ATTACHMENT C

Sally Symanski, CPA
State Auditor

STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

October 22, 2009

MEMORANDUM

To: Legislative Audit Committee Members

From: Sally Symanski, CPA
State Auditor

Re: Status Report from CollegeInvest

Attached is a report from CollegeInvest in response to a request from the Legislative Audit Committee (Committee) during the public hearing on September 28, 2009, for the performance audit of CollegeInvest's Scholarship and Loan Forgiveness Programs. The Committee requested that CollegeInvest report back on a monthly basis on the implementation status of the audit recommendations.

CollegeInvest representatives will be present at the November 2, 2009, Committee hearing to discuss this report and address any questions from Committee members.

enc.

Status Report to the Legislative Audit Committee
Scholarship and Loan Forgiveness Programs, CollegeInvest
Performance Audit, August 2009
Status Report as of October 19, 2009

No.	Recommendation	Agency Response	Action	Timeline
1	Ensure compliance with its disbursement objective for the Early Achievers Scholarship Trust Fund by developing a contingency plan for disbursing funds in years in which scholarships given to Early Achievers Scholarship program applicants do not reach this objective.	Partially Agree	Update financial models for the scholarship program. Develop contingency plans to expend scholarship funds if financial model objectives are not achieved and obtain board approval.	In progress , to be completed by January '10. To be completed by March '10.
2	Work with the CollegeInvest Board to ensure that the Early Achievers Scholarship program is meeting its goal of increasing access for low income students to postsecondary education in the most cost-effective and efficient way by (a) analyzing alternative ways of administering the program and disbursing funds, and (b) making recommendations to the CollegeInvest Board on the best option for achieving program goals. Adopt guidelines as necessary to implement any changes in the program, and, if necessary, seek legislative change.	Agree	Working with the Dept of Higher Education to evaluate alternative administrative structure. Intent to eliminate the requirement to apply for the scholarship by the 9th grade. Will work with pre-collegiate organizations working with high risk youth to identify scholarship recipients. Recommend to the Board policy changes to be implemented in the 2010-11 school year. No legislative action is anticipated to be needed.	In progress, to be completed by December '09 Board meeting. To be completed by March '10 Board meeting.
3	Ensure that it demonstrates fiduciary oversight of the Early Achievers Scholarship Trust Fund by (a) documenting the reasons behind deviations from the Board's investment policy, (b) seeking independent advice when making investment decisions that would result in deviations from its investment policy or when considering investment decisions involving related parties, and (c) considering revising its investment policy to prohibit investment of Trust Fund monies in any of CollegeInvest's other operations, including CollegeInvest's student loan portfolio.	Agree	(a) and (b) – will document any deviations from the IPS and seek independent advice in the future as appropriate. (c) – consider revising investment policy.	N/A To be completed by December '09 Board meeting.
4	Develop methods to ensure that the number of advertised Service Scholarships and Opportunity Scholarships are given out and amounts allocated annually for the scholarships are used.	Agree	Develop methods to fully disburse Service and Opportunity scholarships.	In process of awarding scholarships. Method will depend on amount of unclaimed scholarships. Recommendation to Board at December '09 meeting.

