Auditee Contact Person: Melony A. Sacopulos

Title of Contact Person: General Counsel and Secretary to the University

Phone Number: 812-237-7776

Status of Finding:

Indiana State University has reached agreement with the U.S. Department of Education regarding the University's liability. On or about December 3, 2005, Indiana State University paid \$434,075.02 to the U.S. Department of Education and deposited to the University's Perkins Loan account \$8,295.01 in complete settlement of this matter.

Corrective Action Plan

Indiana State University

Finding 2005-1: Pell and campus-based aid paid after the end of the payment period.

Item: Following the spring 2004 semester Indiana State University (ISU) properly determined the satisfactory academic progress (SAP) of students for the 2004-2005 academic year. Students were properly notified of their SAP deficiencies before the beginning of the 2004-2005 academic year. 593 students appealed their satisfactory progress determination. ISU's financial aid appeal committee approved 551 of the 593 appeals.

Audit testing, which included the review of 100% of the approved appeals, revealed that 11 of the 551 students (2% of all approved appeals) were paid Pell and/or campus-based aid after the end of the payment period. All 11 students' appeals had not been approved by the committee until after the last day of the semester.

Action:

- Indiana State University will repay to the federal programs the sum of \$13,950.
- Effective for the 2005-2006 academic year, the Office of Student Financial Aid has enacted the general practice of no longer approving retroactive SAP appeals. This change should ensure no reoccurrence of this problem.
- Staff have been instructed that should circumstances justify a retroactive SAP appeal approval in the future, neither Pell grants nor campus-based funding may be considered for payment for a semester which has already concluded.
- Clarity on this issue will be offered to students via the department web site prior to the start of the 2006-2007 academic year.

Persons involved: Thomas M. Ratliff, director of student financial aid, has taken the departmental lead on this issue.

Additional actions related to Satisfactory Academic Progress that the university plans to pursue:

1. The university will review the membership of the Satisfactory Academic Progress appeal committee. It is desired to broaden the composition of this group to include representation from outside the Office of Student Financial Aid.
2. The SAP policy will be reviewed for appropriate enhancements and we will look at possibly including deadline requirements for students to appeal. Reference will be made that prohibits approval of a retroactive appeal for terms already completed.
3. Consideration will be given to limiting the number of appeals a student can file during their academic career.

A-133 2005-06 FY

Summary Schedule of Prior Audit
Findings

Corrective Action Plan



Thomas M. Ratliff
Director of Student Financial Aid
150 Tirey Hall
Terre Haute, IN 47809

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

November 29, 2006

Finding No. 2005-01
Original SBA audit Report Number: B26680
Fiscal Year: 2004-2005
Auditee Contact Person: Thomas M. Ratliff
Title of Contact Person: Director of Student Financial Aid
Phone Number: 812-237-7615

Status of Finding:

On June 1, 2006, Indiana State University paid \$11,700.00 back to the U.S. Department of Education and returned \$2,250 to the Federal Perkins Loan program as complete repayment of this matter. The Office of Student Financial Aid enacted the general practice of no longer approving retroactive Satisfactory Academic Progress (SAP) appeals as of January 2, 2006. The Satisfactory Academic Progress Policy was updated, approved and placed on the department web site prior to the start of the fall 2006 semester explaining that "Appeals must be received by the committee no later than 15 business days before the end of the payment period for which reinstatement is desired."

Additionally the membership of the Satisfactory Academic Progress Appeals Committee has been restructured at the request of Provost Maynard so that no Financial Aid Office staff are included in the decision making. The Appeals Committee is now composed of representatives from the offices of Admissions, Registration and Records, Dean of Students, Student Academic Services and a faculty member. The director of student financial aid (or a designee) serves in an ex officio capacity to answer questions about the SAP calculations for the Committee. The SAP Policy has been enhanced setting deadlines for appeal submission and as noted above, reference has been made in this change that retroactive appeal approvals will not be permitted. The SAP Appeals Committee has also been instructed to take notice of the number of prior appeal approvals a student has had when making their decisions. The director of student financial aid has requested the SAP Appeals Committee to require a written agreement outlining academic expectations for any student who has had three or more prior approvals if they are approving another appeal.



