

# **Preserving the integrity of institutional data reporting: How internal audit can help**

December 10, 2013

- > Understand data reporting requirements for colleges and universities
- > Illustrate the risks associated with data reporting
- > Provide first-hand experience, discuss frameworks for auditing institutional data reporting, and share industry practices

- > Institutional data reporting overview
- > Institutional data reporting risks
- > Auditing institutional data reporting
- > Industry practices for institutional data reporting

# Institutional data reporting overview

- > Process by which financial, student, faculty, or other information is distributed to an institution's decision makers and external parties
  - Some institutional data reporting is required by government agencies or is required for accreditation purposes
  - Institutional data reporting involves almost all parts of a higher education institution
  - The institutional data reporting process can be centralized or decentralized

# Who receives institutional data?



## Associations

- American Association of University Professors (AAUP)
- Association of College and University Business Officers (NACUBO)
- National Collegiate Athletic Association (NCAA)

## Bond rating agencies

- Moody's
- Standard & Poor's

## Department of Education

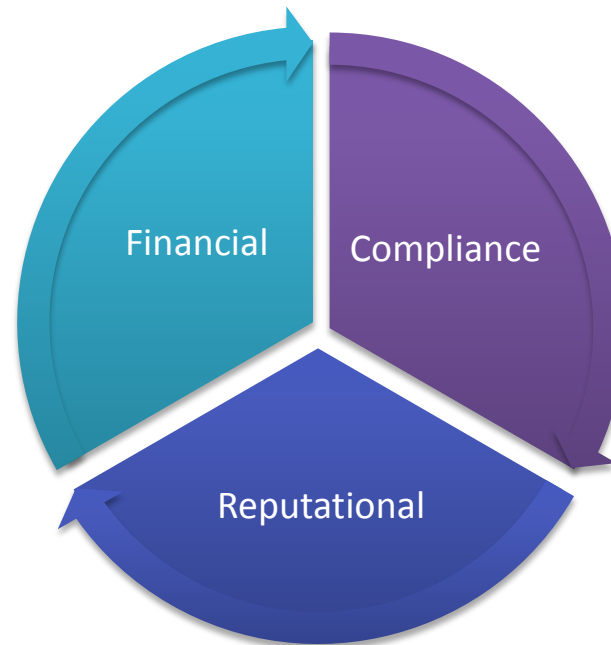
- Integrated Postsecondary Education Data System (IPEDS)

## College guides and rankings institutions

- Fiske
- Petersons
- The Princeton Review
- Thompson Reuters
- U.S. News and World Report

# Institutional data reporting risks

There are multiple risks associated with institutional data reporting due to the broad nature of types of data reported and organizations/agencies.

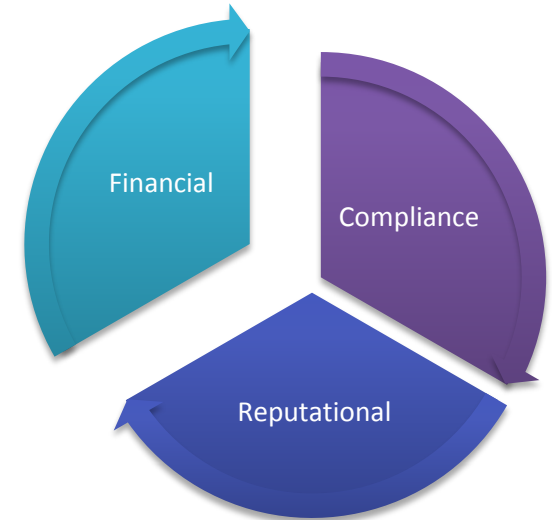


*Note: Most of the institutional data reported to external entities is not addressed in the audits performed by the institutions' external financial statement auditors.*



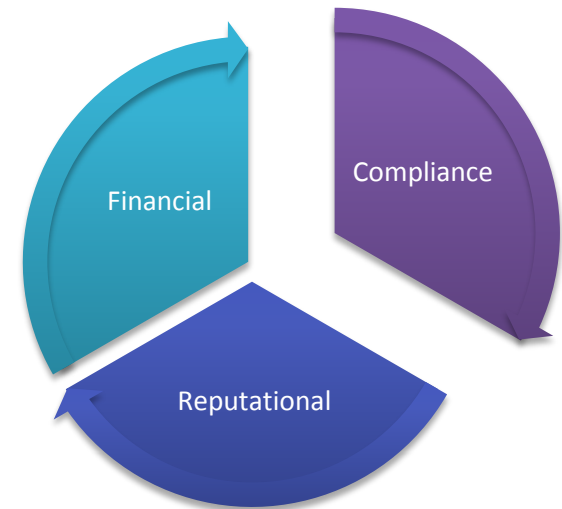
## Financial risk:

- > Financial risks are rooted in reporting to Bond rating agencies.
- > Financial risks of misreporting data include unfavorable credit ratings that impact the institution's credibility among large donors and the ability to borrow funds, and reducing the institution's reputation and credibility among key financial parties.