5	Ensure that the Loan Forgiveness Program for Teachers meets its goals of recruiting and retaining teachers in high-demand disciplines by (a) allowing existing LIFT Teachers participants the option of choosing to receive their loan forgiveness payments for the year as a lump-sum annual payment that will be applied only to loan principal or as a monthly payment that covers both principal and interest, (b) changing the repayment process so that all new LIFT Teachers participants receive their loan forgiveness payments as a lump-sum annual payment applied to loan principal only, (c) reopening LIFT Teachers enrollment until the remainder of the CollegeInvest Board's initial $4 million commitment to LIFT is exhausted and (d) ensuring that LIFT Teachers participants do not receive payments exceeding $2,000 annually.	Partially Agree	(a) Notify current LIFT participants of option to receive payment as a lump sum. (b) and (c) evaluate options for use of $700k remaining in LIFT Teachers program. Recommend how monies should be used in the future. (d) Cap LIFT loan forgiveness at $2,000 per year instead of the current amount of $2,004 per year.	In process, letters to be sent in November '09. Meetings with DHE in progress to determine options. Plan to have options by January '10, and present to the Board in March '10. Working with loan servicer and will be completed in December '09.
6	Improve the effectiveness of and participation in all current and future loan forgiveness programs by (a) allowing qualifying applicants with a federal student loan, regardless of lender, to participate in these programs, and working with the General Assembly as necessary to change statutory requirements for existing programs; (b) developing outreach strategies that directly contact potential participants; (c) creating separate codes in its accounting system for each loan forgiveness program that would track funds allocated to the programs and the programs' administrative costs and monitoring these for reasonableness; (d) developing performance measures for each program, evaluating whether the programs are meeting those measures, and making improvements as needed; and (e) ensuring that all future loan forgiveness recipients receive payments on an annual basis that are applied to loan principal only.	Partially Agree	(a) Only loan forgiveness program remaining at this time is the LIFT Nursing program. This program is not limited to borrowers with CollegeInvest loans. No action required. (b) Develop strategies to contact potential LIFT Nursing participants. (c) Ongoing cost of maintaining the loan forgiveness programs is not significant. Will create codes if new programs are introduced. (d) Will develop performance measures for new loan forgiveness programs. (e) see response to recommendation #5.	N/A Multiple strategies have been developed. Working to implement strategies by end of year. N/A N/A
7	Calculate excess reserves annually and work with the CollegeInvest Board to develop a plan in which excess reserves are funneled into scholarship and/or loan forgiveness programs once excess reserves are determined.	Partially Agree	Bond trust equity levels were discussed at the September Board meeting. Outside experts concur that there are no excess reserves at this time.	Completed. Will update on an annual basis.
8	Strengthen procedures for ensuring administrative expenses are reasonable and necessary by (a) expanding conflict-of-interest policies to ensure that the selection of sponsorships does not reflect or create the appearance of favoritism, (b) implementing policies that establish an upper limit on the value of promotional items given to businesses and their representatives and on the amount per person that will be spent on meals during official and training functions, (c) ensuring that it does not pay for staff meals unless the meals are related to official or training functions or to business-related travel, (d) obtaining a formal opinion from the Attorney General's office regarding	Partially Agree	Internal accounting procedures have been revised as follows: • Official function forms completed for all "vendor paid" meals when business related. • Added guidelines for documentation of sponsorship expenses. Revise Board budget approval process to vote on items with potential conflict of interest concerns separately and after multiple options are considered. Recommend to the Board a policy limiting the upper value of	Completed. To be performed in connection with the next budget approval in March/June '10 To be recommended

	whether CollegeInvest has the authority to hire a legislative lobbyist, and (e) ensuring that donations are not being made by expanding its documentation of sponsorship expenses.		promotional items and amounts spent on meals during official functions. Dept of Higher Education has requested a formal legal opinion from the AG regarding the hiring of a lobbyist	to the Board at the December '09. meeting In progress, opinion requested.
9	Improve internal controls over administrative expenses by (a) ensuring that all expenses have adequate supporting documentation as required by state fiscal rules and internal policies, (b) ensuring that staff approve all expenses in accordance with the expense-approval policy and updating this policy, as necessary, when the staffing organization changes, (c) prohibiting employees from approving expenses from which they will personally benefit, (d) ensuring that contracts are executed with all vendors in accordance with its internal policies, (e) requiring that all changes to internal policies are reviewed and approved by upper management, and (f) tracking the receipt and disbursement of all benefits received from sponsorship agreements and ensuring that staff use of these benefits does not violate Amendment 41.	Agree	Revised internal policy with respect to contracts to be consistent with the fiscal rules. Revised internal processes to require PO's be attached to each invoice as appropriate. Contracts are maintained in a central file and easily referenced by accounting if needed. No changes made to this process. Revised expense approval authorities to reflect organization positions rather than names, and to perform quarterly review. Revised expense approval policy for expenditures when an employee is perceived to receive a personal benefit. Added the requirement that all changes to internal policies must be approved by upper management. Developing a tracking system for receipt and distribution of benefits received through sponsorships.	Completed. To be completed by December '09.
10	Improve direct and indirect allocation of costs by (a) implementing an internal policy that provides specific guidance on the direct allocation of administrative expenses among programs, (b) ensuring that all programs are included in direct and indirect allocations, (c) reevaluating the policy of using the Borrower Benefit Fund to pay for some administrative expenses rather than allocating them to the funds that benefit from the expenses, and (d) ensuring that all costs shared with College Assist are allocated to each organization in accordance with an approved written agreement between the two organizations that accurately reflects the benefits incurred by each organization.	Partially Agree	(a) Will develop guidance regarding allocation of direct administrative expenses. (b) Will revise allocations of material direct and indirect expenses to programs that benefit from such expenses. However, immaterial or incidental benefits will not be allocated as the cost of such efforts will exceed the benefit. (c) Evaluate allocating Borrower Benefit fund expenses and recommend as part of next fiscal year budget. (d) Will continue to monitor budget/actual for both organizations ensuring that allocations are consistent with approved budgets.	To be completed in January '10. This will be done in conjunction with the next budget in March/June '10. This will be done in conjunction with the next budget in March/ June '10. Performed with Board on a quarterly basis.

