REPORT TO MANAGEMENT ON
AUDIT OF EMPLOYEE FINANCIAL AID
LAMAR INSTITUTE OF TECHNOLOGY
SEPTEMBER 2002
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September 10, 2002

Dr. Robert Krienke, President
P. O. Box 10043
Beaumont, TX 77710

Dear Dr. Krienke:

Enclosed is the **Report to Management on the Audit of Employee Financial Aid, September 2002.**

The audit plan for fiscal year 2002 provides for an audit of employee financial aid. The scope of the audit was to review compliance with employee assistance plan, combined with an analysis of the fiscal issues associated with this activity. This audit report is classified as a Category II audit based on criteria prescribed by the Board of Regents **Rules and Regulations** of The Texas State University System.

Lamar Institute of Technology (LIT) had 71 employees attending classes during Spring ‘02, Summer I ‘02, Summer II ‘02 and Fall ‘02. Of the 71 employees, 45 employees received some form of financial assistance. During this time period as of September 10, 2002, the following amounts were distributed:

- Staff Enrollment $13,624
- Federal Financial Aid 36,816
- State Financial Aid 0
- Scholarships and Exemptions 3,227

**Total** $53,667

Specific problems detected during our audit include the following:

- Policies and procedures regarding employee release time, employee status versus student status, mandatory financial aid verification, employees working on their financial aid or that of family, etc. should be enhanced and modified.
- Ten (10) students attended class during work hours that exceeded the maximum release time. Eight (8) of these students attended class during the summer terms.
- Five (5) employees received financial aid and also staff assistance benefit.

We appreciate the assistance provided to Internal Audit.

Sincerely,

Twila J. Baker, CPA
DETAILED FINDINGS
AND
RECOMMENDATIONS

Director of Internal Audit
INTRODUCTION

Lamar Institute of Technology (LIT) had 71 employees attending classes during Spring ‘02, Summer I ‘02, Summer II ‘02 and Fall ‘02. Of the 71 employees, 45 employees received some form of financial assistance. During this time period as of September 10, 2002, the following amounts were distributed:

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- Total $53,667

OBJECTIVES

The objectives of the student financial aid audit were to:

- Determine compliance with employee assistance plan.
- Analyze fiscal issues associated with employee financial aid.
- Ensure program quality and integrity.
- Determine compliance with applicable system and Institute policies and procedures.

SCOPE

The scope of the audit was to review compliance with employee assistance plan, combined with an analysis of the fiscal issues associated with this activity. The audit was performed for the period January 1, 2002 to August 31, 2002 on selected programs.

We reviewed all employees taking classes for the following:

1. Courses paid for the employee by the Institute as part of the Employee Education and Training Plan.
2. Any type of federal financial aid that the employee received.
3. Any state financial aid the employee received.
4. All scholarships and/or exemptions received.

This audit report is classified as a Category II audit based on criteria prescribed by the Board of Regents Rules and Regulations of The Texas State University System.

RESULTS OF REVIEW

Lamar Institute of Technology (LIT) had 71 employees attending classes during Spring ‘02, Summer I ‘02, Summer II ‘02 and Fall ‘02. Of the 71 employees, 45 employees received some form of financial assistance. During this time period as of September 10, 2002, the following amounts were distributed:

- Staff Enrollment $13,624
- Federal Financial Aid 36,816
- State Financial Aid 0
• Scholarships and Exemptions  3,227  
  Total                           $ 53,667

<table>
<thead>
<tr>
<th>Semester</th>
<th># of Employees</th>
<th>Federal Aid</th>
<th>State Aid</th>
<th>Staff Enrollment</th>
<th>Scholarships/Exemptions</th>
<th>Total</th>
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<td>Spring</td>
<td>18</td>
<td>18,343.70</td>
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<td>250.00</td>
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<td>Summer II</td>
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<td>638.00</td>
<td>500.00</td>
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<td>Fall</td>
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<td>11,350.33</td>
<td>0.00</td>
<td>6,023.00</td>
<td>1,000.00</td>
<td>18,373.33</td>
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<tr>
<td>Total</td>
<td>45</td>
<td>36,816.31</td>
<td>0.00</td>
<td>13,624.40</td>
<td>12,376.00</td>
<td>53,667.71</td>
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</tbody>
</table>

**Policy and Procedures Need To Be Enhanced**

Review of the *Human Resources Policies and Procedures Manual* as it relates to Policy 5.8 Employee Education and Training Plan revealed that there are discrepancies and ambiguities. Policy and procedures need to be enhanced in order ensure the integrity of the program. Other policy and procedures need to be developed and/or enhanced as previously mentioned above.