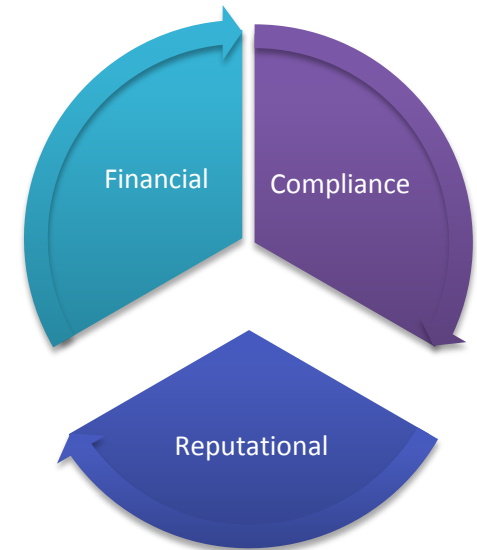
## Compliance Risk:

- > Some institutional data reporting is required by government agencies, such as the Department of Education (e.g., IPEDS).
- > Compliance risks of misreporting data include loss of government funded financial aid and fines.



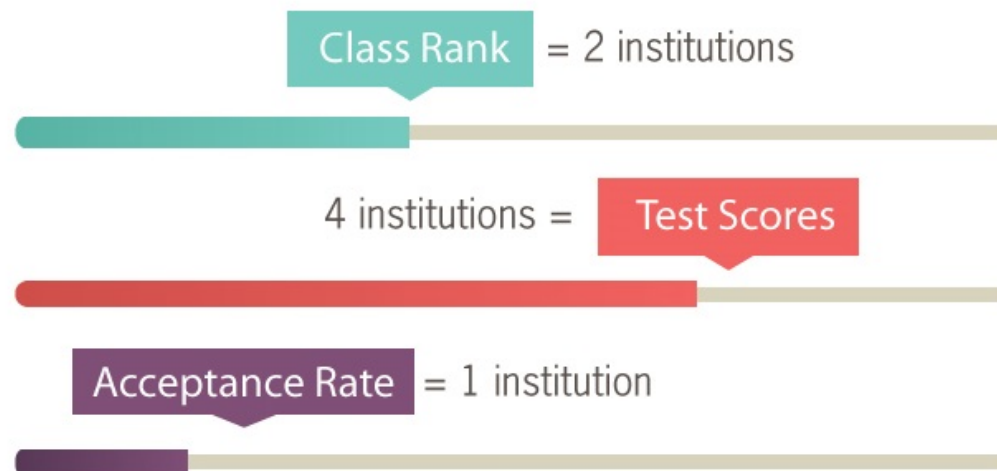
## Reputational risk:

- > All components of institutional data reporting and organizations/agencies that receive data pose reputational risks.
- > Reputational risks of misreporting data include negative publicity, lower ranking/standing in comparison with other colleges and universities, and possible removal from rankings.



- > Within the past year, a number of colleges and universities misreported institutional data to the U.S. News and World Report (U.S. News).

### Admissions data recently misreported to rankings institutions



- > In addition to the press these universities received, U.S. News removed two of these institutions from their rankings as a result of misreporting data.

