



John Keel, CPA
State Auditor

A Report on

**State of Texas Compliance with
Federal Requirements for the
Student Financial Assistance
Cluster for the Fiscal Year Ended
August 31, 2014**

February 2015
Report No. 15-021



A Report on

State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster for the Fiscal Year Ended August 31, 2014

SAO Report No. 15-021
February 2015

Overall Conclusion

With the exception of certain non-compliance disclosed in this report, the State of Texas complied in all material respects with the federal requirements for the Student Financial Assistance Cluster in fiscal year 2014.

As a condition of receiving federal funding, U.S. Office of Management and Budget (OMB) Circular A-133 requires non-federal entities that expend at least \$500,000¹ in federal awards in a fiscal year to obtain annual Single Audits. Those audits test compliance with federal requirements in up to 14 areas that may have a material effect on a federal program at those non-federal entities.

Examples of the types of compliance areas include eligibility and reporting. The requirements for 1 of those 14 areas vary by federal program and outline special tests that auditors are required to perform, such as determining whether a higher education institution (1) accurately verified information on a student's financial assistance application or (2) properly calculated the amount of unearned Student Financial Assistance Cluster funds it needed to return to the federal government. The compliance areas determined to be direct and material may vary significantly among audited entities. Therefore, a comparison of the number of reported findings among entities included in this report may not be an accurate indicator of performance. The Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than \$73,923,376 in federal funds during fiscal year 2014 and (2) other selected federal programs.

From September 1, 2013, through August 31, 2014, the State of Texas expended \$49.1 billion in federal funds. The State Auditor's Office audited compliance with requirements for the Student Financial Assistance Cluster at 16 higher education institutions. Those 16 higher education institutions spent \$2.2 billion in federal Student Financial Assistance Cluster funds during fiscal year 2014.

The Student Financial Assistance Cluster

The Student Financial Assistance Cluster is a group of federal programs through which eligible students attending higher education institutions receive financial assistance.

The Student Financial Assistance Cluster includes both grant and loan programs, such as the Federal Pell Grant Program, the Federal Work-Study Program, and the Federal Direct Student Loans Program.

¹ Title 2, Code of Federal Regulations, Section 200, supersedes OMB Circular A-133 and, for fiscal years beginning on or after December 26, 2014, increases the Single Audit threshold to \$750,000 in federal expenditures in a fiscal year.

Auditors identified 35 findings for the Student Financial Assistance Cluster, including:

- Two findings classified as material weaknesses and material non-compliance.
- Twenty-nine findings classified as significant deficiencies and non-compliance.
- Four findings classified as non-compliance.

(See text box for definitions of finding classifications.)

Finding Classifications

Control weaknesses are classified as either significant deficiencies or material weaknesses:

- A **significant deficiency** indicates control weaknesses, but those weaknesses would not likely result in material non-compliance.
- A **material weakness** indicates significant control weaknesses that could potentially result in material non-compliance with the compliance area.

Similarly, compliance findings are classified as either non-compliance or material non-compliance, where material non-compliance indicates a more serious reportable issue.

Key Points

The higher education institutions audited did not always award Student Financial Assistance Cluster funds to eligible students or did not always award the correct amount.

At 13 higher education institutions audited, auditors identified findings related to students' eligibility for financial assistance. At the University of Texas at Arlington and the University of North Texas, the issues related to eligibility were considered material weaknesses.

Specific eligibility findings were as follows:

- Eight of the higher education institutions audited inconsistently or incorrectly calculated students' cost to attend those higher education institutions, which could result in the higher education institutions overawarding or underawarding financial assistance to students. Those higher education institutions were Prairie View A&M University, Texas A&M International University, Texas A&M University - Kingsville, Texas A&M University - Texarkana, Texas State Technical College - Marshall, the University of Houston - Downtown, the University of North Texas, and the University of Texas at Arlington.

Higher Education Institutions Audited

- Prairie View A&M University
- Texas A&M International University
- Texas A&M University
- Texas A&M University - Kingsville
- Texas A&M University - Texarkana
- Texas State Technical College - Marshall
- Texas State University
- Texas Tech University
- University of Houston
- University of Houston - Downtown
- University of North Texas
- University of Texas at Arlington
- University of Texas at Austin
- University Texas of the Permian Basin
- University of Texas at San Antonio
- West Texas A&M University

- Eight of the higher education institutions audited did not consistently follow their processes to determine students' academic progress or did not have adequate processes to determine whether students made satisfactory academic

progress to be eligible for financial assistance. Those higher education institutions were Prairie View A&M University, Texas A&M University - Kingsville, Texas A&M University - Texarkana, Texas Tech University, the University of Houston - Downtown, the University of North Texas, the University of Texas at Arlington, and the University of Texas of the Permian Basin.

- Five higher education institutions audited awarded Student Financial Assistance Cluster funds to students who were not eligible to receive that assistance. Those higher education institutions were Texas A&M University, Texas A&M University - Kingsville, the University of Texas at Austin, the University of Texas at Arlington, and the University of Texas of the Permian Basin.
- Four higher education institutions audited awarded Student Financial Assistance amounts that were incorrect based on students' eligibility. Those higher education institutions were Texas Tech University, the University of Texas at Austin, the University of Texas at Arlington, and West Texas A&M University.

The higher education institutions audited did not always comply with verification requirements for the Student Financial Assistance Cluster.

At 11 higher education institutions audited, auditors identified findings related to the institution's verification process and policies. Specific verification findings were as follows:

- Ten higher education institutions audited did not accurately verify all required information on students' financial assistance applications and/or did not always correct Institutional Student Information Records when required. Those higher education institutions were Prairie View A&M University, Texas A&M University - Kingsville, Texas State University, Texas Tech University, University of Houston - Downtown, West Texas A&M University, the University of Houston, the University of Texas at Arlington, the University of Texas of the Permian Basin, and the University of North Texas.
- Five higher education institutions audited did not have verification policies that contained all required elements. Those higher education institutions were Prairie View A&M University, Texas A&M University - Kingsville, Texas A&M University - Texarkana, the University of Texas of the Permian Basin, and West Texas A&M University.

The higher education institutions audited did not always comply with student enrollment reporting requirements for the Student Financial Assistance Cluster.

Five higher education institutions audited did not always report student status changes to the National Student Loan Data System in an accurate or timely manner. Those higher education institutions were Texas State University, Texas Tech University, the University of Houston, the University of Texas at Arlington, and the University of Texas at San Antonio.

The higher education institutions audited did not always have adequate controls over key information technology systems.

Auditors identified control weaknesses related to inappropriate access to information technology systems or change management at four higher education institutions. Those higher education institutions were Texas A&M University - Texarkana, Texas State Technical College - Marshall, the University of Texas at Arlington, and the University of Texas of the Permian Basin.

Auditors followed up on higher education institutions' corrective action plans for 51 audit findings from prior fiscal years related to the Student Financial Assistance Cluster.

Higher education institutions fully implemented corrective action plans for 21 (41 percent) of those 51 findings and partially implemented corrective action plans for 30 (59 percent) of those 51 findings.

Summary of Management's Response

Management generally concurred with the audit findings. Specific management responses and corrective action plans are presented immediately following each finding in this report.

