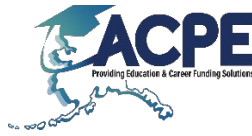


**Alaska Commission on
Postsecondary Education**

PROVIDING EDUCATION & CAREER FUNDING SOLUTIONS

**Internal Audit Committee
Meeting**

July 11, 2024



ALASKA COMMISSION ON POSTSECONDARY EDUCATION

Internal Audit Committee

[Zoom Link](#)

Meeting #: 820 9204 5672

Password: 706190

Teleconference:

AGENDA

July 11, 2024

- | | | |
|-----|-----------|---|
| 1.* | 3:15 p.m. | Convene/Roll Call |
| 2.* | | Adoption of Agenda |
| 3.* | | Approval of Meeting Minutes from <ul style="list-style-type: none">➤ <i>Suggested Motion: move approval of the meeting minutes from the April 26, 2023 Internal Audit Committee Meeting</i> |
| 4. | | Annual Identity Theft Prevention Program Review – Jackie Hall, Program Manager |
| 5. | | Audit Updates - Jackie Hall, Program Manager |
| 6. | | Establish Next Meeting Date
Staff Recommendation: April 2025 Commission Meeting |
| 7* | 3:40 P.M. | Adjournment <ul style="list-style-type: none">➤ <i>Suggested Motion: Move the Commission adjourn the July 11, 2024 Internal Audit Committee Meeting.</i> |

*Action Required

3. Approval of the Meeting Minutes from April 26, 2023

MINUTES OF THE INTERNAL AUDIT COMMITTEE

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
April 26, 2023

A meeting of the Internal Audit Committee was held on Wednesday, April 26, 2023 in the ACPE office conference room at 3030 Vintage Boulevard in Juneau, Alaska. The meeting convened at 2:45 p.m.

ATTENDEES

Members participating: Josh Bicchinella, Barbara Adams, and Sana Efird (ex-officio). Staff participating: Andrew Bocanumenth, Assistant Attorney General; Jackie Hall, Quality Assurance Officer; and Dannielle Erickson, Executive Secretary.

ADOPTION OF AGENDA

Commission Chair Bicchinella moved to adopt the agenda as written. Corporation Chair Adams seconded the motion. Members unanimously adopted the agenda without change.

MINUTES FOR APPROVAL

Commission Chair Bicchinella moved to adopt the July 21, 2022 minutes as written. Corporation Chair Adams seconded the motion. The minutes were unanimously approved without change.

REPORTS

Identify Theft Prevention Program Review - Mrs. Hall presented a report on the agency's annual identify theft prevention program review. She noted that no incidents of identity theft were reported in 2022; however, staff identified the release of nonpublic personal information (NPI) to Alaska's Recorder's Office as part of ACPE's filing of Assertion of Liens.

ACPE filed four Assertion of Liens with the State of Alaska's Recorder's Office that included the Social Security Number (SSN) instead of the borrower's reference number. While the SSN was not readily identified as such, by the fact it was presented in a 10-digit format with a leading zero, it was still presented un-redacted for public consumption. It is reasonable to assume the information could have been collected for unauthorized use during the two-months the nonpublic information was published. Upon notification, the Recorder's Office removed the notices from public view and ACPE notified each borrower impacted, providing details of the incident and instructions on how to obtain a free copy of their credit report to identify potential signs of identity theft.

ACPE takes the privacy of personal information very seriously; our process of filing an Assertion of Lien is intended to prevent incidents such as this by using a 10-digit account number in place of the SSN. However, in the event of a release of personal information, ACPE is quick to review our

3. Approval of the Meeting Minutes from April 26, 2023

processes and take corrective action when warranted. As required, ACPE reported this incident to the State of Alaska, Office of the Attorney General. No further action was requested or required by law.

Guarantor Federal Family Education Loan (FFEL) Program Review

Mrs. Hall provided a report on the compliance review of the Guarantor Federal Family Education Loan Program Review. Federal guarantor, Educational Credit Management Corporation (ECMI), is leading a Common Review Initiative (CRI) program review, which is performed by a group of guarantors for a designated group of lenders. The CRI is a U.S. Department of Education lender review process where participating guarantors cooperate to conduct reviews by sharing staff and costs to reduce the number of redundant reviews while simultaneously improving the overall quality of reviews.