CollegeInvest

ATTACHMENT D

November 20, 2009

MEMORANDUM

To: Legislative Audit Committee Members

From: Debra L DeMuth
Director

Re: Status Report from CollegeInvest

The Legislative Audit Committee requested that CollegeInvest report back on a monthly basis on the implementation status of the audit recommendations related to the September 2009 Performance Audit of the Scholarship and Loan Forgiveness programs. Attached is the November 2009 update.

enc.

1560 Broadway, Suite 1700 Denver, Colorado 80202 P| 303.376.8800 F| 303.296.4811 W| www.collegeinvest.org

Status Report to the Legislative Audit Committee
Scholarship and Loan Forgiveness Programs, CollegeInvest
Performance Audit, August 2009
Status Report as of November 20, 2009

No.	Recommendation	Agency Response	Action	Timeline
1	Ensure compliance with its disbursement objective for the Early Achievers Scholarship Trust Fund by developing a contingency plan for disbursing funds in years in which scholarships given to Early Achievers Scholarship program applicants do not reach this objective.	Partially Agree	Update financial models for the scholarship program. Develop contingency plans to expend scholarship funds if financial model objectives are not achieved and obtain board approval.	In progress , to be completed by January '10. To be completed by March '10.
2	Work with the CollegeInvest Board to ensure that the Early Achievers Scholarship program is meeting its goal of increasing access for low income students to postsecondary education in the most cost-effective and efficient way by (a) analyzing alternative ways of administering the program and disbursing funds, and (b) making recommendations to the CollegeInvest Board on the best option for achieving program goals. Adopt guidelines as necessary to implement any changes in the program, and, if necessary, seek legislative change.	Agree	Working with the Dept of Higher Education to evaluate alternative administrative structure. Intent to eliminate the requirement to apply for the scholarship by the 9th grade. Will work with pre-collegiate organizations working with high risk youth to identify scholarship recipients. Recommend to the Board policy changes to be implemented in the 2010-11 school year. No legislative action is anticipated to be needed.	In progress, to be completed by December '09 Board meeting. To be completed by March '10 Board meeting.
3	Ensure that it demonstrates fiduciary oversight of the Early Achievers Scholarship Trust Fund by (a) documenting the reasons behind deviations from the Board's investment policy, (b) seeking independent advice when making investment decisions that would result in deviations from its investment policy or when considering investment decisions involving related parties, and (c) considering revising its investment policy to prohibit investment of Trust Fund monies in any of CollegeInvest's other operations, including CollegeInvest's student loan portfolio.	Agree	(a) and (b) – will document any deviations from the IPS and seek independent advice in the future as appropriate. (c) – consider revising investment policy.	N/A To be completed by December '09 Board meeting.
4	Develop methods to ensure that the number of advertised Service Scholarships and Opportunity Scholarships are given out and amounts allocated annually for the scholarships are used.	Agree	Develop methods to fully disburse Service and Opportunity scholarships.	In process of awarding scholarships. Method will depend on amount of unclaimed scholarships. Recommendation to Board at December '09 meeting.

5	Ensure that the Loan Forgiveness Program for Teachers meets its goals of recruiting and retaining teachers in high-demand disciplines by (a) allowing existing LIFT Teachers participants the option of choosing to receive their loan forgiveness payments for the year as a lump-sum annual payment that will be applied only to loan principal or as a monthly payment that covers both principal and interest, (b) changing the repayment process so that all new LIFT Teachers participants receive their loan forgiveness payments as a lump-sum annual payment applied to loan principal only, (c) reopening LIFT Teachers enrollment until the remainder of the CollegeInvest Board's initial $4 million commitment to LIFT is exhausted and (d) ensuring that LIFT Teachers participants do not receive payments exceeding $2,000 annually.	Partially Agree	(a) Notify current LIFT participants of option to receive payment as a lump sum. (b) and (c) evaluate options for use of $700k remaining in LIFT Teachers program. Recommend how monies should be used in the future. (d) Cap LIFT loan forgiveness at $2,000 per year instead of the current amount of $2,004 per year.	Completed. Meetings with DHE in progress to determine options. Plan to have options by January '10, and present to the Board in March '10. Completed
6	Improve the effectiveness of and participation in all current and future loan forgiveness programs by (a) allowing qualifying applicants with a federal student loan, regardless of lender, to participate in these programs, and working with the General Assembly as necessary to change statutory requirements for existing programs; (b) developing outreach strategies that directly contact potential participants; (c) creating separate codes in its accounting system for each loan forgiveness program that would track funds allocated to the programs and the programs' administrative costs and monitoring these for reasonableness; (d) developing performance measures for each program, evaluating whether the programs are meeting those measures, and making improvements as needed; and (e) ensuring that all future loan forgiveness recipients receive payments on an annual basis that are applied to loan principal only.	Partially Agree	(a) Only loan forgiveness program remaining at this time is the LIFT Nursing program. This program is not limited to borrowers with CollegeInvest loans. No action required. (b) Develop strategies to contact potential LIFT Nursing participants. (c) Ongoing cost of maintaining the loan forgiveness programs is not significant. Will create codes if new programs are introduced. (d) Will develop performance measures for new loan forgiveness programs. (e) see response to recommendation #5.	N/A Completed N/A N/A
7	Calculate excess reserves annually and work with the CollegeInvest Board to develop a plan in which excess reserves are funneled into scholarship and/or loan forgiveness programs once excess reserves are determined.	Partially Agree	Bond trust equity levels were discussed at the September Board meeting. Outside experts concur that there are no excess reserves at this time.	Completed.
8	Strengthen procedures for ensuring administrative expenses are reasonable and necessary by (a) expanding conflict-of-interest policies to ensure that the selection of sponsorships does not reflect or create the appearance of favoritism, (b) implementing policies that establish an upper limit on the value of promotional items given to businesses and their representatives and on the amount per person that will be spent on meals during official and training functions, (c) ensuring that it does not pay for staff meals unless the meals are related to official or training functions or to business-related travel, (d) obtaining a formal opinion from the Attorney General's office regarding	Partially Agree	Internal accounting procedures have been revised as follows: • Official function forms completed for all "vendor paid" meals when business related. • Added guidelines for documentation of sponsorship expenses. Revise Board budget approval process to vote on items with potential conflict of interest concerns separately and after multiple options are considered. Recommend to the Board a policy limiting the upper value of promotional items and amounts spent on meals during official	Completed. To be performed in connection with the next budget approval in March/June '10 To be recommended to the Board at the