**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2006**

**Finding 2006-1, RECORD RETENTION AND UNMET PROGRAM OBJECTIVE
REQUIREMENTS**

Federal Agency: U.S. Department of Education
Federal Program: Trio-Cluster - Upward Bound and Upward Bound
Math/Science
CFDA Numbers: 84.047 and 84.047A

Auditee Contact Person: Rosiline Floyd
Title of Contact Person: Director of UB, UBMS, ETS
Phone Number: 812-237-3065
Expected Completion Date: June 2007

Per State Auditor findings, "Indiana State University Upward Bound (ISU UB) submitted incorrect data via its performance report covering the period June 1, 2004 to May 31, 2005, stating participant numbers for objectives that could not be supported by existing documentation."

Recommendation

"We recommend that Indiana State University maintain all records and supporting documentation for a period of three years from the date of submission of the final expenditure report or from submission of the annual report as required. We further recommend that ISU implement policies and procedures to ensure that reported data is accurate and complete."

Condition: 1. Standard Achievement Tests

Objective: "Ninety percent (90%) of participants will achieve SAT scores above the state average." Accomplishments: "ISU UB had 43 participants in 2004-2005. Six of these participants were seniors. Two of these seniors sat for the SAT, both scored under the state average of 1012. ISU continues to offer test preparation workshops in both the academic and summer phases of the program. Target schools did not emphasize the importance of taking the SAT until last year, hopefully, between our workshops and their new emphasis on the SAT the program will see an increase in scores."



"Per our testing of the Annual Performance Report, records only substantiated a total of 36 participants. Five participants took the SAT and one of those achieved a score higher than the state average."

Corrective Action Taken or Planned

1. The Director will attend the Training Program for Federal TRIO Programs Priority 1 (Record keeping, reporting student and project performance, and program evaluation for a model program).
2. The Director will install a performance reporting management system that will provide for the collection and maintenance of files of historical data used to support the Annual Performance Report submitted to the DOE.
3. SAT and ISTEP Preparation will become and integral part of our programming.

Condition 2: Grade Point Average

Objective: "Not one of our formal objectives, but we will report our status."

Accomplishments: "ISU UB had a total of 43 participants in 2004-2005. 10 or 23% of our participants improved their GPA. 25 participants maintained the same GPA."

"Per SBA testing of the Annual Performance Report, ISU records could only substantiate 36 participants. Testing also indicated 14 or 39% of participants improved their GPA and 5 maintained the same GPA."

Corrective Action Taken or Planned

1. UB and UBMS will establish policies, procedures and management controls to ensure that records are maintained for the services provided to participants to clearly demonstrate the specific educational benefit(s) that participants received.
2. Academic Coordinators will communicate with high school teachers by email and in person regarding student progress.
3. Assistant Directors will review report cards with parents and students and make suggestions for improving students' academic performance through participation in program services.

Condition: 3. Retention

Objective: "75% of each class will be retained in the program until high school graduation." Accomplishments: "At the beginning of 2004-05 ISU UB had 33



participants. 10 new participants were added. At the end of the reporting period 9 students left for graduation. We maintained 100% retention rate."

"SBA testing showed at the beginning of 2004-05 ISU UB had twenty-nine participants. Information in the database indicated seven participants with project entry dates between 6-1-04 and 5-31-05 (project year). We considered these seven "new participants." Testing indicated that four participants were listed with actual graduation dates occurring between 6-1-04 and 5-31-05."

Corrective Action Taken or Planned

1. The Director will attend training on: assessment of student needs; proven retention and graduation strategies; and the use of educational technology in order to train UB and UBMS staff.
2. Policies and procedures with managerial control will be established to ensure data is complete and accurate.
3. Student graduation dates do not coincide with the project year, but students do graduate within the project year. To alleviate this problem, we will assign the graduation date of 5/31 of the appropriate year to fall within project year ending date. (For example, students who graduated in 2005 may have had a graduation date of 6/5/2005 and were not included in the students graduating in the project year.)

Condition 4: Postsecondary Education

Objective: "90% of graduating seniors will enroll in postsecondary education each year." Accomplishments: "During 2004-05 ISU UB had 6 graduating seniors. 3 of these seniors enrolled in postsecondary education, or 50% of those eligible. 1 student enrolled in the armed services and information for the remaining two is not available at this time."

"Per testing, ten participants graduated during 2005 and one of the ten enrolled in postsecondary education for 2005-2006."

Retention

"Indiana State University (ISU) reported in the Upward Bound Math and Science Annual Performance Report for 2004-05 the following objectives and their associated accomplishments".