Summary of Information Technology Review

The audit work included a review of general and application controls for key information technology systems related to the Student Financial Assistance Cluster at the 16 higher education institutions audited. As discussed above, auditors identified issues related to information technology systems at four of those higher education institutions.

Summary of Objectives, Scope, and Methodology

With respect to the Student Financial Assistance Cluster, the objectives of this audit were to (1) obtain an understanding of internal controls over compliance, assess control risk of noncompliance, and perform tests of those controls unless controls were deemed to be ineffective and (2) provide an opinion on whether the State complied with the provisions of laws, regulations, and contracts or grants that have a direct and material effect on the Student Financial Assistance Cluster.

The audit scope covered federal funds that the State spent for the Student Financial Assistance Cluster from July 1, 2013, through June 30, 2014, which is the federal financial assistance award year. The audit work included control and compliance tests at 16 higher education institutions across the state.

The audit methodology included developing an understanding of controls over each compliance area that was direct and material to the Student Financial Assistance Cluster at each higher education institution audited. Auditors' sampling methodology was based on the American Institute of Certified Public Accountants' audit guide entitled *Government Auditing Standards and Circular A-133 Audits* dated February 1, 2014. Auditors conducted tests of compliance and of the controls identified for each direct and material compliance area and performed analytical procedures when appropriate. Auditors assessed the reliability of data that each audited higher education institution provided and determined that the data was sufficiently reliable for the purpose of expressing an opinion on compliance with the provisions of laws, regulations, and contracts or grants that have a direct and material effect on the Student Financial Assistance Cluster.

Contents

<i>Independent Auditor's Report</i>	1
<i>Schedule of Findings and Questioned Costs</i>	10
Section 1:	
Summary of Auditor's Results	11
Section 2:	
Financial Statement Findings	12
Section 3:	
Federal Award Findings and Questioned Costs	13
Prairie View A&M University.....	13
Texas A&M International University.....	20
Texas A&M University.....	22
Texas A&M University - Kingsville	23
Texas A&M University - Texarkana	28
Texas State Technical College - Marshall	37
Texas State University.....	40
Texas Tech University	44
University of Houston.....	51
University of Houston - Downtown	54
University of North Texas	58
University of Texas at Arlington	62
University of Texas at Austin.....	77
University of Texas of the Permian Basin	81
University of Texas at San Antonio.....	87
West Texas A&M University.....	89
Summary Schedule of Prior Year Audit Findings	93
Angelo State University	93

Lamar Institute of Technology	96
Lamar State College - Orange	102
Lamar University	105
Prairie View A&M University.....	110
Sam Houston State University.....	113
Texas A&M International University.....	117
Texas A&M University.....	118
Texas A&M University - Commerce.....	122
Texas Southern University	124
Texas State Technical College - Harlingen	127
Texas State Technical College - Waco.....	133
Texas State Technical College - West Texas	140
Texas State University.....	146
Texas Tech University	148
Texas Tech University Health Sciences Center	154
Texas Woman’s University	157
University of Houston.....	158
University of Houston - Downtown	165
University of Houston - Victoria	166
University of North Texas	168
University of Texas at Arlington	170
University of Texas at Austin.....	179
University of Texas at El Paso.....	182
University of Texas at San Antonio.....	185

Appendix

Objectives, Scope, and Methodology	191
--	-----

Independent Auditor's Report

*State of Texas Compliance with
Federal Requirements for the Student
Financial Assistance Cluster for the
Fiscal Year Ended
August 31, 2014*

**Report on Compliance for the Student Financial Assistance Cluster, and Report on Internal
Control Over Compliance Required by OMB Circular A-133**

Independent Auditor's Report

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Joe Straus III, Speaker of the House of Representatives
and
Members of the Legislature, State of Texas

Report on Compliance for the Student Financial Assistance Cluster

We have audited the State of Texas's (State) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended August 31, 2014. The State's major federal program at various higher education institutions is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the State's compliance for the Student Financial Assistance Cluster based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

This audit was conducted as part of the State of Texas Statewide Single Audit for the year ended August 31, 2014. As such, the Student Financial Assistance Cluster was selected as a major program based on the State of Texas as a whole for the year ended August 31, 2014. The State does not meet the OMB Circular A-133 requirements for a program-specific audit and the presentation of the Schedule of Program Expenditures does not conform to the OMB Circular A-133 Schedule of Expenditures of Federal Awards. However, this audit was designed to be relied on for the State of Texas opinion on federal compliance, and in our judgment, the audit and this report satisfy the intent of those requirements.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Student Financial Assistance Cluster. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on the Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the Student Financial Assistance Cluster:

Higher Education Institution	Compliance Requirement	Finding Number
University of North Texas	Eligibility Special Tests and Provisions - Institutional Eligibility	2014-146
University of Texas at Arlington	Eligibility Activities Allowed or Unallowed Cash Management Period of Availability of Federal Funds Reporting Special Tests and Provisions - Separate Funds Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan) Special Tests and Provisions - Institutional Eligibility	2014-148

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the Student Financial Assistance Cluster.

Qualified Opinion on the Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended August 31, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

Higher Education Institution	Compliance Requirement	Finding Number
Prairie View A&M University	Eligibility	2014-101
	Special Tests and Provisions - Verification	2014-102
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2014-103

Higher Education Institution	Compliance Requirement	Finding Number
Texas A&M International University	Eligibility	2014-114
Texas A&M University	Eligibility	2014-115
Texas A&M University - Kingsville	Eligibility	2014-118
	Special Tests and Provisions - Verification	2014-119
Texas A&M University - Texarkana	Eligibility	2014-120
	Special Tests and Provisions - Verification	2014-121
Texas State Technical College - Marshall	Eligibility	2014-122
	Special Tests and Provisions - Verification	
Texas State University	Special Tests and Provisions - Verification	2014-123
	Special Tests and Provisions - Return of Title IV Funds	2014-124
	Special Tests and Provisions - Enrollment Reporting	2014-125
Texas Tech University	Cash Management	2014-126
	Eligibility	2014-127
	Special Tests and Provisions - Verification	2014-128
	Special Tests and Provisions - Enrollment Reporting	2014-129
University of Houston	Special Tests and Provisions - Verification	2014-139
	Special Tests and Provisions - Enrollment Reporting	2014-140
University of Houston - Downtown	Eligibility	2014-144
	Special Tests and Provisions - Verification	2014-145
University of North Texas	Special Tests and Provisions - Verification	2014-147
University of Texas at Arlington	Special Tests and Provisions - Verification	2014-149
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2014-150
	Special Tests and Provisions - Return of Title IV Funds	2014-151
	Special Tests and Provisions - Enrollment Reporting	2014-152
University of Texas at Austin	Eligibility	2014-153
	Special Tests and Provisions - Student Loan Repayments	2014-154
University of Texas of the Permian Basin	Eligibility	2014-166
	Special Tests and Provisions - Verification	2014-167

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at San Antonio	Special Tests and Provisions - Enrollment Reporting	2014-168
West Texas A&M University	Eligibility	2014-169
	Special Tests and Provisions - Verification	2014-170