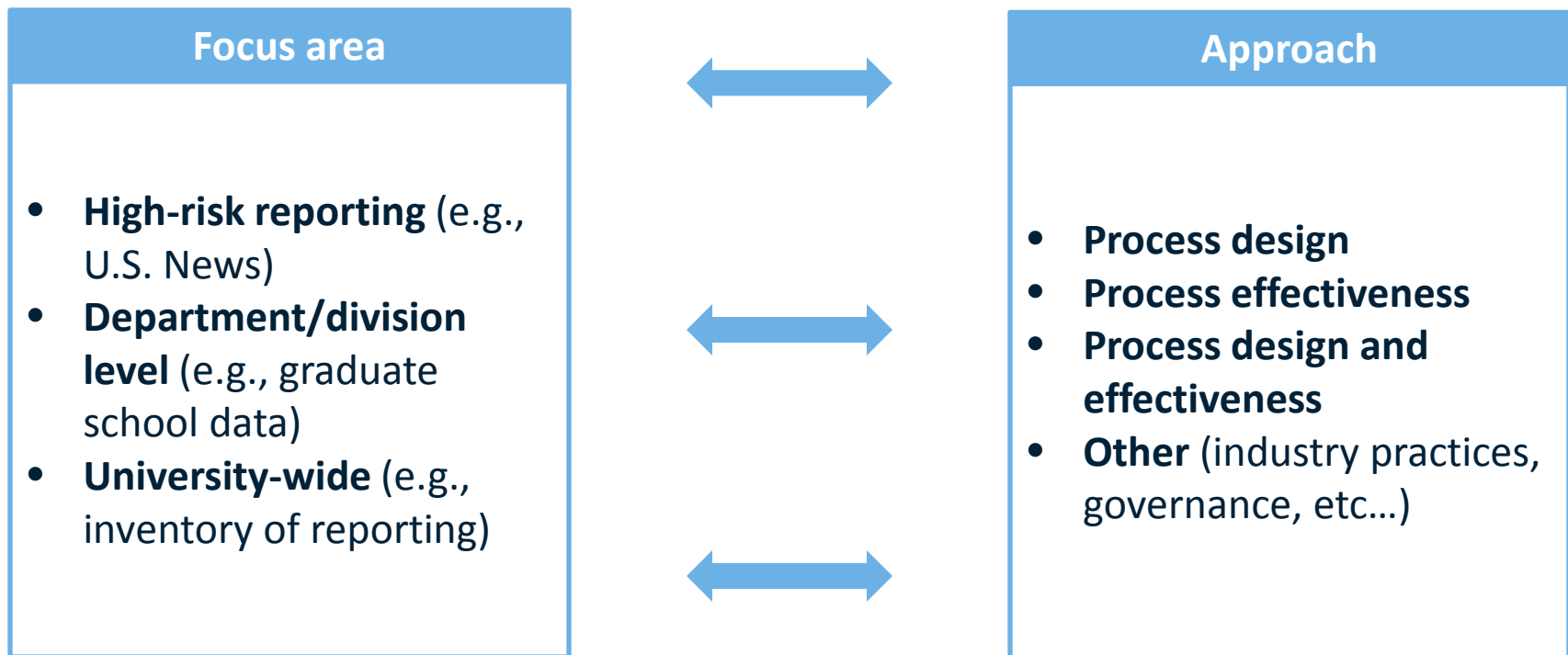
## Misreporting institutional data resulting from:

- > Data recorded incorrectly at time of entry
- > Non-compliance with definitions of reporting agencies, associations, etc.
- > Ambiguity in definitions that are not clearly understood by leadership
- > Lack of verification of data or quality assurance processes

# Auditing institutional data reporting

## Scoping the institutional data reporting audit:

- > Various combinations of focus areas and approaches can inform the scope of an institutional data reporting audit.



## Example #1: High-risk reporting (process design)



### Complete a process and controls matrix for U.S. News data:

- > A process and controls matrix can be used to document the high level process design for institutional data reporting.

Process and controls matrix									
#	Category	Components	System storage of data	Owner managing the data	Source of reporting information	Owner responsible for reporting the data	Quality assurance	Reporting process formally documented	Admissions component defined
1	Acceptance Rate	Admitted students and applications	PeopleSoft	Admissions	University Information Systems	Office of IR	Limited	No	Yes
2	SAT/ACT	SAT and ACT scores for enrolled students	PeopleSoft & Banner	Admissions & Registrar	University Information Systems	Office of IR	Limited	No	Yes
3	High School Class Ranking	High school class standing in 10% for enrolled students	PeopleSoft & Banner	Admissions & Registrar	University Information Systems	Office of IR	Limited	No	Yes



### Perform detailed testing of undergraduate data reported to U.S. News:

#### > Acceptance rate

- Select a statistically significant sample of undergraduate applicants.
- Review each sample student's profile to verify that the students who were admitted were correctly noted, there was evidence of applying, and a form of notification was delivered to the applicant.

#### > Test scores (SAT and ACT)

- Select a statistically significant sample of enrolled undergraduate applicants.
- Verify that the SAT/ACT scores provided were the correct and highest scores in the student's file.

#### > High school class standing

- Select a statistically significant sample of enrolled undergraduate applicants.
- Verify that class rank, size, and percentile were correctly documented per the student's record files (e.g., from the students' high counselor, transcripts, application, etc.).

### Perform a process review of graduate school data reporting to U.S. News:

- > This data is often managed by certain graduate schools, and is not typically reported by personnel responsible for undergraduate reporting.
- > Graduate schools that report data to U.S. News:

- Business
- Education
- Engineering
- Law
- Medical

#### Sample questions:

What types of data do you report?  
What agencies do you report to?  
What quality assurance procedures are in place?  
Do you work with the Office of IR?  
What is the process for making assumptions over ambiguous data?