Objective: "Seventy-Five percent of each recruitment class will be retained until high school graduation." Accomplishments: "20 students were recruited in 2001-2002. 1 student withdrew from the program before completion. 8 participants transferred to the Vincennes University project when our partnership grant was dissolved prior to the 2003-04 reporting period. 11 of the 12 students completed the program at Indiana State University for 92%."

"Per testing of the Upward Bound Math and Science Annual Performance Report, records were not available to substantiate the recruitment and retention objective numbers as reported."

Corrective Action Taken or Planned

1. The Director will attend training on: assessment of student needs; proven retention and graduation strategies; and the use of educational technology in order to train UB and UBMS staff.
2. Policies and procedures with managerial control will be established to ensure data is complete and accurate



**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2006**

FINDING 2006-2. RECORDKEEPING

Federal Agency: U.S. Department of Education
Federal Program: Trio-Cluster - Upward Bound and Upward Bound
Math/Science
CFDA Numbers: 84.047 and 84.047A

Auditee Contact Person: Rosiline Floyd
Title of Contact Person: Director of UB, UBMS, ETS
Phone Number: 812-237-3065
Expected Completion Date: June 2007

“Of six participants tested in the Upward Bound Program, no documentation was available to verify a needs assessment had been completed for any of them, and one did not have documentation of the services provided to the participant.”

“The Upward Bound Math and Science program had two out of six participants tested with no documentation to support a needs analysis was completed and two out of six had no documentation for services provided.”

“In their grant proposal for Upward Bound Math and Science, ISU stated that recommendations from target school personnel would be maintained in the participant file. Out of six participants tested, two had no nomination forms and one had only one nomination form

Recommendation

“We recommend ISU develop policies and implement procedures to ensure all required documentation is completed, collected, and properly retained for each participant.”



Corrective Action Taken or Planned

1. The Director will attend the Training Program for Federal TRIO Programs Priority 1 (Record keeping, reporting student and project performance, and program evaluation for a model program). Individual Project Directors and staff will also receive additional training in these areas, either by the Director or other means.
2. The Director will be responsible for being knowledgeable about federal regulations regarding TRIO programs and ensuring that staff acts within these guidelines.
3. The Director will provide training to ensure that all staff members know how to properly keep records as required by TRIO and the Student Academic Services Center.
4. Policies and procedures with checklists will be established for proper recording and accountability. Each program's Assistant Director will be responsible for reviewing all files to ensure accuracy.



**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2006**

FINDING2006-3, NUMBER OF PARTICIPANTS

Federal Agency: U.S. Department of Education
Federal Program: Trio-Cluster - Upward Bound, Upward Bound
Math/Science and Educational Talent Search
CFDA Numbers: 84.047, 84.047A and 84.044

Auditee Contact Person: Rosiline Floyd
Title of Contact Person: Director of UB, UBMS, ETS
Phone Number: 812-237-3065
Expected Completion Date: June 2007

Per State Auditor finding: ISU did not meet the number of participant requirements as noted as follows:

Program	Required Number of Participants Per Federal Regulations	ISU Reported Number of Participants	Verified Number of Participants
Upward Bound	50-150	43	36
Upward Bound Math and Science	50-75	45	45
Talent Search	Minimum of 600	551	551

Recommendation

“We recommend that Indiana State University closely monitor the number of participants in each program at all times in order to maintain the required number.”

Corrective Action Taken or Planned

1. The Director and Assistant Directors of UB and UBMS will review current recruiting methods to assess over all effectiveness. This will include the development of follow up procedures.



2. The Director, with the assistance of the Academic Coordinators of each program, is initiating an incentive program for students that bring in a friend that joins the program.
3. The Director is reviewing various applications to help revise and streamline the UB and UBMS application to include the necessary information, while being more user friendly for applicants.

A-133 2006-07 FY

Summary Schedule of Prior
Audit Findings

Corrective Action Plan



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

12 February 2008

Findings 2006-1, 2006-2, and 2006-3

Federal Agency:	U.S. Department of Education
Federal Program:	TRIO Cluster—Upward Bound and Upward Bound Math Science
CFDA Numbers:	84.047 and 84.047A
Auditee Contact Person:	Rosiline Floyd
Auditee Current Contact:	Dr. Rita Worrall
Title of Current Contact:	Director, Student Support Services and Interim TRIO Coordinator
Phone Number:	(812)237-2300

I. Historical Background

The audit of the 2004-2005 Annual Performance Reports (APRs) for Upward Bound (UB) and Upward Bound Math Science (UBMS) was completed by January 2007, and this revealed the three findings: Problems with record retention and unmet program objective requirements, with record keeping, and with numbers of participants. However, by the time of this audit report, the 2005-2006 APRs had already been completed, as they were due in November 2006, using the data now revealed to have been incorrect.