Our opinion on the Student Financial Assistance Cluster is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on the Student Financial Assistance Cluster to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Student Financial Assistance Cluster and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, to be material weaknesses:

Higher Education Institution	Compliance Requirement	Finding Number
University of North Texas	Eligibility Special Tests and Provisions - Institutional Eligibility	2014-146
University of Texas at Arlington	Eligibility Activities Allowed or Unallowed Cash Management Period of Availability of Federal Funds Reporting Special Tests and Provisions - Separate Funds Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan) Special Tests and Provisions - Institutional Eligibility	2014-148

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, to be significant deficiencies:

Higher Education Institution	Compliance Requirement	Finding Number
Prairie View A&M University	Eligibility	2014-101
	Special Tests and Provisions - Verification	2014-102
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2014-103
Texas A&M International University	Eligibility	2014-114
Texas A&M University	Eligibility	2014-115
Texas A&M University - Kingsville	Eligibility	2014-118
	Special Tests and Provisions - Verification	2014-119
Texas A&M University - Texarkana	Eligibility	2014-120
	Special Tests and Provisions - Verification	2014-121
Texas State Technical College - Marshall	Eligibility	2014-122
	Special Tests and Provisions - Verification	
Texas State University	Special Tests and Provisions - Verification	2014-123

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Return of Title IV Funds	2014-124
Texas Tech University	Eligibility	2014-127
	Special Tests and Provisions - Verification	2014-128
	Special Tests and Provisions - Enrollment Reporting	2014-129
University of Houston	Special Tests and Provisions - Enrollment Reporting	2014-140
University of Houston - Downtown	Eligibility	2014-144
	Special Tests and Provisions - Verification	2014-145
University of Texas at Arlington	Special Tests and Provisions - Verification	2014-149
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2014-150
	Special Tests and Provisions - Return of Title IV Funds	2014-151
	Special Tests and Provisions - Enrollment Reporting	2014-152
University of Texas at Austin	Eligibility	2014-153
	Special Tests and Provisions - Student Loan Repayments	2014-154
University of Texas of the Permian Basin	Eligibility	2014-166
	Special Tests and Provisions - Verification	2014-167
University of Texas at San Antonio	Special Tests and Provisions - Enrollment Reporting	2014-168
West Texas A&M University	Eligibility	2014-169
	Special Tests and Provisions - Verification	2014-170

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schedule of Federal Program Expenditures

The accompanying Schedule of Federal Program Expenditures for the Student Financial Assistance Cluster of the State for the year ended August 31, 2014, is presented for purposes of additional analysis. This information is the responsibility of the State's management and has been subjected only to limited audit procedures and accordingly, we express no opinion on it. However, we have audited the Statewide Schedule of Expenditures of Federal Awards in a separate audit, and the opinion on the Statewide Schedule of Expenditures of Federal Awards is included in the *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2014*.

John Keel, CPA
State Auditor

February 20, 2015

**Schedule of Federal Program Expenditures for
the Student Financial Assistance Cluster
For the State of Texas
For the Year Ended August 31, 2014**

Schedule of Federal Program Expenditures	
Higher Education Institution Audited	Federal Program Direct Expenditures
Prairie View A&M University	\$ 83,275,146
Texas A&M International University	34,897,769
Texas A&M University	232,240,927
Texas A&M University - Kingsville	49,468,642
Texas A&M University - Texarkana	13,535,401
Texas State Technical College - Marshall	3,342,033
Texas State University	228,433,325
Texas Tech University	198,535,245
University of Houston	217,029,399
University of Houston - Downtown	82,831,155
University of North Texas	239,865,586
University of Texas at Arlington	214,785,284
University of Texas at Austin	309,531,550
University of Texas at San Antonio	176,732,132
University of Texas of the Permian Basin	15,632,724
West Texas A&M University	54,789,840
Total Audited Student Financial Assistance Federal Program Expenditures	\$2,154,926,158
<p>Note 1: This schedule of federal program expenditures is presented for informational purposes only. For the State's complete Schedule of Expenditures of Federal Awards, see the <i>State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2014</i>.</p> <p>Note 2: Federal expenditures for the Student Financial Assistance Cluster at state entities not included in the scope of this audit totaled \$1,824,150,222 for the fiscal year ended August 31, 2014.</p> <p>Note 3: The Student Financial Assistance Cluster includes the following federal programs listed by the Catalog of Federal Domestic Assistance (CFDA) number.</p> <p>The following programs are administered by the U.S. Department of Education:</p> <ul style="list-style-type: none"> ▪ CFDA 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG). ▪ CFDA 84.033 Federal Work-Study (FWS) Program. ▪ CFDA 84.037 Perkins Loan Cancellations. ▪ CFDA 84.038 Federal Perkins Loan (FPL) - Federal Capital Contributions. ▪ CFDA 84.063 Federal Pell Grant Program (Pell). ▪ CFDA 84.268 Federal Direct Student Loans (Direct Loan). ▪ CFDA 84.379 Teacher Education Assistance for College and Higher Education Grants (TEACH Grants). ▪ CFDA 84.408 Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grants (IASG)). <p>The following programs are administered by the U.S. Department of Health and Human Services:</p> <ul style="list-style-type: none"> ▪ CFDA 93.264 Nurse Faculty Loan Program (NFLP). ▪ CFDA 93.342 Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students (HPSL/PCL/LDS). ▪ CFDA 93.364 Nursing Student Loans (NSL). ▪ CFDA 93.408 ARRA - Nurse Faculty Loan Program (ARRA-NFLP). ▪ CFDA 93.925 Scholarships for Disadvantaged Students (SDS). 	

Schedule of Findings and Questioned Costs

*State of Texas Compliance with
Federal Requirements for the Student
Financial Assistance Cluster for the
Fiscal Year Ended
August 31, 2014*

Summary of Auditor's Results

Financial Statements

Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014*.

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Cluster	Student Financial Assistance

Dollar threshold used to distinguish between type A and type B programs: \$73,923,376

Auditee qualified as low-risk auditee? No

Section 2:

Financial Statement Findings

Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014*.

Section 3:

Federal Award Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, as required to be reported by Office of Management and Budget Circular A-133, Section 510(a).

Prairie View A&M University

Reference No. 2014-101

Eligibility

(Prior Audit Issue 10-33)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134098; CFDA 84.033, Federal Work-Study Program, P033A134098; CFDA 84.063, Federal Pell Grant Program, P063P132319; CFDA 84.268, Federal Direct Student Loans, P268K142319; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142319

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board. Additionally, for a student who receives a loan under any federal law, or, at the option of the institution, a conventional student loan incurred by the student to cover a student's COA at the institution, an allowance for the actual cost of any loan fee, origination fee, or the average cost of any such fee may be included in the cost of attendance (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Questioned Cost: \$ 9,380

U.S. Department of Education

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, Code of Federal Regulations (CFR), Section 668.2).

