



Item: AF: I-2a

AUDIT AND FINANCE COMMITTEE
Thursday, April 19, 2012

**SUBJECT: REVIEW OF AUDITS: FAU 11/12-3, AUDIT OF NCAA COMPLIANCE -
FINANCIAL AID FOR THE 2011 FALL SEMESTER**

PROPOSED COMMITTEE ACTION

None: for information only.

BACKGROUND INFORMATION

The primary objective of our audit was to determine the effectiveness of established policies, procedures, and practices used to determine and monitor student-athlete financial aid in accordance with regulations of the National Collegiate Athletic Association (NCAA).

Overall, the results of our audit lead us to conclude that the university grants and monitors financial aid consistent with applicable NCAA regulations. One recommendation was made to address possible ways in which university personnel can more efficiently manage the granting and monitoring of financial aid for student-athletes.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement the audit recommendation effective with the 2013 fall semester.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 11/12-3

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 11/12-3
Report Issue Date: March 26, 2012

FLORIDA ATLANTIC
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Office of Inspector General

Audit Report: NCAA Compliance - Financial Aid
For the 2011 Fall Semester

Use of Report

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**REPORT ON THE AUDIT OF
NCAA COMPLIANCE – FINANCIAL AID**

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MEMORANDUM

TO: Dr. Mary J. Saunders
President

FROM: Morley Barnett 
Inspector General

DATE: March 26, 2012

SUBJ: AUDIT OF NCAA COMPLIANCE – FINANCIAL AID

In accordance with the University's Internal Audit Plan for fiscal year 2011/12, we have conducted an audit of the NCAA Compliance – Financial Aid function at Florida Atlantic University. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made one recommendation to address our current finding. We concur with the response of the auditees which has been incorporated into the report. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of our recommendation by management.

Please call me if you have any questions.

cc: University Provost
Senior Vice Presidents
Vice Presidents
Auditees
FAU BOT Audit and Finance Committee
Inspector General, Florida Board of Governors
Florida Auditor General

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EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2011/12, we have conducted an audit of the student-athlete financial aid awards function at Florida Atlantic University for the 2011 fall semester. Our audit objectives were to determine whether the University had policies and procedures in place to determine and monitor financial aid (scholarships, fee waivers, and other financial resources) for student-athletes in accordance with National Collegiate Athletic Association (NCAA) regulations, and to evaluate the effectiveness of the policies and procedures.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of documentation supporting student-athlete financial aid awards, in order to determine whether control procedures were operating effectively.

Based on the audit work performed, we are of the opinion that the evaluated financial aid awards function was being conducted in general compliance with applicable NCAA regulations, relevant University policies and procedures, and sound business practices. We did, however, identify an opportunity to improve overall accuracy and efficiency in the student-athlete scholarship disbursement process.

The details of this finding, as well as the suggestions for corrective action, can be found in the Comments and Recommendations section of this report.



March 26, 2012

Dr. Mary J. Saunders
President
Florida Atlantic University
Boca Raton, Florida

Dear President Saunders:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2011/12, we have conducted an audit of the student-athlete financial aid awards function at Florida Atlantic University for the 2011 fall semester. Our audit objectives were to determine whether the University had policies and procedures in place to determine and monitor financial aid (scholarships, fee waivers, and other financial resources) for student-athletes in accordance with NCAA regulations, and to evaluate their effectiveness.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of documentation supporting student-athlete financial aid awards, in order to determine whether control procedures were operating effectively.