Indiana State University drew up a Corrective Action Plan based on these three findings and in June of 2007 began an internal audit of the 2005-2006 APR, realizing that the same problems were likely to exist within it. Internal Audit, with the help of Dr. Worrall, diligently researched the 2005-2006 APR for UB and UBMS. The University administration also carefully pursued the implementation of and the follow-up to the Corrective Action Plan.

II. Status of Corrective Actions:

- A. The need for training for directors and staff members [2006-1, Condition 1, Corrective Action Step 1; 2006-1, Condition 3, Corrective Action Step 1; 2006-1, Condition 4, Corrective Action Step 1; 2006-2, Corrective Action Steps 1, 2, and 3]

The Corrective Action Plan for the first two findings indicated that personnel needed to receive appropriate training to acquaint them with federal requirements and regulations. Thus, in March 2007, the TRIO Coordinator and other staff members attended a federally sponsored training program for Priority 1, record keeping, reporting student and project performance, and program evaluation for a model program; and for Priority 3, assessment of student needs, proven retention and graduation strategies, and the educational technology useful to a model program. In February 2007, the TRIO Coordinator also attended a federally sponsored training program for Priority 2, budget management and regulatory requirements for operation of TRIO programs.

Training for Administrative Assistants and other staff members was begun in July 2007 and has continued through the present time with emphasis on setting up appropriate APR coding systems and filing systems for students data and program activities data. Some staff members also received training on the Student Access data base system in March of 2007. The Administrative Assistant has worked with Dr. Worrall and the Office of the Controller to improve budget reports. Staff will participate in the Council on Education's Webinars offered this year on topics pertinent to UB programs, the first of which was screened on 14 November.

- B. The need to establish policies and procedures with managerial control to insure that data is complete and accurate [2006-1, Condition 1, Corrective Action Step 2; 2006-1, Condition 2, Corrective Action Step 1; 2006-1, Condition 3, Corrective Action Step 2; 2006-1, Condition 4, Corrective Action Step 2; 2006-2, Corrective Action Step 4]

At the present time, the following measures have been taken or have been put in place:

1. The UB and UBMS 2005-2006 APRs have been reviewed and corrected internally [August 2007]; the 2006-2007 APRs will be thoroughly tested before submission.
2. A manual of policies and procedures has been compiled; copies have been provided to the offices of Internal Audit, TRIO programs, and the Student Academic Services Center. [September 2007]
3. Application forms have been changed to eliminate confusing questions. [September 2007]
4. Forms for logging all phone contacts with school officials and for recording staff daily activities have been developed and are kept on file in the main TRIO office. [September 2007]

5. Dr. Worrall has been named Interim TRIO Coordinator and reassigned for 20% time to oversee the accurate recording of data and all necessary reports. [1 September 2007]
 6. Staff have been instructed to update all files on a weekly basis.
 7. A format has been established for all participant files to indicate what forms will be included and in what order; the following will be included in every file: documentation of eligibility; determination of academic need; record of services provided; record of the participant's educational progress; record of the participant's postsecondary enrollment, if available.
 8. Weekly staff meetings are conducted by the SASC Director and the Interim TRIO Coordinator to review program activities and assign duties as necessary.
 9. Participant files, program activity files, and APR data recording will be reviewed internally on a regular basis.
- C. The need to meet program objectives and services [2006-1, Condition 1, Corrective Action Step 3; 2006-1, Condition 2 Correction Steps 2 and 3; 2006-1, Condition 3, Corrective Action Step 3; 2006-3, Corrective Action Steps 1, 2, and 3]
1. ISTEP and SAT preparation for participants has been offered in several venues. First, classes were provided during summer programming on the ISU campus, and then training was offered in workshops provided on 7,8, and 9 August in conjunction with Twenty-first Century Scholars and on 8 and 22 September 2007. Such instruction will continue periodically throughout the year, especially as the State of Indiana will now implement ISTEP testing in the spring of each year. TRIO programs will also work with Twenty-first Century Scholars for the delivery of said programs.
 2. Documentation of student participation in workshops, classes, tutorials, and various cultural enrichment activities will demonstrate educational benefits received by participants and will be entered into participant files.
 3. Contracts for both students and parents have been developed to encourage parent involvement in students' activities and to instruct participants about their responsibilities *vis a vis* program services and their academic attainment. [September 2007] Needs assessment forms have been developed and are being completed for all UB students; meetings have been scheduled with students and their parents for this purpose; parents who cannot come to campus are being consulted by phone whenever possible.
 4. A Parent Advisory Council has been formed to encourage parent participation in programming activities and to elicit parental ideas