For 14 (23 percent) of 60 students tested, Prairie View A&M University (University) incorrectly or inconsistently calculated the students' COA. Specifically:

- For 6 (43 percent) of those 14 students, the University made errors when manually adjusting the students' COA for the tuition and fees, room and board, travel, and summer budget components. Additionally, for two of those six students, the University did not update COA to reflect actual enrollment. These errors did not result in an overaward or underaward of financial assistance, but they increase the risk of an underaward or overaward of student financial assistance.
- For 8 (57 percent) of those 14 students, the University based graduate and doctoral students' COA on full-time enrollment, when those students attended less than full-time for one or more semesters during the award year.

The University uses full-time COA budgets to determine COA for all graduate and doctoral students receiving financial assistance, regardless of each student's actual enrollment. That increases the risk of overawarding financial assistance. Because the University developed only full-time COA budgets to determine COA for graduate students, auditors could not determine whether the graduate students in the sample tested, who were attending less than full-time, were overawarded financial assistance for the 2013-2014 award year.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they graduate within the maximum time frame required to complete their education (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

The University's satisfactory academic progress policy includes a maximum time frame for graduate students of 54 total attempted hours. If a student does not meet that requirement, the student is considered ineligible for financial assistance based on excessive hours.

The University did not always apply its SAP policy consistently. For 1 (2 percent) of 60 students tested, the University disbursed financial assistance to the student when that student did not meet the University's satisfactory academic progress policy. The student was enrolled in a second master's degree program that, according to the University, requires the SAP committee to complete a manual review. The student did not meet the University's SAP guidelines for maximum allowable time frame and should have been placed on suspension for financial assistance. The student was not eligible to receive federal financial assistance; however, the University awarded and disbursed to the student a total of \$9,380 associated with CFDA 84.268, Federal Direct Student Loans, award number P268K142319, which are considered questioned costs.

Recommendations

The University should:

- Correctly and consistently apply and adjust COA budgets for all students.
- Determine each student's COA and financial need based on the student's expected or actual enrollment.
- Consistently and appropriately apply its SAP policy to determine whether students are eligible for financial assistance prior to the disbursement of that assistance.

Management Response and Corrective Action Plan:

Financial Aid management staff agrees with your finding and recommendations as it pertains to Cost of Attendance.

Financial Aid management has made significant changes listed below for the 14-15 aid year:

- *Developed a spreadsheet of all cost of attendances which assesses on-campus and off-campus living expenses.*
- *Created new budgets in Banner for less-than full time graduate students.*
- *Created new budgets for off-campus and at-home students.*
- *Developed a SQL to monitor enrollment changes from seven days before the 1st class day and up to the 20th class day.*
- *Established a process utilizing the Banner enrollment freeze process on the RSRENRL and Banner mix budget process in RBABUDD. A report is run twice a week and is reviewed by the Director and reports are disseminated to the Scholarships and Loans and Associate Director for clean up.*

- *Through weekly monitoring, financial aid management reviews the COA for all students and manually adjusts COAs based on changes in enrollment status to ensure that COAs accurately reflect actual enrollment. In addition, system modifications have been developed that will only allow to Director or Associate Directors the authority to make manual component adjustments to student COAs. If there are manual adjustments that are made to specific components, there will be documentation required to support the adjustments and policies and procedures are in place to indicate as such.*

Implementation Date: March 15, 2014

Responsible Person: Ralph Perri

Financial Aid management staff agrees with your finding and recommendations as it pertains to SAP policy.

Financial Aid management has reviewed SAP business practices and policy for 14-15 aid years and has implemented the following changes:

- *The current SAP policy and procedures have been reviewed and updated for accuracy.*
- *Financial Aid management has reviewed SAP rules in Banner for accuracy and verified the conversion tables are calculating SAP warnings correctly.*
- *A SQL report has been developed to extract data from Banner to review and validate SAP output. The program is run on a weekly basis. The report is reviewed by the Associate Director to validate the calculation and to ensure accuracy before an award cycle is processed. Financial Aid management is working closely with the Registrar's Office to confirm student's record in Banner is coded correctly to ensure the institution is in compliance with federal regulations when disbursing aid to students.*
- *The SAP status has been added to the ready to package population selection group to ensure SAP is reviewed during the packaging process.*
- *The staff has been trained on the updated SAP rules. A new committee has been formed to review SAP appeal requests at the beginning of each semester.*

Implementation Date: June 1, 2014

Responsible Person: Ralph Perri

Reference No. 2014-102

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134098; CFDA 84.033, Federal Work-Study Program, P033A134098; CFDA 84.063, Federal Pell Grant Program, P063P132319; CFDA 84.268, Federal Direct Student Loans, P268K142319; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142319

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion status, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the

Questioned Cost: \$ 0

U.S. Department of Education

verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

For 10 (17 percent) of 60 students tested, Prairie View A&M University (University) did not accurately verify all required information on students' FAFSAs and did not always correct student ISIR information, when required. For those students, the University did not accurately verify one or more of the following verification items: the number of household members, the number of household members who are in college, food stamps, the amount of child support paid, adjusted gross income, U.S. income taxes paid, education credits, and income information for nontax filers. According to the University, those errors occurred because of manual errors it made during the verification process.

When auditors brought those errors to the University's attention, the University made corrections to the students' ISIRs. For seven of those students, no change in EFC or aid was associated with the errors; however, not properly verifying FAFSA information could result in the University overawarding or underawarding financial assistance. For one student, the error caused the student's EFC to be understated, but no change in aid was associated with that error. For two students, the errors resulted in overawards of federal Pell Grant funds associated with award number P063P132319 totaling \$900. The University subsequently adjusted the students' awards; therefore, there were no questioned costs.

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information. Those policies must include: (1) the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, CFR, Section 668.57; (2) the consequences of an applicant's failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's assistance under Title IV, Higher Education Act (HEA) of 1965 programs; (4) the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g).

An institution's procedures must also provide that it furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of application information, including the deadlines for completing any required actions and the consequences of failing to complete any required action. Finally, an institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance (COA) or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

The University's policies and procedures for its verification process did not include all of the required elements. Specifically, the University's verification policies and procedures did not address the following required elements:

- The consequences of an applicant's failure to provide the requested documentation within the specified time period.
- The method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and that results in a change in the applicant's award or loan.
- The procedures for making referrals.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that students may not understand their responsibilities when their FAFSAs are verified.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Include all required elements in its verification policies and procedures.

Management Response and Corrective Action Plan:

Financial Aid management staff agrees with your finding and recommendations as it pertains to Verification.