	whether CollegeInvest has the authority to hire a legislative lobbyist, and (e) ensuring that donations are not being made by expanding its documentation of sponsorship expenses.		functions. Dept of Higher Education has requested a formal legal opinion from the AG regarding the hiring of a lobbyist	December '09. meeting In progress, opinion requested.
9	Improve internal controls over administrative expenses by (a) ensuring that all expenses have adequate supporting documentation as required by state fiscal rules and internal policies, (b) ensuring that staff approve all expenses in accordance with the expense-approval policy and updating this policy, as necessary, when the staffing organization changes, (c) prohibiting employees from approving expenses from which they will personally benefit, (d) ensuring that contracts are executed with all vendors in accordance with its internal policies, (e) requiring that all changes to internal policies are reviewed and approved by upper management, and (f) tracking the receipt and disbursement of all benefits received from sponsorship agreements and ensuring that staff use of these benefits does not violate Amendment 41.	Agree	Revised internal policy with respect to contracts to be consistent with the fiscal rules. Revised internal processes to require PO's be attached to each invoice as appropriate. Contracts are maintained in a central file and easily referenced by accounting if needed. No changes made to this process. Revised expense approval authorities to reflect organization positions rather than names, and to perform quarterly review. Revised expense approval policy for expenditures when an employee is perceived to receive a personal benefit. Added the requirement that all changes to internal policies must be approved by upper management. Developing a tracking system for receipt and distribution of benefits received through sponsorships.	Completed. To be completed by December '09.
10	Improve direct and indirect allocation of costs by (a) implementing an internal policy that provides specific guidance on the direct allocation of administrative expenses among programs, (b) ensuring that all programs are included in direct and indirect allocations, (c) reevaluating the policy of using the Borrower Benefit Fund to pay for some administrative expenses rather than allocating them to the funds that benefit from the expenses, and (d) ensuring that all costs shared with College Assist are allocated to each organization in accordance with an approved written agreement between the two organizations that accurately reflects the benefits incurred by each organization.	Partially Agree	(a) Will develop guidance regarding allocation of direct administrative expenses. (b) Will revise allocations of material direct and indirect expenses to programs that benefit from such expenses. However, immaterial or incidental benefits will not be allocated as the cost of such efforts will exceed the benefit. (c) Evaluate allocating Borrower Benefit fund expenses and recommend as part of next fiscal year budget. (d) Will continue to monitor budget/actual for both organizations ensuring that allocations are consistent with approved budgets.	To be completed in January '10. This will be done in conjunction with the next budget in March/June '10. This will be done in conjunction with the next budget in March/ June '10. Completed. Performed with Board on a quarterly basis.

CollegeInvest

ATTACHMENT B

January 20, 2010

MEMORANDUM

To: Legislative Audit Committee Members

From: Debra L DeMuth
Director

Re: Status Report from CollegeInvest

The Legislative Audit Committee requested that CollegeInvest report back on a monthly basis on the implementation status of the audit recommendations related to the September 2009 Performance Audit of the Scholarship and Loan Forgiveness programs. Attached is the January 2010 update. There are no changes from the December report.

enc.