about the academic needs of their children; this group met first in September 2007.

5. Graduation dates for APR reporting have been reassigned to 5/31 dates to conform to the grant and reporting year guidelines so as to insure that persons who do graduate from high school are accurately reported on the APR.
6. UBMS students are being transitioned into UB if they meet the criteria. However, UB staff continue to make presentations throughout the six county area to inform potential participants, parents, and school personnel about the program. The staff also are reviewing the former Coordinator's plan for recruiting incentives to determine its viability.
7. Saturday sessions for UB participants are offered two times each month. During the alternate weeks, tutorials are offered at Terre Haute North Vigo and Terre Haute South Vigo High Schools, schools which enroll the greatest numbers of participants. These efforts are geared to providing academic support so that participants will be academically successful in the secondary setting.
8. Staff now review all participants who have been graduated from high school to try to ascertain whether they have enrolled in any post secondary educational institution. ISU records are consulted, students or their families are contacted if possible, and the clearinghouse is consulted. An attempt is made to have copies of records to document such enrollment.

III. Program Development

UB at ISU is carefully working to provide the required and permissible services according to 34CFR645.11, that is, core curriculum instruction in math, science, foreign language, composition and literature as well as tutorial services in the aforementioned subjects and exposure to cultural events, academic programs, and other educational activities not usually available to disadvantaged youths.

Major Improvements in Services:

- Beginning in September 2006, UB and UBMS started holding two Saturday Sessions each month instead of one, as had been done previously, resulting in the provision of 16 such meetings instead of the 10 held the previous year.
- Beginning in October 2007, study tables are being held on weeks when Saturday sessions are not provided.
- The numbers of participants attending UB Saturday Session was increased in the 2006-2007 year.
- Summer Phase also served more students in 2007(100) than in 2006(64) and participants remained on campus for the whole time, rather than going home on weekends, as had formerly been the case.

- For the Summer Phase, a State of Indiana Food and Nutrition grant was received which provided auxiliary monies of approximately \$10,000 to pay for meals for students during their time on campus.

Major Improvements in Programming:

- A Spring Fling was held to provide information to the community and to enlist the interest of eligible participants and their parents as soon as DOE permitted recruiting after the solution of the Absolute Priority regulation. Approximately 118 persons—students, parents, and students' friends—signed the sign in sheet.
- A Fall Fling was held with 45 UB students and 15 parents attending. This event introduced parents to the Global Diversity Project, and the Parent Advisory Council also met to plan projects for the coming year.
- Summer Phase students participated in the Statewide UB Olympiad, held at Vincennes University.
- Summer Phase students also traveled to Alabama to tour historic civil rights sites.
- This year UB students are participating in a Global Diversity Project, in which a number of ISU international students are working with student groups as they research various countries of the world. They are learning about geographic, economic, political, and cultural systems that are quite different from their own. Students are divided into teams with each team assigned a nation. Nations included on this list with ISU student advisors are Burkina Faso, Costa Rica, Guatemala, Brazil, France, Morocco, and Lebanon.
- Visits to colleges have been provided and will continue throughout the year: to Indiana University, 12 October; to Indiana State University, 15 October; to Purdue 3 November. In the spring of 2007, UB hosted a college fair on the ISU campus with 18 institutions of postsecondary education participating.
- In order to provide continued community outreach, UB staff participated in the VCSC College Fair at the local mall, 25 September; in the VCPL Family Learning Day; visited Shiloh Baptist Church; and hosted high school students with the ISU Admissions office for Sycamore Preview Day.