Financial aid management has developed a plan of action to perform the following:

- *The Associate Director will conduct a complete desk audit and select 100 students for verification for the current school year to validate the accuracy of the verification process as per federal regulations, which will be completed by February 2015.*
- *A desk audit will also be performed by the Associate Director on a monthly basis for each alpha cluster to confirm the verification process has been performed as per federal regulations.*

For the 15-16 aid years, Financial Aid management will look to implement:

- *A second check, by another counselor, will be performed after the initial verification process has been completed, if no corrections are required.*
- *A third check, by another counselor, will be performed after the initial verification process has been completed, if corrections are required.*

Financial Aid management will update the Verification SOP to include:

- *Copies of communication sent to students in the different verification groups notifying them of the following:*
 - *They have been selected for verification, which group they are in and an explanation of the Verification process.*
 - *The required documentation needed to perform the verification before the financial aid can be packaged and disbursed.*
 - *The time frame in which the student must submit the required verification documentation.*
 - *The consequences of failure to submit the required verification documents.*
 - *The method of communication that will be used to notify the student when the amount of Title IV aid is adjusted as a result of an EFC change due to the verification process.*
 - *The procedures on how to correct the information on the FAFSA.*
 - *The procedures on how to refer the student to the Office of Inspector General.*

Implementation Date: March 1, 2015

Responsible Person: Ralph Perri

Reference No. 2014-103

Special Tests and Provisions – Disbursements To or On Behalf of Students

(Prior Audit Issues 10-34 and 08-038)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142319; CFDA 84.268, Federal Direct Student Loans, P268K142319; and CFDA 84.063, Federal Pell Grant Program, P063P132319

Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a student's account at the institution with Teacher Education Assistance for College and Higher Education (TEACH) Grant Program funds, the institution must notify the student of (1) the date and amount of the disbursement, (2) the student's right to cancel all or a portion of that TEACH Grant or TEACH Grant disbursement and have the TEACH Grant proceeds returned to the U.S. Department of Education, and (3) the procedures and time by which the student must notify the institution that he or she wishes to cancel the TEACH Grant or TEACH Grant disbursement. The notification must be sent in writing or electronically no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution (Title 34, Code of Federal Regulations (CFR), Section 668.165).

Questioned Cost: \$ 0
U.S. Department of Education

Prairie View A&M University (University) did not send disbursement notification letters to students who received TEACH Grants in the 2013-2014 award year. A total of four students at the University received a total of \$12,220 in TEACH Grant funds for that award year. While loan disbursement notifications are automated, the University asserts that, because there are so few TEACH Grant disbursements, its process for sending disbursement notification letters is manual. However, the University did not send notifications for the four TEACH Grant recipients in the 2013-2014 award year. Not receiving those notifications could impair students' ability to cancel their TEACH Grants.

Disbursement of Funds Prior to Enrollment

An institution must disburse Title IV, Higher Education Act program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds (Title 34, CFR, Section 668.164).

For 1 (2 percent) of 60 students tested, the University disbursed federal financial assistance when the student was not enrolled for the Spring 2014 term. While the student was initially enrolled in that term, the student's enrollment was subsequently dropped for non-payment of tuition and fees on January 31, 2014. The student was reinstated in the dropped courses on February 5, 2014, but the University disbursed funds to that student on February 3, 2014. When the student's enrollment was dropped for non-payment, the University placed the student in a drop and retain status, which did not prevent disbursement.

The student remained in a drop and retain status until the student paid tuition, at which time the Registrar's Office processed the student's reinstatement form. The student received a federal Pell Grant and Federal Direct Student Loans. After the University made the disbursement, it reinstated the student in the courses for the term and the student was eligible to receive the student financial assistance; therefore, there are no questioned costs associated with the disbursement error. However, not having controls to prevent disbursements to students who are not enrolled at the time of disbursement increases the risk that students could receive aid for which they are not eligible.

Recommendations:

The University should:

- Establish and implement controls to send disbursement notification letters within 30 days before or after crediting a student's account with a TEACH Grant.

- Establish and implement controls to ensure that it disburses student financial assistance only to enrolled students.

Management Response and Corrective Action Plan:

Financial Aid management staff agrees with your finding and recommendations as it pertains to Disbursement of Funds.

Financial Aid management has reviewed Disbursement business practice and policy for 14-15 aid years and has implemented the following changes:

- *Controls have been implemented and a process has been put in place to electronically send disbursement notification letters within 30 days before or after crediting a student's account with TEACH grants.*
- *Through weekly monitoring and Banner system controls, a process has been implemented to ensure aid is only disbursed to students who are only enrolled.*

Implementation Date: January 15, 2015

Responsible Person: Ralph Perri

Texas A&M International University

Reference No. 2014-114

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K143216; CFDA 84.063, Federal Pell Grant Program, P063P133216; CFDA 84.033, Federal Work-Study Program, P033A134137; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grant, P379T143216; and CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134137

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Questioned Cost: \$ 469
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Texas A&M International University (University) established different COA budgets for students based on living status (at home, off campus, and on campus) and term enrollment (full-time, three-quarter time, half-time, and less than half-time). The University’s financial aid system budgets students based on enrollment as of the Fall semester census date for the Fall and Spring semesters. The University calculates Summer semester budgets manually based on hours provided in each student’s application for Summer semester financial aid.

For 7 (12 percent) of 60 students tested, the University calculated COA incorrectly. Specifically, the University did not adjust COA budgets based on actual enrollment for the Spring semester. The University’s financial aid system updates the Fall semester budget based on actual enrollment information as of the Fall semester census date, but it does not update the Spring semester budget based on the Spring semester census date enrollment information. As a result, the University overawarded one of those seven students \$469 associated with CFDA 84.268, Federal Direct Student Loans, award number P268K143216. The Summer semester award process is manual, and it is not affected by the system limitations.

Incorrectly calculating COA increases the risk that the University will overaward or underaward financial assistance to students.

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for full-time, three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

For 1 (2 percent) of 50 students tested who received Pell Grants, the University awarded the student an amount that was less than the amount the student was eligible to receive. Specifically, the University underawarded the student \$499 in Pell Grant assistance associated with award P063P133216. That occurred because the University's student financial aid system did not recalculate the Pell award when the student registered for additional hours (those hours were added manually and resulted in a change to the student's enrollment status).

Recommendations:

The University should:

- Adjust COA budgets based on actual enrollment as of the census date for the applicable semester.
- Award Pell Grant amounts to students who are eligible for those grants according to their EFCs and enrollment status.

Management Response and Corrective Action Plan:

Cost of Attendance:

Effective Fall 2014, Texas A&M International University implemented "Algorithmic and Period Based Budgeting" which assigns Cost of Attendance (COA). These rules customize the COA using defined criteria (enrollment, housing plans, grade level, etc.) for each semester/period as of the census date in a student's aid year.

Implementation Date: Developed July 2014 and implemented for the 2014-2015 award year.

Responsible Persons: Laura Elizondo and Ociel Vazquez

Pell Grant Awards:

TAMIU will develop a report that will cross-check student information system data on Financial Aid and Registrar's screens to identify students whose enrollment hours are not congruent. This report will be reviewed weekly by the Financial Aid Records Coordinator who will be responsible for making necessary corrections and updates.

Implementation Date: February 2015

Responsible Persons: Laura Elizondo and Alfredo Siller

Texas A&M University

Reference No. 2014-115

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award number – CFDA 84.379, Teacher Assistance for College and Higher Education Grants, P379T145286

Type of finding – Significant Deficiency and Non-Compliance

A student who is a current teacher and who has submitted a completed application and meets the requirements of Title 34, Code of Federal Regulations (CFR), Part 668, Subpart C, is eligible to receive a Teacher Assistance for College and Higher Education (TEACH) grant if the student has a signed agreement to serve as required under Title 34, CFR, Section 686.12; is a current teacher or retiree who is applying for a grant to obtain a master’s degree or is or was a teacher who is pursuing certification through a high-quality alternative certification route; and is enrolled in a TEACH grant-eligible institution in a TEACH grant-eligible program during the period required for the completion of a master’s program (Title 34, CFR, Section 686.11(b)).