We obtained an understanding of the student-athlete financial aid awards function by reviewing University policies and procedures, regulations outlined in the NCAA Division I Manual, interviewing key Athletics Department and Office of Student Financial Aid personnel, and analyzing key internal controls. We also considered the results of the May 20, 2010 external study (*Review of Certain Components of the Athletics Department's Compliance Program*) conducted by The Compliance Group on behalf of the Sun Belt Conference. Our assessment of financial aid compliance with applicable NCAA regulations, and established policies and procedures was based primarily on examination of pertinent supporting documentation for samples of student-athlete awards maintained by Athletics and Student Financial Aid. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls and assessment of audit risk, the availability of pertinent University records, and other factors including auditor judgment.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

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BACKGROUND

The NCAA is a nonprofit membership organization which was founded in 1906 to protect young people from the dangerous and exploitive athletics practices of the time. The organization's core mission is to provide student-athletes with a competitive environment that is safe and ensures fair play. It is composed mainly of four-year higher education institutions and collections of institutions known as conferences. Representatives from those institutions and conferences create NCAA rules and policies, and impose appropriate penalties if violations occur in order to regulate the Association. The NCAA is composed of three membership classifications: Divisions I, II, and III which represent more than 430,000 college students who compete annually in intercollegiate athletics. Student-athlete benefits include catastrophic-injury insurance coverage, year-round and championship drug-testing programs, and various scholarship programs, among others.

Florida Atlantic University, is a member of the NCAA and the Sun Belt Conference, and has established the Athletics Advisory Board (AAB) whose committee members are responsible for monitoring the University's overall compliance with NCAA and Sun Belt Conference rules. AAB committee members include representatives from the following areas: Athletics, Financial Aid, and Admissions and Records.

As of the beginning of the 2011 fall semester, Florida Atlantic University had 464 student-athletes participating in 19 Division I team sports. All athletic teams, with the exception of men's soccer, are members of the Sun Belt Conference. The Athletics and Student Financial Aid departments work cooperatively to determine and monitor student-athlete financial aid in accordance with NCAA Bylaw, Article 15 – Financial Aid, of the NCAA Division I Manual. Financial aid records show that for the 2011 fall semester, 270 student-athletes, participating in all team sports, were awarded \$1,835,944 in scholarships.

The typical process for awarding financial aid to new student-athletes involves completion of a Grant-in-Aid form by a recommending sport's head coach. These recommended awards are monitored by athletic counselors (Student Financial Aid) to prevent any possible awards from exceeding the cost of attendance and to ensure any countable aid is subtracted from the total scholarship. Approved aid is evidenced by signatures of the respective head coach, Director of Athletics, and Director of Student Financial Aid, as well as acceptance by the student-athlete, or responsible parent/guardian, on the Grant-in-Aid form. Financial Aid notifies student-athletes of scholarship renewals, reductions, and cancellations based on information provided by Athletics.

Athletics uses the Compliance Assistant System (CAi), developed by the NCAA, for monitoring financial aid limits such as those set for individual athletes and teams. CAi-based information such as financial aid awarded and individual athlete and team counter/equivalency limits are critical to the overall monitoring process. Overall, the Athletics Business Manager monitors total semesterly athletic scholarship funds disbursed.

All student-athlete scholarship awards processed by Student Financial Aid are posted to the Banner Student System. The CAi system is manually updated by Athletics for all student-athlete financial aid disbursements reflected in Banner Student. NCAA Squad lists are also manually updated by Athletics at the end of each academic year for any revised scholarship amounts awarded, other countable aid, and prior year rollover items.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Improvements Needed in the Overall Accuracy and Efficiency of Student-athlete Scholarship Disbursement Process

Student-athletes receiving a Full Ride scholarship (tuition, fees, room and board, and required books) are required to be evaluated each semester to ensure propriety of scholarship calculations and payments. These scholarships are supported by a Banner Student *FLATHWS - FAU Office of Student Financial Aid* - form (scholarship calculation worksheet) and based primarily on the total number of credit hours being attempted after the drop/add period, and the housing status of student-athletes.

The scholarship calculation worksheet (*FLATHWS*) currently in use is an improvement over the previous manually-prepared calculation worksheet. The new worksheet automatically imports some of the required financial aid data, such as tuition waivers, Pell grants, and Athletic On/Off Campus (In-state, Out- of-state) full ride tuition amounts, from the Banner Student System. However, the *FLATHWS* form still requires the review and approval of the Associate Director of Athletics for any necessary manual adjustments, such as housing reductions and lab fees, which are not currently imported by the Banner Student System. These adjustments, as well as all required Banner student-athlete financial aid data, also need to be manually input into the Compliance Assistance System (CAi) by Athletics in order to monitor compliance with applicable NCAA financial aid regulations. Once the scholarship worksheet, net of any required manual adjustments, is approved by Athletics, Student Financial Aid disburses the scholarship to the student-athlete.