IV. Conclusion

As this program year enters the students' academic year, the naming of an Interim TRIO Coordinator has facilitated the improvement of record keeping and the training of the staff in data management, including the need to protect the confidentiality of student records and files. Participant files have all been

reviewed by the Interim Coordinator and will be kept in locked file cabinets in the UB office area.

The Interim Coordinator has also designed a system of spreadsheets to track and update all student services, activities, and stipends on a weekly basis in order to provide continuous monitoring of all program activities by University management and to demonstrate due diligence with respect to program objectives. A midterm progress report will be submitted to the Office of the Provost.

It seems important to note that while recording keeping within this TRIO Cluster has been recently problematic, many very worthwhile services have been continuously provided to participants. ISU has hosted UB for over forty years, and many students have profited a great deal from their work with persons who have cared deeply about students' academic achievement.

C. A. Baker
2/12/08



**Indiana State University
Corrective Action Plan
For Audit Period Ending June 30, 2007**

Please see the included Summary Schedule of Prior Audit Findings addressing Findings 2006-01, 2006-2, and 2006-3.

FINDING 2007- 1 SERVICES PROVIDED TO INELIGIBLE STUDENT

Federal Agency: U.S. Department of Education
Federal Program: Trio Cluster – McNair Post Baccalaureate Achievement Program
CFDA Number: 84.217

Auditee Contact Person: Matt Pearcey
Title of Contact Person: Director of McNair
Phone Number: 812-237-8315
Expected Completion Date: March 2008

State Auditor findings of the 2005-06 McNair program Annual Performance Report, submitted December 20, 2006, indicated that one of the ineligible students continued to receive benefits from the program during the reporting period of 10-1-05 to 9-30-06 to include conference and meal benefits totaling 474.11, which include indirect costs.

Based on the Department of Education audit, on October 16, 2006, ISU paid back \$7,613 for the services received by two ineligible students, one of whom is referenced above and received services during the 2005-2006 reporting year.

The regulations at 34 CFR 647.3[c][3] state that a student may be admitted to a McNair project if the student is "a member of a group that is not listed in Sec. 647.7 if the group is underrepresented in certain academic disciplines as documented by standard statistical references or other national survey data submitted to and accepted by the Secretary on a case-by-case basis." The auditor found no evidence of acceptance by the Secretary for the enrollment of these students."

Recommendation

We recommend that ISU implement policies and procedures to ensure that only eligible students are allowed to participate in the program and receive program services.

Corrective Action Taken or Planned

1. Since the 2005-2006 APR was written, a new director has been hired. He has undergone self-directed training, based upon US Department of Education guidelines with regard to eligibility requirements of student participants.
2. This new director has attended the Training Program for Federal TRIO Programs Priority 1 (Record keeping, reporting student and project performance, and program evaluation for a model program) in Washington DC in March 2007.
3. From March 2007, program policies and procedures were evaluated to determine if weakness existed regarding eligibility criteria for admission of McNair Scholars. All components of CFR 647 are being followed with regard to low-income and first-generation or underrepresented status entry into the program. Additionally, no undergraduate student is entered into the program until the accumulation of 62 semester credits or more.
4. In the instance of the ineligible student mentioned above, ISU adjusted the amount of their February 13, 2008 McNair program drawdown of funds, reducing it by \$474.11 in settlement of the ineligible costs. ISU funds will be used to cover the expenses removed from the federal drawdown request.

FINDING 2007-2 UNMET PROGRAM OBJECTIVE REQUIREMENTS

Federal Agency: U.S. Department of Education
Federal Program: Trio Cluster – McNair Post Baccalaureate Achievement Program
CFDA Number: 84.217

Auditee Contact Person: Matt Pearcey
Title of Contact Person: Director of McNair
Phone Number: 812-237-8315
Expected Completion Date: March 2008

The regulations at 34 CFR 647.32(b) states: "Recordkeeping. For each student, a grantee shall maintain a record of-- (1) The basis for the grantee's determination that the student is eligible to participate in the project under Sec. 647.3; (2) The individual needs assessment; (3) The services provided to the participant; and (4) The specific educational progress made by the student during and after participation in the project."

The regulations at 34 CFR 74.51(a) states: "Recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award."

The regulations at 34 CFR 74.53(a) and (b) state: "(a) This section establishes requirements for record retention and access to records for awards to recipients. The Secretary does not impose any other record retention or access requirements upon recipients. (b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary."