Questioned Cost: \$ 0

U.S. Department of Education

Texas A&M University (University) awarded TEACH grant funds to one student who was not eligible for those funds. The University manually disbursed TEACH grant funds to that student because the student was teaching in a high-need field and enrolled in a master's degree program. However, that program was not a TEACH grant-eligible program. The University’s financial aid system maintains a list of TEACH grant-eligible programs and compares a student’s enrolled degree program to the list before disbursement; however, the University does not have a control to prevent disbursement if it manually disburses a TEACH grant to an ineligible student. The University disbursed a total of \$3,964 in TEACH grant funds to that student. After auditors brought the error to its attention, the University provided documentation showing that the student returned the funds; therefore, there were no questioned costs. All 209 other students who received TEACH grants were enrolled in TEACH grant-eligible programs.

Recommendation:

The University should establish and implement controls to ensure that students to whom it manually awards TEACH grants meet all eligibility requirements.

Management Response and Corrective Action Plan:

Texas A&M acknowledges and agrees with the finding. We have created a new process for awarding TEACH grant to students. The awarding process is consolidated to one individual and as part of all TEACH awards a TEACH checklist is completed. The checklist has a separate section for each requirement for receiving a TEACH grant. One section is directly related to the program being TEACH grant eligible. In addition all programs are reviewed annually to determine if they are still TEACH eligible and any changes are noted in Banner and staff are informed of the changes. TEACH awards are also reviewed during the quality control process performed by staff not responsible for awarding the funds.

Implementation Date: October 2014

Responsible Persons: Delisa Falks and Worth Ferguson

Texas A&M University - Kingsville

Reference No. 2014-118

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134135; CFDA 84.033, Federal Work-Study Program, P033A134135; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132325; and CFDA 84.268, Federal Direct Student Loans, P268K142325

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Questioned Cost: \$ 0
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Texas A&M University - Kingsville (University) administers student financial assistance for Texas A&M University - San Antonio. The University uses its financial aid system to calculate the COA for all students at both the Kingsville and San Antonio campuses.

For 9 (15 percent) of 60 of students tested, the University incorrectly calculated COA. Those errors occurred because the University set up specific budget groups incorrectly in the financial aid system. Specifically:

- When establishing budgets in the system for the 2013-2014 financial aid year, the University used budget information from the 2011-2012 financial aid year for certain budget groups. That affected all students who were enrolled in Texas A&M University - San Antonio for a Fall and/or Spring semester and a Summer semester. Seven students tested were affected by that issue.
- The University did not accurately establish budgets in the system for students enrolled at Texas A&M University – Kingsville who had mixed enrollment (full-time enrollment for one term and less than full-time enrollment for one term) for the 2013-2014 aid year. The University asserted that issue affected all students assigned to a mixed enrollment budget in the 2013-2014 aid year. Two students tested were affected by that issue.

Auditors were not able to quantify the total number of students affected by the budgeting errors. While the errors did not result in overawards for the nine students discussed above, they increase the risk of overawarding or underawarding financial assistance to students.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

For an undergraduate program measured in credit hours, a period no longer than 150 percent of the published length of the program as measured in credit hours should be used to determine the maximum timeframe quantitative component of SAP (Title 34, CFR, Section 668.34(b)(1)).

The University's SAP policy did not meet all federal requirements. The University's SAP policy for calculating the maximum time frame for undergraduate students uses 195 hours as the maximum number of hours a student can attempt and still meet SAP requirements, which is 150 percent of 130 hours. However, the majority of the University's undergraduate degree programs require fewer than 130 hours to complete. That increases the risk that the University could incorrectly determine that students meet SAP requirements when they are enrolled in a degree program requiring fewer than 130 hours for completion; as a result, the University could award financial aid to students who are not eligible for that aid.

Federal Direct Student Loan

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive subsidized Direct Loans, and graduate students are eligible only for unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

The University disbursed a total of \$7,006 in subsidized Direct Loans to three graduate students after July 1, 2012. According to the University, those errors occurred because the University packaged those students' assistance while the students were undergraduates; however, the students received the subsidized Direct Loans after becoming graduate students. After auditors brought this issue to its attention, the University provided evidence that it corrected the errors; therefore, there were no questioned costs.

Recommendations:

The University should:

- Correctly update and maintain COA budgets within the financial aid system to ensure that it uses the correct budgets in the COA calculation.
- Ensure that its SAP policy meets all federal requirements.
- Award subsidized Direct Loans only to eligible undergraduate students.

Management Response and Corrective Action Plan:

Cost of Attendance

Management agrees with the recommendations to ensure correct budgets are utilized. The university process is updated to review and maintain budgets in the financial aid system (Banner) prior to each processing cycle (fall/spring and summer) to ensure the accuracy of COA calculations.

Implementation Date: June 2014

Responsible Persons: Bill Saenz/Jessica Thomas

Satisfactory Academic Progress

Management agrees with the recommendations provided. The University SAP policy and max hours requirements have been adjusted to be in compliance with all Federal regulations. Specifically, the maximum number of hours for undergraduate students has been reestablished as 180 maximum hours (150% of 120 credit hours) to be in compliance with federal regulations.

Implementation Date: December 2014

Responsible Person: Jessica Thomas

Federal Direct Student Loan

Management agrees with the provided recommendations. Subsidized Loans will only be awarded to undergraduate students in the financial aid system. Disbursement rules and fund code rules will be established within the financial aid system (Banner) to prevent any subsidized loan funds from disbursing to non-undergraduate students. These rules will prevent graduate students from receiving subsidized loan funds that they are ineligible to receive.

Implementation Date: January 2015

Responsible Person: Jessica Thomas

Reference No. 2014-119

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134135; CFDA 84.033, Federal Work-Study Program, P033A134135; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132325; and CFDA 84.268, Federal Direct Student Loans, P268K142325

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 77, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost: \$ 0

U.S. Department of Education

For 2 (3 percent) of 60 students tested, Texas A&M University – Kingsville (University) did not accurately verify all required information in students’ FAFSAs and did not always correct student ISIR information when required. Specifically:

- For one student, the University did not accurately verify the number of household members. No change in EFC or aid was associated with that error.
- For one student, the University did not accurately verify an IRA deduction. The error caused the student’s EFC to be understated, but no change in aid was associated with that error.

According to the University, those errors occurred because of manual errors made during the verification process. When auditors brought those errors to the University’s attention, the University made corrections to the students’ ISIRs. The corrections did not result in any changes to the students’ financial assistance; however, not properly verifying FAFSA information can result in the University overawarding or underawarding student federal financial assistance.