ECMI is currently conducting a program review that includes a sample of loans owned by the Alaska Student Loan Corporation. The review covers the period of May 1, 2020, through April 30, 2022, and the scope of this review will examine the following processes:

- Rehabilitated loans;
- Income Based Repayment (IBR);
- Deferment and Forbearance;
- Servicing and due diligence;
- Claims;
- Cures;
- Electronic signatures;
- Call recordings;
- Purchases, sale or transfer of loans; and LaRS loan level detail, including adjustments.

This program review had not been closed and no audit findings had been reported to date. Because this review includes multiple lenders, CRI will discuss any findings and recommendations with AES. ACPE will be notified if there is a significant finding that requires corrective action.

US Department of Education Federal Family Education Loan (FFEL) Review - Mrs. Hall provided a report on the compliance review of the Federal Family Education Loans. The US Department of Education (ED) is currently conducting a program review of AES as a third-party servicer. The focus of the review is to determine AES's compliance with the Higher Education Act (HEA) and applicable federal regulations and requirements in servicing the FFEL Program. This program review covers the period of March 31, 2020, through December 31, 2021, and includes a sample of loans owned by the Alaska Student Loan Corporation. The scope of this review includes, but is not limited to the following:

- Cancer Treatment Deferment;
- Income Driven Repayment;
- Military Service Deferments;
- Military Service Grace;
- National Student Loan Data Systems (NSLDS) Lender Manifest; and
- Servicemembers Civil Relief Act of 2003.

3. Approval of the Meeting Minutes from April 26, 2023

This program review had not been closed and no audit findings had been reported to date. Because this review includes multiple lenders, ACPE will only be notified if there is a significant finding that requires corrective action.

2024 Meeting Date

Commission Chair Bicchinella moved to hold the next committee meeting on the same day as the regular April Commission meeting, which is scheduled for April 8, 2020. Corporation Chair Adams seconded the motion. The members unanimously agreed.

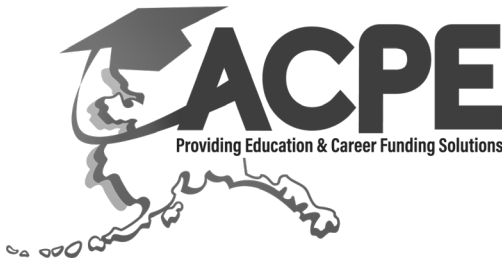
Adjourn

Commission Chair Bicchinella moved to adjourn. Corporation Chair Adams seconded the motion. The members unanimously agreed. The meeting adjourned at 3:10 p.m.

Alaska Commission on Postsecondary Education

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MEMORANDUM

TO: Members, Internal Audit Committee
CC: Kerry Thomas, Director of Program Operations and
Sana Efird, ACPE Executive Director
FROM: Jackie Hall, Program Manager
DATE: June 13, 2024
SUBJECT: Identity Theft Prevention

The Fair and Accurate Credit Transaction Act (FACTA) is an amendment to the Fair Credit Reporting Act (FCRA) and includes the Red Flags Rule (16 CFR 681.1). Under the Red Flags Rule, a qualifying creditor, such as the Alaska Commission on Postsecondary Education (ACPE), must develop and oversee an Identity Theft Prevention Program.

ACPE implemented its Identity Theft Prevention Program (Program) in 2009, which includes policies and procedures designed to identify, detect and respond to identity theft. Under the Program oversight and administration requirements, staff annually review its Program to evaluate its effectiveness in addressing the risk of identity theft and to ensure all aspects of the Program apply to the current business environment.

Identity Theft Reports

ACPE received no reports of identity theft in 2023. Further, there were no security incidents involving nonpublic personal information.