1560 Broadway, Suite 1700 Denver, Colorado 80202 P| 303.376.8800 F| 303.296.4811 W| www.collegeinvest.org

Status Report to the Legislative Audit Committee
Scholarship and Loan Forgiveness Programs, CollegeInvest
Performance Audit, August 2009
Status Report as of January 20, 2010

No.	Recommendation	Agency Response	Action	Timeline
1	Ensure compliance with its disbursement objective for the Early Achievers Scholarship Trust Fund by developing a contingency plan for disbursing funds in years in which scholarships given to Early Achievers Scholarship program applicants do not reach this objective.	Partially Agree	Update financial models for the scholarship program. Develop contingency plans to expend scholarship funds if financial model objectives are not achieved and obtain board approval.	Completed. Board approved changes to the scholarship policy to open the program up to any applicant if there are insufficient applications. CollegeInvest will no longer require students to apply by 10th grade and will work with pre-collegiate programs to identify applicants. If there are still funds to award we will open it up to any need-based student who applies on a first come basis.
2	Work with the CollegeInvest Board to ensure that the Early Achievers Scholarship program is meeting its goal of increasing access for low income students to postsecondary education in the most cost-effective and efficient way by (a) analyzing alternative ways of administering the program and disbursing funds, and (b) making recommendations to the CollegeInvest Board on the best option for achieving program goals. Adopt guidelines as necessary to implement any changes in the program, and, if necessary, seek legislative change.	Agree	Working with the Dept of Higher Education to evaluate alternative administrative structure. Intent to eliminate the requirement to apply for the scholarship by the 9th grade. Will work with pre-collegiate organizations working with high risk youth to identify scholarship recipients. Recommend to the Board policy changes to be implemented in the 2010-11 school year. No legislative action is anticipated to be needed.	Completed Revised program to no longer require students to apply for the scholarship prior to 10th grade. Will give priority to student who have already applied, but will not seek new applications effective 1/1/10. Board approved policy changes at December board meeting.

3	Ensure that it demonstrates fiduciary oversight of the Early Achievers Scholarship Trust Fund by (a) documenting the reasons behind deviations from the Board's investment policy, (b) seeking independent advice when making investment decisions that would result in deviations from its investment policy or when considering investment decisions involving related parties, and (c) considering revising its investment policy to prohibit investment of Trust Fund monies in any of CollegeInvest's other operations, including CollegeInvest's student loan portfolio.	Agree	(a) and (b) – will document any deviations from the IPS and seek independent advice in the future as appropriate. (c) – consider revising investment policy.	N/A Completed. Policy revised at December board meeting to disallow related party investments.
4	Develop methods to ensure that the number of advertised Service Scholarships and Opportunity Scholarships are given out and amounts allocated annually for the scholarships are used.	Agree	Develop methods to fully disburse Service and Opportunity scholarships.	Completed. Performed second selection of scholarship recipients. Board approved policy to transfer any unused scholarship funds to the Early Achievers Scholarship pool to be awarded through that scholarship program.
5	Ensure that the Loan Forgiveness Program for Teachers meets its goals of recruiting and retaining teachers in high-demand disciplines by (a) allowing existing LIFT Teachers participants the option of choosing to receive their loan forgiveness payments for the year as a lump-sum annual payment that will be applied only to loan principal or as a monthly payment that covers both principal and interest, (b) changing the repayment process so that all new LIFT Teachers participants receive their loan forgiveness payments as a lump-sum annual payment applied to loan principal only, (c) reopening LIFT Teachers enrollment until the remainder of the CollegeInvest Board's initial $4 million commitment to LIFT is exhausted and (d) ensuring that LIFT Teachers participants do not receive payments exceeding $2,000 annually.	Partially Agree	(a) Notify current LIFT participants of option to receive payment as a lump sum. (b) and (c) evaluate options for use of $700k remaining in LIFT Teachers program. Recommend how monies should be used in the future. (d) Cap LIFT loan forgiveness at $2,000 per year instead of the current amount of $2,004 per year.	Completed. Meetings with DHE in progress to determine options. Plan to have options by January '10, and present to the Board in March '10. Completed
6	Improve the effectiveness of and participation in all current and future loan forgiveness programs by (a) allowing qualifying applicants with a federal student loan, regardless of lender, to participate in these programs, and working with the General Assembly as necessary to change statutory requirements for existing programs; (b) developing outreach strategies that directly contact potential participants; (c) creating separate codes in its accounting system for each loan forgiveness	Partially Agree	(a) Only loan forgiveness program remaining at this time is the LIFT Nursing program. This program is not limited to borrowers with CollegeInvest loans. No action required. (b) Develop strategies to contact potential LIFT Nursing participants.	N/A Completed