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant’s FAFSA information. Those policies must include: (1) the time period within which an applicant shall provide the documentation; (2) the consequences of an applicant’s failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant’s EFC changes and results in a change in the applicant’s award or loan; (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16. The procedures must provide that the institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant’s responsibilities with respect to the verification of application information, including the deadlines for completing required actions and the consequences of failing to complete any required action. An institution’s procedures must also provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes to the applicant’s cost of attendance or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

The University’s policies and procedures for its verification process did not include all of the required elements. Specifically, the University’s verification policies and procedures did not include:

- The time period within which an applicant shall provide the documentation.
- The method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant’s EFC changes and results in a change in the applicant’s award or loan.
- The procedures for making referrals under Title 34, CFR, Section 668.16.
- The applicant’s responsibilities with respect to the verification of application information, including the deadlines for completing required actions.
- A statement specifying that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes to the applicant’s COA or to the values of the items required to calculate the EFC.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.

- Include all required elements in its written verification policies and procedures.

Management Response and Corrective Action Plan:

Verification of Applications

Management agrees with the findings that the errors identified were made because of manual errors during the verification process. To prevent manual errors, policies and procedures will be implemented to review data entry to ensure accuracy when verifying FAFSA information for selected applicants. Additional and continuous training will also be provided to ensure staff are accurately processing verification requirements.

Verification Policies and Procedures

Management acknowledges and agrees with the finding that policy and procedures did not include all required elements. The Verification policies and procedures will be updated to include all required elements, including deadlines, responsibilities, notification methods, and referral process for Title 34, CFR, Section 668.16.

Implementation Date: February 2015

Responsible Person: Jessica Thomas

Texas A&M University - Texarkana

Reference No. 2014-120

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A138417; CFDA 84.033, Federal Work-Study Program, P033A138417; CFDA 84.063, Federal Pell Grant Program, P063P134851; CFDA 84.268, Federal Direct Student Loans, P268K144851; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T144851

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
--

For 1 (2 percent) of 60 students tested, Texas A&M University - Texarkana (University) incorrectly calculated the student’s COA. The University calculates each student’s COA based on tables in its financial aid system; however, that system had an incorrect budget amount in its table for a non-resident student enrolled three-quarter time during the Summer semester. The University’s budgets indicate that non-resident tuition and fees for three-quarter time enrollment for the Summer semester was \$5,541; however, the financial aid system specified a budget of \$4,749 for tuition and fees. The difference of \$792 did not result in an overaward. However, not applying correct COA budgets could result in an overaward or underaward of student financial assistance. Auditors reviewed information the University provided and identified one additional student whose COA was understated because of that error.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

The University’s SAP policy requires a graduate student receiving federal aid to (1) maintain a minimum 3.00 cumulative grade point average (GPA); (2) successfully complete at least 67 percent of the student’s credit hours over the course of his or her attendance at all educational institutions, regardless of whether financial aid was received; and (3) meet the student’s degree objectives within 54 total attempted hours. If a student does not meet those requirements, the student may be placed on financial aid probation or financial aid suspension. If the student is placed under financial aid suspension, the student may appeal the suspension. If an appeal is denied, the student will not be eligible for financial aid until he or she meets SAP requirements.

The University did not always apply its SAP policy consistently. For 1 (2 percent) of 60 students tested, the University disbursed aid to a student who did not meet the University’s SAP policy. The student did not meet

the University's minimum GPA requirement and did not successfully complete 67 percent of the credit hours attempted. The student had received warnings but did not maintain satisfactory progress while on probation. After auditors brought this matter to its attention, the University returned all federal aid provided to that student; therefore, there were no questioned costs.

The University did not consistently document its process to identify students who do not meet quantitative and qualitative SAP requirements. For 45 (75 percent) of 60 students tested, the University did not document the manual SAP review it completed. As a result, auditors were unable to verify that the University completed the manual SAP review for all semesters those students attended.

Not evaluating and documenting the review of students' compliance with SAP requirements increases the risk of awarding financial assistance to ineligible students.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment. Specifically, the director of admissions and the interim director of enrollment had access to the Banner student financial aid application screens allowing awarding and disbursing of aid. Additionally, a former employee, whose last day of employment was in July 2013, still had access to the network in May 2014. After auditors brought those issues to the University's attention, the University removed the inappropriate access.

Allowing users inappropriate or excessive access increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University did not have formal change management controls in place for its Banner student financial aid application prior to November 2013. Approved personnel adequately documented, approved, tested, and implemented changes to the Banner system after November 2013. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Recommendations

The University should:

- Develop and implement a process to ensure that all COA budgets in its financial aid system are consistent with its published COA budgets.
- Develop and implement processes to determine whether students meet all SAP policy requirements prior to the disbursement of financial assistance.
- Limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.
- Sufficiently document changes to Banner to support testing, authorization, and migration of changes to production by authorized personnel.

Management Response and Corrective Action Plan:

COST OF ATTENDANCE

Action Item: *The basic components used to derive a student's Cost of Attendance budget at Texas A&M University-Texarkana are:*

Tuition and fees

Books and supplies

Room

Board

Transportation

Miscellaneous personal expenses

Loan Fees (if applicable)

During the A-133 audit review process, the state auditors found that “The University calculates each student’s COA based on tables in its financial aid system; however, that system had an incorrect budget amount in its table for a non-resident student enrolled three-quarter time during the Summer semester.”

In summer 2014, the financial aid staff worked with Texas A&M University-Commerce’s Student Technical Services Coordinator to setup Ellucian Banner software to assign Cost of Attendance budgets based on a process referred to as “Period-Based Budgeting”. During testing of the Cost of Attendance budgets, the table used to reflect non-resident students enrolled three-quarter time was not tested since the population was quite small (in relation to other populations of students who are enrolled during the summer semester) and at the time of testing was non-existent. The additional component for the non-resident fee rate was inadvertently missed during the setup process.

Action Plan: *Effective late spring 2014, Texas A&M System’s Board of Regents approved new guaranteed tuition rates for both undergraduate and graduate Texas A&M University-*Texarkana* students. The guaranteed tuition plan guarantees that tuition and mandatory fees are locked in for the length of the plan, promoting timely completion of undergraduate and graduate degree programs.*

Students are assigned a cohort based on the classification in their first semester of enrollment. Continuing students are assigned cohorts based on their current classification (see chart and link below) regarding 2014-2015 rates.

*The FRESHMAN cohort is a **Four Year** program.*

*The SOPHOMORE cohort is a **Three Year** program.*

*The JUNIOR cohort is a **Two Year** program.*

*The SENIOR cohort is a **One Year** program.*

*The GRADUATE cohort is a **Two Year** program.*

*In June 2014, Texas A&M University-*Texarkana* entered into a contract with Strata Information Group to setup period-based budgeting to assign established Cost of Attendance budgets components based on the assigned cohorts. This is effective for the 2014-2015 award year.*

Texas A&M completed initial testing of the Cost of Attendance budgets in mid-September and the results were successful. In order to ensure integrity of the results more intensive testing will be performed by the internal compliance office.

Offices that need to be involved: *Financial Aid, Admissions, Registrar’s Office and Graduate Studies Office, Business Office and Compliance Office.*

Modifications to the assigning of Cost of Attendance Budgets process will be made as issues are identified during the more intensive testing period.