- > Conduct interviews with personnel from each graduate school who are involved in the reporting process to gain an understanding of procedures and controls.

## Conduct interviews to complete an institutional data reporting inventory:

- > IA can lead or assist university initiatives to create an inventory that can be used to assess the data being reported to external entities.

Inventory of External Institutional Data Reporting									
Number	Organization receiving institutional data	Description	Category	Department responsible for reporting data	Department that owns or gathers the source the data	Office of IR's role	Timing of reporting	Active	Follow-up
1	U.S. News	U.S. News Undergraduate Survey	Survey	Office of IR	Office of IR	Primary	Jan-May	Y	None
2	American Bar Association (ABA)	Graduation and alumni placement data for the Paralegal Studies Program	Report	School of Continuing Studies	Law School	None	Feb	Y	Law School

- > Resources for creating an institutional data reporting inventory include:

- Advancement
- Registrar
- Admissions
- Office of IR
- Graduate Schools
- Career Services
- Financial Aid
- Athletics
- University Libraries

# Industry practices for institutional data reporting

## Institutional data reporting industry practices:

- > Developing institutional data reporting governance
  - Establishing a governing committee or group (e.g., Data Advisory Committee)
  - Creating a maturity model
- > Documenting institutional data reporting interpretation of definitions
- > Performing quality assurance procedures
  - Peer review comparison
  - Year-to-year comparison
- > Creating an inventory of institutional data reporting items
- > Documenting institutional data reporting processes and controls

# Example #1: Establish institutional data reporting governance



## Create an institutional data governance program maturity model:

- > A maturity model can be used to assess the level of your institution's data governance and to set future goals.
- > Answer questions in the following matrix for varying maturity levels (e.g., ad hoc, repeatable, and optimized) to create an institutional data governance program maturity model with measurable components for each component-dimension.

Institutional Data Governance Program Maturity Model				
Guiding Questions for each Component-Dimension				
		Dimension		
		People	Policies	Capabilities
Component	Formalization	How developed is the institutional data reporting function and which roles are filled to support institutional data reporting activities?	To what degree are institutional data reporting policies and procedures defined, implemented, and enforced?	What capabilities are implemented to formalize institutional data reporting processes?
	Awareness	What awareness do people have about their role within institutional data reporting processes?	How are institutional data reporting policies, procedures, and best practices communicated?	What awareness is there of institutional data reporting capabilities?
	Quality assurance	To what degree are quality assurance roles and responsibilities assigned?	What policies and procedures are performed to provide quality assurance?	What quality assurance capabilities are in place?

### Create an institutional data reporting “code book”:

- > Reporting organizations/agencies can have ambiguous definitions of data.
- > The institution should create a “code book” of standard definitions that are used consistently through out the institution.

#### U.S News – Application definition

Applicants should include only those students who fulfilled the requirements for consideration for admission and who have been notified of an action.



#### University 1 – Application definition

An application includes any initiated common or university application.



#### University 2 – Application definition

An application includes any completed common or university application.

## Example #3: Performing quality assurance procedures



### Perform a peer review comparison:

- > Perform a peer review comparison to review data for reasonableness and to see where your university stands in comparison with competitors.
- > Below is a sample format for performing a peer review comparison using undergraduate admissions data.

Category	Components	Peer University 1 (Rank #32)	Peer University 2 (Rank #34)	Peer University 3 (Rank #38)	Your University (Rank #35)	Average of 3 Peer Universities	% Deviation
Student Applicants	Acceptance rates for completed applications	38%	25%	49%	33%	37%	4%
	Number of Applicants	27,745	37,767	41,802	21,591	35,771	66%
	Applicants Accepted	10,635	9,422	20,662	7,124	13,573	91%



# Resources

- > U.S. News Ranking Methodologies:  
<http://www.usnews.com/education/best-colleges/articles/2013/09/09/best-colleges-2014-about-the-rankingsmethodology>
- > IPEDS website:  
<http://nces.ed.gov/ipeds/about/>
- > Emory Corrective Action Plan:  
[http://news.emory.edu/special/data\\_review/action\\_plan.html](http://news.emory.edu/special/data_review/action_plan.html)
- > IIA Maturity Model Guidance:  
[https://na.theiia.org/services/quality/Public\\_Documents/maturity%20model.pdf](https://na.theiia.org/services/quality/Public_Documents/maturity%20model.pdf)

### ACUA

- > Promoting Internal Audit: [www.acua.org/movie](http://www.acua.org/movie)
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