	program that would track funds allocated to the programs and the programs' administrative costs and monitoring these for reasonableness; (d) developing performance measures for each program, evaluating whether the programs are meeting those measures, and making improvements as needed; and (e) ensuring that all future loan forgiveness recipients receive payments on an annual basis that are applied to loan principal only.		(c) Ongoing cost of maintaining the loan forgiveness programs is not significant. Will create codes if new programs are introduced. (d) Will develop performance measures for new loan forgiveness programs. (e) See response to recommendation #5.	N/A N/A
7	Calculate excess reserves annually and work with the CollegeInvest Board to develop a plan in which excess reserves are funneled into scholarship and/or loan forgiveness programs once excess reserves are determined.	Partially Agree	Bond trust equity levels were discussed at the September Board meeting. Outside experts concur that there are no excess reserves at this time.	Completed.
8	Strengthen procedures for ensuring administrative expenses are reasonable and necessary by (a) expanding conflict-of-interest policies to ensure that the selection of sponsorships does not reflect or create the appearance of favoritism, (b) implementing policies that establish an upper limit on the value of promotional items given to businesses and their representatives and on the amount per person that will be spent on meals during official and training functions, (c) ensuring that it does not pay for staff meals unless the meals are related to official or training functions or to business-related travel, (d) obtaining a formal opinion from the Attorney General's office regarding whether CollegeInvest has the authority to hire a legislative lobbyist, and (e) ensuring that donations are not being made by expanding its documentation of sponsorship expenses.	Partially Agree	Internal accounting procedures have been revised as follows: • Official function forms completed for all "vendor paid" meals when business related. • Added guidelines for documentation of sponsorship expenses. Revise Board budget approval process to vote on items with potential conflict of interest concerns separately and after multiple options are considered. Recommend to the Board a policy limiting the upper value of promotional items and amounts spent on meals during official functions. Dept of Higher Education has requested a formal legal opinion from the AG regarding the hiring of a lobbyist	Completed. To be performed in connection with the next budget approval in March/June '10 Board approved a limit on promotional items at the December meeting. Still evaluating limits on meals. In progress, opinion requested.
9	Improve internal controls over administrative expenses by (a) ensuring that all expenses have adequate supporting documentation as required by state fiscal rules and internal policies, (b) ensuring that staff approve all expenses in accordance with the expense-approval policy and updating this policy, as necessary, when the staffing organization changes, (c) prohibiting employees from approving expenses from which they will personally benefit, (d) ensuring that contracts are executed with all vendors in accordance with its internal policies, (e) requiring that all changes to internal policies are reviewed and approved by upper management, and (f) tracking the receipt and disbursement of all benefits received from sponsorship agreements and ensuring that staff use of these benefits does not violate Amendment 41.	Agree	Revised internal policy with respect to contracts to be consistent with the fiscal rules. Revised internal processes to require PO's are attached to each invoice as appropriate. Contracts are maintained in a central file and easily referenced by accounting if needed. No changes made to this process. Revised expense approval authorities to reflect organization positions rather than names, and to perform quarterly review. Revised expense approval policy for expenditures when an employee is perceived to receive a personal benefit. Added the requirement that all changes to internal policies must be approved by upper management.	Completed.

			Developing a tracking system for receipt and distribution of benefits received through sponsorships.	Completed
10	Improve direct and indirect allocation of costs by (a) implementing an internal policy that provides specific guidance on the direct allocation of administrative expenses among programs, (b) ensuring that all programs are included in direct and indirect allocations, (c) reevaluating the policy of using the Borrower Benefit Fund to pay for some administrative expenses rather than allocating them to the funds that benefit from the expenses, and (d) ensuring that all costs shared with College Assist are allocated to each organization in accordance with an approved written agreement between the two organizations that accurately reflects the benefits incurred by each organization.	Partially Agree	(a) Will develop guidance regarding allocation of direct administrative expenses. (b) Will revise allocations of material direct and indirect expenses to programs that benefit from such expenses. However, immaterial or incidental benefits will not be allocated as the cost of such efforts will exceed the benefit. (c) Evaluate allocating Borrower Benefit fund expenses and recommend as part of next fiscal year budget. (d) Will continue to monitor budget/actual for both organizations ensuring that allocations are consistent with approved budgets.	To be completed in January '10. This will be done in conjunction with the next budget in March/June '10. This will be done in conjunction with the next budget in March/ June '10. Completed. Performed with Board on a quarterly basis.

ATTACHMENT H

STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

Sally Symanski, CPA
State Auditor

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

May 25, 2010

MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Sally Symanski, CPA
State Auditor

SUBJECT: CollegeInvest Scholarship and Loan Forgiveness Programs Performance Audit Status Report

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Attached is a status report provided by CollegeInvest related to the Office of the State Auditor's September 2009 performance audit of the CollegeInvest Scholarship and Loan Forgiveness Programs. While this document includes the current implementation status of the audit recommendations, at the June hearings we will provide you an updated version that contains additional details discussing steps CollegeInvest has taken to implement the recommendations.