Employee Training

ACPE implemented its privacy and security training program in 2009, specific to identity theft detection and prevention practices. This training detailed the Red Flags Rule and ACPE's Identity Theft Prevention Program and guided how to detect, prevent, and respond to potential identity theft. ACPE has since expanded its training program to include other important security topics, prevention measures, and best practices to help employees understand their role in safeguarding personal and confidential information.

The State of Alaska (SOA) Office of Information Technology (OIT) implemented its security awareness training program in 2019 in an ongoing effort to promote a culture of cybersecurity awareness and continues to provide mandatory statewide cybersecurity training to all SOA employees.

Through annual training, staff reinforce their knowledge, commitment, and effectiveness in protecting customers' personal information, which translates into a strong security posture throughout the organization and the State of Alaska.

ACPE staff completed the following training by November 15, 2023.

ACPE Privacy and Security Training

- ACPE's Security Measures
- Teleworking Best Practices
- Safeguarding Nonpublic Personal Information (NPI)
- The FACTA Red Flags Rule
- ACPE's Security Breach Incident Identification Protocols

SOA Cybersecurity Training

- Cybersecurity Essentials: Secure Passwords
- 2023 KnowBe4 Security Awareness
- Double Trouble Trivia: Password Security Game
- Spot the Phish Game

Third-Party Service Provider Oversight

Since the outsourcing of ACPE's loan origination activities to CampusDoor and loan servicing activities to American Education Services (AES), ACPE is responsible for monitoring the activities performed by its service providers to ensure their compliance with the Red Flags Rule.

ACPE requires third-party servicers who provide services directly to and on behalf of ACPE to maintain an Identity Theft Prevention Program and to submit annual reports detailing their identity theft prevention programs, including any reports received or instances of identity theft identified within the reporting period. These reports are an essential component of ACPE's third-party risk management program and serve to ensure that service providers are actively monitoring and addressing potential threats to sensitive and confidential information.

CampusDoor Holdings Inc.

ACPE outsourced the origination of its state education loan programs to CampusDoor in 2022. Applications are collected, processed, and disbursed by CampusDoor and then transferred for ongoing servicing to AES.

CampusDoor's Identity Theft Program (Program) focuses on four distinct points in the origination of private student loans during which red flags may arise.

- Loan application intake;
- Automated customer identification process;
- Obtaining a consumer credit report; and
- Obtaining supporting customer documentation.

CampusDoor's annual report confirmed their ongoing Program and employee training. CampusDoor's Program included no changes since their previous report and conforms to the provisions of FACTA and the FCRA. CampusDoor reported no incidents of identity theft for ACPE accounts in 2023.

Pennsylvania Higher Education Assistance Agency (PHEAA)

PHEAA, conducting business as American Education Services, is ACPE's third-party servicer for its state and federal education loan programs.

PHEAA's Identity Theft Detection, Prevention, and Mitigation Program (Program) consists of steps to identify, detect, and respond to patterns, practices, or specific activities that indicate the possible existence of identity theft (Red Flags). PHEAA's Program conforms to the provisions of FACTA and FCRA.

PHEAA's annual report included confirmation of their established Program and employee training and was reviewed by their internal Risk Management Committee in March 2023, with no changes to the Program. Additionally, PHEAA reported no incidents of identity theft for ACPE accounts in 2023.

Transworld Systems Inc.

Transworld Systems, Inc. (TSI) is ACPE's third-party collection vendor for defaulted state education loans.

TSI's Fraud and Identity Theft Program (Program) focuses on four key elements, which create a framework to address the threat of fraud and identity theft in the loan servicing and debt collection environments and conforms to the provisions of FACTA and FCRA.

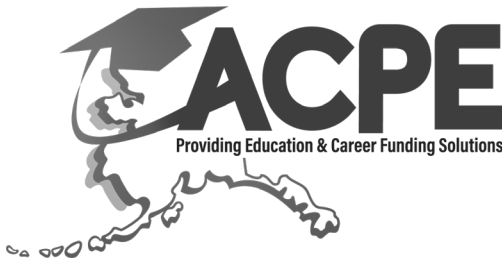
- Identify the Red Flags of fraud and identity theft TSI is likely to encounter in loan servicing and debt collection;
- Set up processes to detect Red Flags in day-to-day operations;
- Prevent and mitigate identity theft, and if a Red Flag is detected, respond appropriately to prevent and mitigate the harm done; and
- Perform an annual evaluation of the Program based on reports of current Fraud and Identity Theft practices and make corresponding updates as needed;
- Update training materials to help ensure the relevance and effectiveness of the Program.