Indiana State University (ISU) McNair Post Baccalaureate Achievement Program submitted data via its Annual Performance Report (APR) covering the period October 1, 2005 to September 30, 2006 stating participant numbers for the following objective criterion that could not be supported by existing documentation.

1. Total Number of Students Served: ISU reported 29 students

Testing corroborated 27 eligible students were served, one ineligible student was served, and one student was reported as served but there was no documentation maintained supporting that he had actually received any program services.

2. Earned a baccalaureate degree during the current period: ISU reported 10 students

Testing indicated 9 eligible students earned a degree and one ineligible student earned a degree.

3. Enrolled in Post-Baccalaureate program: ISU reported six students

Testing identified four students had enrolled in a program of post-baccalaureate education.

Recommendation

We recommend that Indiana State University maintain all records and supporting documentation for a period of three years from the date of submission of the final expenditure report or from submission of the annual report as required. We further recommend that ISU implement policies and procedures to ensure that reported data is accurate and complete.

Corrective Action Taken or Planned

1. Since the 2005-2006 APR was written, a new director has been hired. He has undergone self-directed training, based upon US Department of Education guidelines with regard to eligibility requirements of student participants.
2. This new director has attended the Training Program for Federal TRIO Programs Priority I (Record keeping, reporting student and project performance, and program evaluation for a model program) in Washington DC in March 2007.
3. The new program director has written the new APR for 2006-2007. Using advice from previous ISU Internal Audit feedback he wrote the 2006-2007 APR. The aforementioned problems with the 2005-2006 APR were related to misinterpretations by the former director. As stated above the new director has the requisite training to correctly report on the activities and services offered McNair Scholars.
4. The director has provided training to the office assistant about keeping proper student and financial files which document all services and expenditures made related to the services provided. Further, he keeps abreast of any Federal Department of Education changes which may be made from year to year with regard to reporting on services.
5. The director takes responsibility for reviewing all student files to ensure accuracy of services offered as well as eligibility to receive services.

A133 2007-08 FY

Summary Schedule of Prior Audit
Findings



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

February 10, 2009

Findings 2006-1, 2006-2, and 2006 -3

Federal Agency:	U.S Department of Education
Federal Program:	Trio Cluster-Upward Bound and Upward Bound
	Math and Science
CFDA Numbers:	84.047 and 84.047A
Auditee Current Contact:	Dr. Rita Worrall
Title of Current Contact:	Director, Student Support Services and Trio
	Coordinator
Phone Number:	(812)237-2301

I. Status of corrective actions included in the Summary Schedule of Prior Audit Findings dated February 12, 2008.

- A. The need for training for directors and staff members [2006-1, Condition 1, Corrective Action Step 1; 2006-1, Condition 3, Corrective Action Step 1; 2006-1, Condition 4, Corrective Action Step 1; 2006-2, Corrective Action Steps 1, 2, and 3]

All Corrective Actions as stated in the Summary Schedule of Prior Audit Findings for 0607 were accomplished as of end of the Upward Bound program year 0708, May 31, 2008, and staff training continues in the new program year 0809.

- B. The need to establish policies and procedures with managerial control to insure that data is complete and accurate [2006-1, Condition 1, Corrective Action Step 2; 2006-1, Condition 2, Corrective Action Step 1; 2006-1, Condition 3, Corrective Action Step 2; 2006-1, Condition 4, Corrective Action Step 2; 2006-2, Corrective Action Step 4]

All Corrective Actions as stated in the Summary Schedule of Prior Audit Findings for 0607 were accomplished as of the end of the Upward Bound



program year 0708, May 31, 2008, and monitoring and review by staff and the Trio Coordinator continue in the new program year 0809. A reporting change was effective July 7, 2008, with the Upward Bound program to be monitored by the Trio Coordinator, Dr. Worrall, and subsequently reporting directly to the Office of the Provost.