CollegeInvest

May 20, 2010

MEMORANDUM

To: Legislative Audit Committee Members

From: Debra L DeMuth
Director

Re: Status Report from CollegeInvest

The Legislative Audit Committee requested that CollegeInvest report back periodically on the implementation status of the audit recommendations related to the August 2009 Performance Audit of the Scholarship and Loan Forgiveness programs. Attached is the May 2010 update.

enc.

1560 Broadway, Suite 1700 Denver, Colorado 80202 P 303.376.8800 F 303.296.4811 W www.collegeinvest.org

Status Report to the Legislative Audit Committee
Scholarship and Loan Forgiveness Programs, CollegeInvest
Performance Audit, August 2009
Status Report as of May 20, 2010

No.	Recommendation	Agency Response	Action	Timeline
1	Ensure compliance with its disbursement objective for the Early Achievers Scholarship Trust Fund by developing a contingency plan for disbursing funds in years in which scholarships given to Early Achievers Scholarship program applicants do not reach this objective.	Partially Agree	Update financial models for the scholarship program. Develop contingency plans to expend scholarship funds if financial model objectives are not achieved and obtain board approval.	Completed. Board approved changes to the scholarship policy to open the program up to any applicant if there are insufficient applications. CollegeInvest will no longer require students to apply by 10th grade and will work with pre-collegiate programs to identify applicants. If there are still funds to award we will open it up to any need-based student who applies on a first come basis.
2	Work with the CollegeInvest Board to ensure that the Early Achievers Scholarship program is meeting its goal of increasing access for low income students to postsecondary education in the most cost-effective and efficient way by (a) analyzing alternative ways of administering the program and disbursing funds, and (b) making recommendations to the CollegeInvest Board on the best option for achieving program goals. Adopt guidelines as necessary to implement any changes in the program, and, if necessary, seek legislative change.	Agree	Working with the Dept of Higher Education to evaluate alternative administrative structure. Intent to eliminate the requirement to apply for the scholarship by the 9th grade. Will work with pre-collegiate organizations working with high risk youth to identify scholarship recipients. Recommend to the Board policy changes to be implemented in the 2010-11 school year.	Completed Revised program to no longer require students to apply for the scholarship prior to 10th grade. Will give priority to student who have already applied, but will not seek new applications effective 1/1/10. Completed. Board approved policy changes.

3	Ensure that it demonstrates fiduciary oversight of the Early Achievers Scholarship Trust Fund by (a) documenting the reasons behind deviations from the Board's investment policy, (b) seeking independent advice when making investment decisions that would result in deviations from its investment policy or when considering investment decisions involving related parties, and (c) considering revising its investment policy to prohibit investment of Trust Fund monies in any of CollegeInvest's other operations, including CollegeInvest's student loan portfolio.	Agree	(a) and (b) – will document any deviations from the IPS and seek independent advice in the future as appropriate. (c) – consider revising investment policy.	N/A Completed. Policy revised at December board meeting to disallow related party investments.
4	Develop methods to ensure that the number of advertised Service Scholarships and Opportunity Scholarships are given out and amounts allocated annually for the scholarships are used.	Agree	Develop methods to fully disburse Service and Opportunity scholarships.	Completed. Performed second selection of scholarship recipients. Board approved policy to transfer any unused scholarship funds to the Early Achievers Scholarship pool to be awarded through that scholarship program.
5	Ensure that the Loan Forgiveness Program for Teachers meets its goals of recruiting and retaining teachers in high-demand disciplines by (a) allowing existing LIFT Teachers participants the option of choosing to receive their loan forgiveness payments for the year as a lump-sum annual payment that will be applied only to loan principal or as a monthly payment that covers both principal and interest, (b) changing the repayment process so that all new LIFT Teachers participants receive their loan forgiveness payments as a lump-sum annual payment applied to loan principal only, (c) reopening LIFT Teachers enrollment until the remainder of the CollegeInvest Board's initial $4 million commitment to LIFT is exhausted and (d) ensuring that LIFT Teachers participants do not receive payments exceeding $2,000 annually.	Partially Agree	(a) Notify current LIFT participants of option to receive payment as a lump sum. (b) and (c) evaluate options for use of $700k remaining in LIFT Teachers program. Recommend how monies should be used in the future. (d) Cap LIFT loan forgiveness at $2,000 per year instead of the current amount of $2,004 per year.	Completed. N/A Sold loan portfolio. These funds were part of overall transaction and included in the net proceeds received in the sale. HB 10-1428 directs these proceeds to be used for need-based financial aid. Completed
6	Improve the effectiveness of and participation in all current and future loan forgiveness programs by (a) allowing qualifying applicants with a federal student loan, regardless of lender, to participate in these programs, and working with the General Assembly as necessary to change statutory requirements for existing programs; (b) developing outreach strategies that directly contact potential participants; (c) creating separate	Partially Agree	(a) Only loan forgiveness program remaining at this time is the LIFT Nursing program. This program is not limited to borrowers with CollegeInvest loans. No action required. (b) Develop strategies to contact potential LIFT Nursing participants.	N/A Completed