TSI's annual report included confirmation of their established Program and employee training approved by their internal Risk Management Committee in August 2023. Changes to their program materials included general housekeeping updates. TSI reported no incidents of identity theft for ACPE accounts in 2023.

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MEMORANDUM

TO: Members, Internal Audit Committee
CC: Kerry Thomas, Director of Program Operations and
Sana Efird, Executive Director
FROM: Jackie Hall, Program Manager
DATE: June 10, 2024
SUBJECT: Federal Family Education Loan Program Reviews

Federal regulations 34 C.F.R. Part 682, governing the Federal Family Education Loan (FFEL) programs, require that a participating lender or third-party servicer that administers any aspect of the FFEL programs maintain current, complete, and accurate records of each loan that it holds under the program.

Pennsylvania Higher Education Assistance Agency, conducting business as American Education Services, is the third-party servicer for the Alaska Commission on Postsecondary Education FFEL portfolio owned by the Alaska Student Loan Corporation. As a third-party servicer, American Education Services is subject to federal audits and program reviews to ensure compliance with the Higher Education Act and federal regulations in administering the program. These types of program reviews are not specific to any one lender but instead cover the services performed by American Education Services for some or all lenders, depending on the type of audit conducted and the scope of review requested.

Guarantor Federal Family Education Loan Program Review

Guarantors are charged under 34 CFR 682.410(c) to ensure institutional compliance by conducting comprehensive biennial program reviews. Beginning in 2022, the Federal guarantor, Educational Credit Management Corporation, led a Common Review Initiative program review. The Common Review Initiative is a Department of Education lender review process where participating guarantors cooperate to conduct reviews by sharing staff and costs to reduce the number of redundant reviews while simultaneously improving the overall quality of reviews.

The Common Review Initiative conducted a program review in October 2022, which included a sample of loans owned by the Alaska Student Loan Corporation. This review covered the period of May 1, 2020, through April 30, 2022, and the scope of this review examined the following processes:

- Rehabilitated loans;

- Income Based Repayment (IBR);
- Deferment and Forbearance;
- Servicing and due diligence;
- Claims;
- Cures;
- Electronic signatures;
- Call recordings;
- Purchases, sale or transfer of loans, and LaRS loan level detail, including adjustments.

The Common Review Initiative reported findings directly to American Education Services on August 10, 2023. ACPE was provided a copy of the report on January 12, 2024, that included aggregate findings discovered during the review. The report concluded that no ACPE loans were part of the findings.

The Common Review Initiative confirmed in a letter dated February 13, 2024, that all issues have been addressed and the review is officially closed. American Education Services also provided ACPE with a copy of the close-out letter on April 18, 2024.

Department of Education Federal Family Education Loan (FFEL) Program Review

The Department of Education conducted a program review of American Education Services as a third-party servicer in 2022. The focus was to determine their compliance with the Higher Education Act and applicable federal regulations and requirements in servicing the FFEL Program. This review covered the period of March 31, 2020, through December 31, 2021, and includes a sample of loans owned by the Alaska Student Loan Corporation. The scope of this review includes, but is not limited to, the following:

- Cancer Treatment Deferment;
- Income Driven Repayment;
- Military Service Deferments;
- Military Service Grace;
- National Student Loan Data Systems (NSLDS) Lender Manifest; and
- Servicemembers Civil Relief Act of 2003.

The Department of Education provided a report to American Education Services detailing several findings; however, it is not part of the Department of Education's process to provide updates or information detailing their review to individual lenders. American Education Services confirmed in an email dated April 18, 2024, that steps were taken to address the issues and verified that no findings reported affected loans owned by ACPE. As a result, American Education Services is not at liberty to detail any findings to ACPE. American Education Services awaits confirmation from the Department of Education that the review is considered closed.