- C. The need to meet program objectives and services [2006-1, Condition 1, Corrective Action Step 3; 2006-1, Condition 2 Correction Steps 2 and 3; 2006-1, Condition 3, Corrective Action Step 3; 2006-3, corrective Action Steps 1, 2, and 3]

All Corrective Actions as stated in the Summary Schedule of Prior Audit Findings for 0607 were accomplished as of the end of the Upward Bound program year 0708, May 31, 2008, and program objectives and services continue to be met and provided in the new program year 0809 according to the practices and guidelines established by the Corrective Actions as well as federal legislation and regulations.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 15, 2008

Findings 2007-1 and 2007-2

Federal Agency:	U.S. Department of Education
Federal Program:	Trio Cluster – McNair Post Baccalaureate Achievement Program
CFDA Number:	84.217
Auditee Contact Person:	Dr. Matt Pearcey
Title of Contact Person:	Director of McNair Post Baccalaureate Achievement Program
Phone Number:	812-237-8315

I. Historical Background

Finding 2007-1

Based on the Department of Education audit, on October 16, 2006, ISU paid back \$7,613 for the services received by two ineligible students, one of whom is referenced below and received services during the 2005-2006 reporting year. State Auditor findings of the 2005-06 McNair program Annual Performance Report, submitted December 20, 2006, indicated that one of the ineligible students continued to receive benefits from the program during the reporting period of 10-1-05 to 9-30-06 to include conference and meal benefits totaling \$474.11, which include indirect costs and which is in addition to the \$7,613 referred above. The amount of \$474.11 was repaid to the DOE on February 13, 2008.

Finding 2007-2

Also, the Annual Performance Report submitted for the period of October 1, 2005 to September 30, 2006 submitted December 20, 2006 indicated participant numbers for the following objective criterion that could not be supported by existing documentation.

1. Total Number of Students Served: ISU reported 29 students:

A thorough review of program records corroborates 27 eligible students were served, one ineligible student was served, and one student was reported as served but there was no documentation maintained supporting that he had actually received any program services.

2. Earned a baccalaureate degree during the current period: ISU reported 10 students A review of program records corroborates nine eligible students earned a degree and one ineligible student earned a degree.

3. Enrolled in Post-Baccalaureate program: ISU reported six students

A review of program records identified four students had enrolled in a program of post-baccalaureate education.

II. Status of Corrective Actions:

A. The need for training for director and staff members to ensure that only eligible students are allowed to participate in the program and receive program services. Finding 2007-1 – Services provided to ineligible student.

The Corrective Actions Plan for finding 2007-1 indicated that there was a need for personnel to understand and follow policies and procedures which would ensure only students who were eligible would be entered into the program and receive services. Thus, a new director was hired in January of 2007. This director attended the Priority 1 training (record keeping, reporting student and project performance, and program evaluation) in March 2007 and again in August 2008. Also, ISU McNair program admissions criteria were revised to conform to all components of the Code for Federal Regulations (CFR) 647, which provide definitions of admission criteria of low-income, first-generation, and underrepresented status. No student is allowed to do a summer research internship, nor receive any monetary benefit, until he or she has reached junior status (62 credits or more).

Training for the program assistant began in late March 2007 on the admission criteria outlined above, conducted by the director of McNair. Additionally, both the director and program assistant received training on the use of Student Access database, which serves as the repository of all student data for the annual performance report (APR).

B. The need for policies and procedures to be enforced to ensure that all records and supporting documentation for APRs are maintained for at least three years. Finding 2007-2 – Enforcement of policies and procedures for eligibility and services.

The Corrective Actions Plan for finding 2007-2 indicated that there was a need for Department of Education-required documentation to be maintained for three years and the information on the APR must match documentation in students' files. This documentation is to support services rendered to participants which appear on each APR submitted to the DOE. Thus, a new director was hired in January 2007 and trained in March 2007 and August 2008 on Priority 1 compliance issues. Using advice from ISU's internal audit from the audit of the 2005-06 APR, the new director wrote the 2006-07 APR. Further, the director has provided training to the McNair program assistant on record keeping regarding student files and APR documentation.

A documentation system has been put in place by the director of McNair. Each APR field or question is documented in an individual APR-student file specific to the particular APR year in question. These APR-student files are separate from the students' regular eligibility-services files. All eligibility and demographic information, as well as specific services reported for each student, is documented in each student's APR file. All APR-student files are locked at all times.

All DOE requirements for student eligibility and required services under the Code for Federal Regulations (CFR 647.3 and 647.4) are followed. The director personally reviews each student application to ensure student eligibility to apply to the program. If a student is not eligible as a

first-generation and low-income student or as a student from an underrepresented group, the applicant will not proceed to the admissions interview.

III. Conclusion:

In summary, the corrective actions outlined above ensure that the ISU McNair program: 1. remains in compliance with governing federal regulations, 2. serves eligible student populations, and 3. maintains fiscal accountability.