	codes in its accounting system for each loan forgiveness program that would track funds allocated to the programs and the programs' administrative costs and monitoring these for reasonableness; (d) developing performance measures for each program, evaluating whether the programs are meeting those measures, and making improvements as needed; and (e) ensuring that all future loan forgiveness recipients receive payments on an annual basis that are applied to loan principal only.		(c) Ongoing cost of maintaining the loan forgiveness programs is not significant. Will create codes if new programs are introduced. (d) Will develop performance measures for new loan forgiveness programs. (e) See response to recommendation #5.	N/A N/A
7	Calculate excess reserves annually and work with the CollegeInvest Board to develop a plan in which excess reserves are funneled into scholarship and/or loan forgiveness programs once excess reserves are determined.	Partially Agree	Bond trust equity levels were discussed at the September Board meeting. Outside experts concur that there are no excess reserves at this time.	Completed.
8	Strengthen procedures for ensuring administrative expenses are reasonable and necessary by (a) expanding conflict-of-interest policies to ensure that the selection of sponsorships does not reflect or create the appearance of favoritism, (b) implementing policies that establish an upper limit on the value of promotional items given to businesses and their representatives and on the amount per person that will be spent on meals during official and training functions, (c) ensuring that it does not pay for staff meals unless the meals are related to official or training functions or to business-related travel, (d) obtaining a formal opinion from the Attorney General's office regarding whether CollegeInvest has the authority to hire a legislative lobbyist, and (e) ensuring that donations are not being made by expanding its documentation of sponsorship expenses.	Partially Agree	Internal accounting procedures have been revised as follows: • Official function forms completed for all "vendor paid" meals when business related. • Added guidelines for documentation of sponsorship expenses. Revise Board budget approval process to vote on items with potential conflict of interest concerns separately and after multiple options are considered. Recommend to the Board a policy limiting the upper value of promotional items and amounts spent on meals during official functions. Dept of Higher Education has requested a formal legal opinion from the AG regarding the hiring of a lobbyist	Completed. To be performed in connection with the 2010-11 budget. Completed. Board approved a limit on promotional items and meals. In progress, opinion requested.
9	Improve internal controls over administrative expenses by (a) ensuring that all expenses have adequate supporting documentation as required by state fiscal rules and internal policies, (b) ensuring that staff approve all expenses in accordance with the expense-approval policy and updating this policy, as necessary, when the staffing organization changes, (c) prohibiting employees from approving expenses from which they will personally benefit, (d) ensuring that contracts are executed with all vendors in accordance with its internal policies, (e) requiring that all changes to internal policies are reviewed and approved by upper management, and (f) tracking the receipt and disbursement of all benefits received from sponsorship agreements and ensuring that staff use of these benefits does not violate Amendment 41.	Agree	Revised internal policy with respect to contracts to be consistent with the fiscal rules. Revised internal processes to require PO's are attached to each invoice as appropriate. Contracts are maintained in a central file and easily referenced by accounting if needed. No changes made to this process. Revised expense approval authorities to reflect organization positions rather than names, and to perform quarterly review. Revised expense approval policy for expenditures when an employee is perceived to receive a personal benefit. Added the requirement that all changes to internal policies must be approved by upper management.	Completed.

			Developing a tracking system for receipt and distribution of benefits received through sponsorships.	Completed
10	Improve direct and indirect allocation of costs by (a) implementing an internal policy that provides specific guidance on the direct allocation of administrative expenses among programs, (b) ensuring that all programs are included in direct and indirect allocations, (c) reevaluating the policy of using the Borrower Benefit Fund to pay for some administrative expenses rather than allocating them to the funds that benefit from the expenses, and (d) ensuring that all costs shared with College Assist are allocated to each organization in accordance with an approved written agreement between the two organizations that accurately reflects the benefits incurred by each organization.	Partially Agree	(a) Will develop guidance regarding allocation of direct administrative expenses. (b) Will revise allocations of material direct and indirect expenses to programs that benefit from such expenses. However, immaterial or incidental benefits will not be allocated as the cost of such efforts will exceed the benefit. (c) Evaluate allocating Borrower Benefit fund expenses and recommend as part of next fiscal year budget. (d) Will continue to monitor budget/actual for both organizations ensuring that allocations are consistent with approved budgets.	Completed This will be done in conjunction with the 2010-11 budget. This will be done in conjunction with the 2010-11 budget. Completed. Performed with Board on a quarterly basis.