The Employee Education and Training Plan ("the Plan") provides employees of Lamar with assistance in obtaining additional college-level education and training to increase their value to the Institute. The Plan is intended to operate such that payments made under it qualify, in the Section 117 of the Internal Revenue Code; or, for all other courses, as business expenses for courses related to the employee’s present position.

*Policy 5.8, Section 3.2 of the Human Resources Policies and Procedures Manual* states the following:

If an employee chooses to receive student financial aid for a term, then for that term the employee is classified as a student and will be ineligible for the EE&TP. Therefore, employees who are student financial aid recipients are not eligible for tuition waiver. Release time continues to be at the discretion of the supervisor.

*Policy 5.8, Section 4.5 of the Human Resources Policies and Procedures Manual* states the following:

Payments will be made, subject to the other provisions of the Plan, for no more than two courses per academic year for any employee. Payments will be made during summer terms for eligible employees....

*Policy 5.8, Section 7.1 of the Human Resources Policies and Procedures Manual* states the following:

Approval of payment under the Plan does not constitute approval to be absent from assigned duties during normal working hours. If the component’s Human Resources policies allow, and the employee’s supervisor and those above the supervisor approve, release time of up to three hours per week may be granted in order to take the course. Additional time during working hours that may be required must be accounted for under vacation leave and compensatory time.
Policy 5.8, Section 3.2 was implemented on May 1, 2002 that prohibits employees from receiving a tuition waiver and financial aid. Since that policy was implemented, only two (2) students received both the tuition waiver and financial aid. (1-Summer I, 1-Summer II, and 0-Fall) A LIT Financial Aid employee received a tuition waiver of $319 for both Summer I and Summer II as well as a $250 scholarship and $5,209 for both terms.

There is ambiguity in Policy 5.8, Section 4.5 and Policy 5.8, Section 7.1. One policy allows an employee to take summer classes which are more than three (3) hours a week, and the other policy requires that no more than three hours a week release time is allowed. There was a discrepancy in Spring ‘02; a Financial Aid employee took six (6) hours of classes a week during working hours.

A review should be conducted to investigate if this employee’s vacation leave or compensatory balances should be reduced by the amount of excess time over the maximum release time.

The Student Financial Aid Office has developed a policy requiring all staff who apply for financial aid will be selected for verification. This policy should be implemented for all staff, not just financial aid employees.

The Student Financial Aid Office has developed a policy requiring all staff sign a statement that they will not data enter, process, or alter any paperwork or files for themselves or their families and/or friends. This policy should be developed and implemented for all employees of the Institute.

**Recommendations:**

We recommend management enhance and modify existing policies and procedures regarding employee release time, employee status, income verification, etc. We further recommend management develop a monitoring system to track employees taking classes and receiving aid to ensure compliance with policy.

We recommend management review employees who have abused their release time and adjust their leave balances.

**Management’s Responses:**

We concur with this recommendation. LIT management will enhance and modify existing policies and procedures regarding release time, employee status, income verification, etc. Also we will develop a monitoring system to track employees taking classes and receiving aid in order to ensure policy compliance. Management will review employee release time and adjust leave balances if abuse is found.

**CONCLUDING REMARKS**

Based on the results of the audit, internal controls associated with employee financial aid at the Institute is adequate. Although not completely without deficiencies, those that do exist are not considered to have a material effect on the operation of the Institute and are estimated to be easily remedied.

We appreciate the assistance provided to Internal Audit by management during this examination.
REPORT TO MANAGEMENT ON
AUDIT OF EMPLOYEE FINANCIAL AID
LAMAR INSTITUTE OF TECHNOLOGY
SEPTEMBER 2002

Copies of this report have been mailed to the following:

Lamar Institute of Technology

Dr. Robert Krienke, President
Mr. Jonathan Wolfe, Vice President for Finance and Operations

The Texas State University System

Mr. J. Wiley Thedford, Vice Chancellor for Finance
Mr. Jerry W. Neef, Director of Audits and Analysis