



GEORGIA STUDENT FINANCE COMMISSION TUCKER, GEORGIA

Helping Outstanding Pupils
Educationally (HOPE) Program
Report on Audit

For Fiscal Year Ended
June 30, 2020



GEORGIA STUDENT FINANCE COMMISSION

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Georgia Student Finance Commission
Audit Summary
Year Ended June 30, 2020

AUDIT SUMMARY

Our performance audit of Georgia Student Finance Commission's (Commission) financial records and operations for the fiscal year ended June 30, 2020 found:

- proper recording and reporting of all HOPE disbursement transactions, in all material respects, in the Commission's financial system and in the State's Comprehensive Annual Financial Report (CAFR);
- no matters involving internal control procedures and its operation necessary to bring to management's attention over the HOPE disbursement transaction cycle; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.



DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
STATE AUDITOR
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Members of the State Board of the Georgia Student Finance Commission
and
Lynne Riley, President
Georgia Student Finance Commission

Ladies and Gentlemen

We have audited the financial records and operations of Georgia Student Finance Commission (Commission) for the year ended June 30, 2020. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of the Commission's recorded financial transactions of the Helping Outstanding Pupils Educationally (HOPE) Program in the Commission's financial system; review the adequacy of the Commission's internal controls over HOPE disbursements, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Commission's management is responsible for establishing and maintaining internal control procedures and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the HOPE disbursements transaction cycle.

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts.

We performed tests of details to determine whether the financial transactions related to the HOPE disbursements transaction cycle were recorded appropriately. Our audit procedures included confirmation with outside sources. A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology

was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commission's financial system and submitted to the State Accounting Office for inclusion in the State's Comprehensive Annual Financial Report.

We noted no matters involving the Commission's internal controls or its operations that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Exit Conference and Report Distribution

We discussed this report with management on November 9, 2020.

This report is intended solely for the information and use of the Board of the Georgia Student Finance Commission and the management at the Georgia Student Finance Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

November 9, 2020

Georgia Student Finance Commission
Georgia Student Finance Commission Highlights
Year Ended June 30, 2020

Introduction

Georgia Student Finance Commission

The Georgia Student Finance Commission (Commission) is a state agency that was created for the purpose of improving higher educational opportunities of Georgians. The Commission is the state's single education finance entity and is responsible for administering nearly 20 state and lottery-funded scholarship, grant, and student loan programs totaling nearly \$1.0 billion annually. Founded in 1965, the Commission strives to promote and increase access to education beyond high school for Georgians. In addition to providing awards to nearly 240,000 students each year, the Commission also provides free financial aid and college planning counseling to students, parents and community organizations across the state.

The Commission is governed by the Board of Commissioners and all of the Commission's powers, duties, and functions are exercised by the Board. The Board of Commissioners consists of fourteen members, one selected from each congressional district in the State of Georgia. The members are appointed by the Governor and are confirmed by the Senate. Each member serves for a term of six years and is eligible for reappointment to successive terms. Members must be at least twenty-one years of age, citizens of the United States, and residents of Georgia for at least two years at the time of their appointment. Members cannot be currently employed or contracted by a postsecondary institution in the State of Georgia. Members are not eligible to become an officer or employee of the Commission for a period of one year after expiration of the member's period of services. The President of the Commission serves as an ex officio member of the Board without the authority to vote. The Commission's stated Mission and Vision are:

Georgia Student Finance Commission Mission

Georgia Student Finance Commission promotes and increases access to education beyond high school for Georgians.

Georgia Student Finance Commission Vision

Georgia Student Finance Commission is a premier provider of student financial aid and educational services for Georgians.

Emphasis on Internal Control

The President of the Commission recognizes the importance of internal controls and as a result is renewing the focus on this topic.

An effective internal control system is maintained by the diligence of every person, has many benefits, and provides reasonable, but not absolute, assurance that an organization's objectives will be achieved. Additionally, an effective internal control system acts as a foundation for managing risks and allows organizations to adapt.

Management should use a risk-based approach to identify the key risks, including fraud risks, which would prevent an organization from achieving their defined objectives. This approach recognizes that not all risks are equal, considers cost factors in relation to expected benefits, and drives allocation of more resources to the areas of highest risk. Management may decide how an organization evaluates the costs vs. benefits, however, cost alone is not an acceptable reason to avoid implementing necessary controls. In the end, management needs to implement and design an internal control system that effectively and efficiently addresses the identified risks and allows the organization to achieve their objectives.

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After identifying and assessing key risks, the Commission identified the HOPE disbursement transaction cycle as a significant key process. On an annual basis, the Commission administers over \$750.0 million in HOPE scholarships and grants to over 200,000 students to help pay for higher education expenses. Our audit's primary objectives with regard to the HOPE disbursement transaction cycle were to review the adequacy of the Commission's internal controls and ensure the amounts reported to the State Accounting Office of Georgia for reporting in the Georgia Comprehensive Annual Financial Report (CAFR) were accurate.