Our review of eleven Full Ride scholarships disbursed during the 2011 fall semester revealed an instance, due to a possible mathematical error, where a sampled student-athlete was overpaid by \$896. We learned that policies and procedures in place at the time of the error did not require Student Financial Aid to re-verify the accuracy of any manual adjustments to the calculation worksheets made by Athletics, prior to disbursement of scholarship funds. Procedures also did not call for Athletics to provide detailed descriptions of any worksheet adjustments. As a result of our audit, policies and procedures have been revised to address better preparation and review of the calculation worksheets. Additionally, during the course of our audit, Student Financial Aid reduced the cited student's scholarship for the \$896 overpayment. Despite the noted procedural revisions and improvements in the calculation worksheet, the current Full Ride scholarship disbursement process still lacks a complete interchange of data between systems used in granting and monitoring student-athlete scholarship awards.

Recommendation No. 1

In order to improve the financial aid disbursement process and monitoring efficiencies for student-athletes, we recommend increased automation as had similarly been noted in the 2010 report from the review of FAU's Athletics compliance program completed by The Compliance Group. Examples of possible actions to improve the accuracy of the scholarship disbursement process and better monitor financial aid for NCAA compliance include the following:

- Automate importation of all financial aid data required in the scholarship calculation worksheet from information recorded in Banner Student; and,
- Provide an interface between Banner Student and the CAi system to capture all relevant financial information to effectively monitor student-athlete financial aid.

In our opinion, implementation of this recommendation will improve the overall accuracy and efficiency of the scholarship disbursement process by reducing the possibility of mathematical errors and ensure that the CAi system is accurately and timely updated with all required student-athlete financial aid data to enhance monitoring compliance with applicable NCAA regulations.

Management's Response

Action Plan:

In an attempt to eliminate potential human error with regards to the manually added information on the FLAWTS worksheet, management will add 3 automated fields.

The Associate Director of Athletics Compliance will provide financial aid with a figure that student-athletes are to receive to pay for their on-campus housing. If a student-athlete elects to stay in a dorm that requires a smaller dollar amount per semester, then the difference will be automatically subtracted from the on-campus budget scholarship amount and added in a field on the FLATWS worksheet.

In addition to the housing difference, lab fees will be added to the total scholarship amount automatically and inserted into the newly added field on the worksheet.

After the new calculations are completed, the final scholarship amount will be totaled in the added field that finalizes the process.

In order to improve Athletics' monitoring capabilities, a formal request will be made of the Office of Information Technology to develop a Banner extract to update the CAi system with relevant athletic/financial aid information. Such updates will be done approximately two weeks after the drop/add period of each semester.

Implementation Date: 2013 fall semester

Responsible Auditees: Ed Hayward, Associate Athletics Director, and
Tracy Boulukos, Director of Student Financial Aid

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit being performed.

Within the past three years, our office has not conducted any audits related exclusively to NCAA financial aid compliance. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on the audit work performed, we believe that the evaluated student-athlete financial aid awards function was being conducted in general compliance with applicable NCAA regulations and University policies and procedures. However, we did identify an opportunity to improve overall accuracy and efficiency in the student-athlete scholarship disbursement process which will serve to enhance the monitoring of financial aid awards in accordance with applicable NCAA regulations.

We wish to take this opportunity to thank personnel of the Athletics Department and Office of Student Financial Aid for their cooperation and assistance which contributed to the successful completion of this audit.

A handwritten signature in cursive script that reads "Morley Barnett".

Morley Barnett, CPA, CFE
Inspector General

Audit Performed By: Ben Robbins, CPA