HOPE Program Transaction Cycle

The legislation for this program was scripted in 1992 under the supervision of Governor Zell Miller and launched a year later to provide assistance towards the costs of tuition at eligible Georgia postsecondary institutions to incent and reward Georgia's high achieving students. Funded by the Georgia Lottery for Education, this unique initiative has helped more than 1.8 million students at eligible state public and private universities and public technical schools to create the "better-educated work force and invest in (Georgia's) economic future" as Miller envisioned in his 1992 State of the State Address. HOPE consists of six different aid programs including HOPE Career Grant, HOPE GED Grant, HOPE Grant, HOPE Scholarship, Zell Miller Grant and Zell Miller Scholarship.

Institutions determine student eligibility for the HOPE and Zell Miller Scholarship and Grant programs and invoice the Commission for students who qualify for the assistance. The Commission processes the invoices by running validity checks in the Scholarships and Grants system to ensure they are valid and meet eligibility requirements. Once validity is determined, funds are disbursed to the institutions.

Audit Scope and Methodology

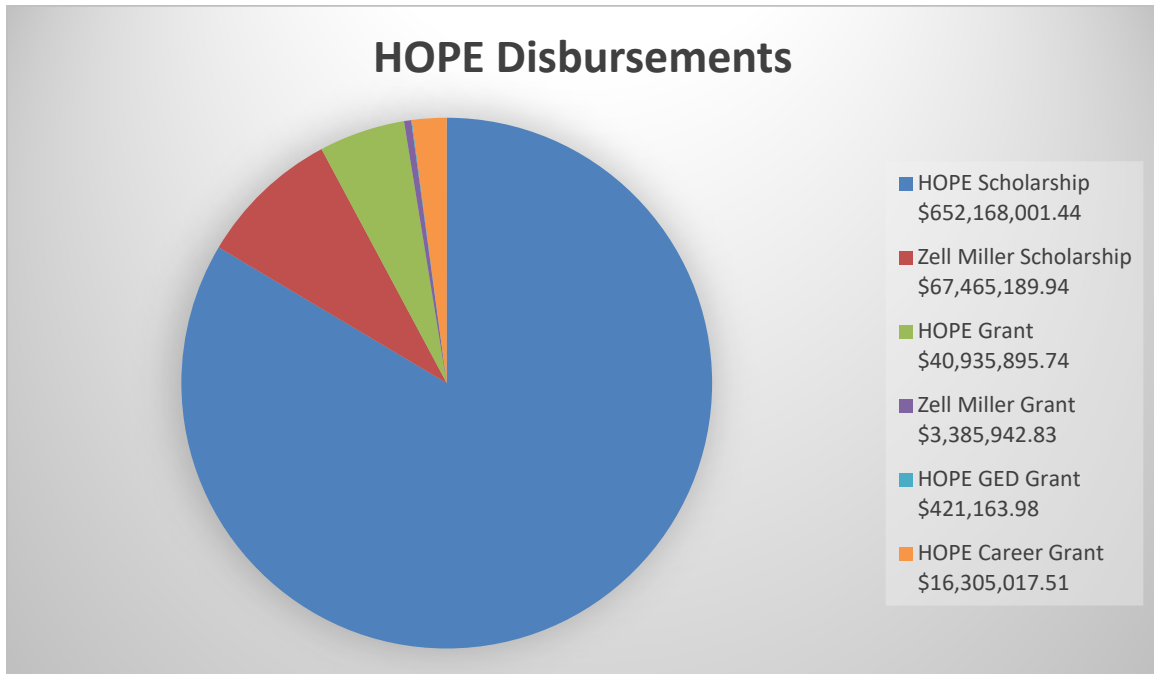
We gained an understanding of the overall internal controls, both automated and manual, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Commission's internal controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, and records. We performed analytical procedures and test of details. We also confirmed a portion of HOPE disbursements from the Commission with the institutions that received the funds.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

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Fiscal Year 2020 HOPE Disbursements



Fiscal Year 2020 Total Disbursements

Dual Enrollment	98,027,613.77
HOPE Disbursements	780,681,211.44
HOPE Administration	9,233,447.82
Nonpublic Postsecondary Education Commission	1,333,808.30
Program Funds Transferred to the Georgia Student Finance Authority	<u>66,368,166.52</u>
 Total Expenditures/Amount reported to State Accounting Office	 <u>955,644,247.85</u>

The Commission's Risk Assessment Considerations

The Commission's risk assessment considerations include:

- Are HOPE funds disbursed to students who actually exist?
- Are HOPE funds disbursed to students that were ineligible to receive the funds?
- Are HOPE funds overawarded or underawarded to students due to incorrect invoicing (GPA, hours attempted, etc.)?
- Are HOPE funds overawarded or underawarded to students due to validity checks in the CHECS and Scholarship and Grants System not properly operating?
- Are HOPE disbursements accurately reflected on the Commission's general ledger?