*Beginning in June 2014, Texas A&M University-*Texarkana* began packaging new freshmen with Cost of Attendance budgets based on the new guaranteed tuition cohorts. In August 2014, the remaining students were awarded/ packaged based on the new guaranteed tuition plans. On September 11th, Texas A&M University-*Texarkana* revised all less than full-time budgets to reflect actual enrollment (this is referred to as census adjustments). Initial testing was completed and successful.*

During further testing, Texas A&M University found that students who had cohort changes due to late submissions of transcripts may need to have their cohorts updated and new Cost of Attendance budget reassigned in order to prevent over/under award situation. Testing is in process and anticipated completion is January 16, 2015.

Implementation Date: September 2014

Responsible Persons: Charlene Ervin and Kathy Williams

SATISFACTORY ACADEMIC PROGRESS

Action Item: Texas A&M University-Texarkana current Satisfactory Academic Progress (SAP) policy is found at http://www.tamut.edu/Student-Support/Financial%20Aid/pdf/SATISFACTORY_ACADEMIC_PROGRESS.pdf and is published in the academic catalog.

During the A-133 audit review process, the state auditors found that "The University did not consistently document its process to identify students who do not meet quantitative and qualitative SAP requirements." In addition, the auditors stated "The University did not always apply its SAP policy consistently."

It is my understanding that as part of the awarding/packaging process, Satisfactory Academic Progress was in some cases monitored manually using the "2013-2014 Application Prep/Verification Worksheet". When monitoring SAP, TAMUT financial aid officials would update Banner's ROASTAT "Eligibility Status" form in cases where student were found not to be making SAP. This protocol was not properly documented and thus handled inconsistently depending on the financial aid official. Secondly, WebFocus reports used to monitor Satisfactory Academic Progress were determined to be ineffective and did not contain the necessary information needed to properly update the Banner system for each student's SAP status.

Action Plan: In June 2014, Texas A&M University-Texarkana entered into a contract with Strata Information Group to review Texas A&M University-Texarkana current Satisfactory Academic Progress technical process (which included a review of TAMUT's WebFocus reports and SAP processing procedures.) The outcome of the review determined that the current SAP process was not sufficient. Effective July 2014, Banner was setup to populate SAP automatically for all students and statuses are now maintained electronically on BANNER ROASTAT "Eligibility Status" form.

Offices that need to be involved: Financial Aid, Registrar's Office and Texas A&M University-Commerce IT Department.

Modifications to the SAP process will be made as issues are identified.

On July 31, 2014, for the first time since going live on Banner, TAMU-T was able to run an automated SAP process on over 4,000 students, bringing each student's status current. On August 20, 2014 TAMUT ran the automated SAP process for students who were enrolled in Summer 2014. The final results were successful. Satisfactory Academic Progress processing procedures were updated on December 18, 2014.

Effective for the 2015-2016 academic year, Texas A&M University-Texarkana will conduct a more thorough review of its current SAP policy and revise/update as necessary.

Implementation Date: August 2014

Responsible Persons: Charlene Ervin Name: Kathy Williams

USER ACCESS

Action Item: User Access

Limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.

Action Plan: Enhance Processes

Banner Security

Texas A&M University Texarkana makes a concerted effort to ensure that business owners sign off on individual's access to their module's forms. Information Technology maintains a paper-trail and has processes in place for new hires, changes, and terminations. However, the user access process can be unwieldy and an effort is underway to streamline the assignment of proper privileges for Banner.

On July 30, 2014, the business owners met to discuss the existing security processes and avenues for enhancing user access controls. The current process for Banner security processing follows:

- 1. User fills out a Banner security access form*
- 2. It is signed by the business owners for the Registrar, Business Office, and Financial Aid.*
- 3. Completed form is delivered to IT*
 - a. FERPA forms must be submitted for faculty and adjunct to Registrar*
 - b. Forms are delivered to the Texarkana Banner Administrator, Nikki Thomson*
 - c. Banner Administrator creates user account for Banner access*
 - d. Form is stored in a secure location.*
- 4. There is a change or delete access form. This is for change of access, change of job function, and terminations.*

Visibility into Banner Security is provided via an online Banner user access level report. With this information, business owners can review access at any time by a particular user, class, or form.

There is an effort underway to review access to Banner forms and consolidate access rights through profiles designated by job function. This will assist with onboarding new personnel and make it easier to administer security access.

Offices that need to be involved: Information Technology

Implementation Date: March 2015

Responsible Person: Jeff Hinton

CHANGE MANAGEMENT

Action Item: Change Management

Sufficiently document changes to Banner to support testing, authorization, and migration of changes to production by authorized personnel.

Response: Implemented

Banner Change Requests

Our change management process is based upon ITIL principles and closely resembles change processes used in similar environments.

We have a cycle for requesting new releases, as well as a post-implementation review regimen in place for our Banner releases and major upgrades. Business owners are familiar with our process and have become accustomed to testing the new Banner release when it becomes available during our scheduled maintenance window (6p-9a, one Friday evening per month). Several days prior to the maintenance window, Information Technology sends out a notice to our business owners with a preliminary schedule/description of what will occur during the maintenance window. This information includes a list of patches/releases included in the updates and a tentative timetable for implementation. Once the patches and updates have been applied, a notification is sent to the business owners indicating that the production instance is ready for them to test. From the time of that notification until 7am, the users have a window of time to test the release and approve via email. If approval is not received, the release will be rolled back. Example; This scenario occurred most recently in January 2014 when a Financial Aid release was rolled back for TAMUT because no approval was given.

If the users experience problems due to a change, incident tickets will be created, and an Emergency Change could be the result. During the Change Advisory Board meetings, all emergencies are discussed and managers are responsible to account for all emergencies. The change management process requires that any change to Banner production be verified/tested by the requestor or the change will be backed out. A change to production must first be

qualified in the test environment. A verbal confirmation or an email confirming tests were performed successfully is considered acceptable.

Offices that need to be involved: Information Technology

Implementation Date: Implemented

Responsible Person: Jeff Hinton

Reference No. 2014-121

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A138417; CFDA 84.033, Federal Work-Study Program, P033A138417; CFDA 84.063, Federal Pell Grant Program, P063P134851; CFDA 84.268, Federal Direct Student Loans, P268K144851; and CFDA 84.379, Teacher Education Assistance For College and Higher Education Grants, P379T144851

Type of finding – Significant Deficiency and Non-Compliance

Verification

An institution must establish and use written policies and procedures for verifying an applicant's Free Application for Federal Student Aid (FAFSA) information. Those policies must include (1) the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.57; (2) the consequences of an applicant's failure to provide the requested documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's expected family contribution (EFC) changes and results in a change in the amount of the applicant's assistance under Title IV, Higher Education Act (HEA) of 1965 programs; (4) the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g).

Questioned Cost: \$ 0
U.S. Department of Education

An institution's procedures must also provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing any required actions and the consequences of failing to complete any required action. Finally, an institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance (COA) or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

Texas A&M University - Texarkana's (University) policies and procedures for its verification process did not include all of the required elements. Specifically, the University's policies and procedures did not address the following required elements:

- The time period within which an applicant must provide any documentation requested by the institution.
- The procedures for making referrals.
- A description of the documentation needed to satisfy the verification requirements.
- The applicant's responsibility to provide documentation by the deadline.

- A statement specifying that a student must successfully complete verification prior to consideration of changes to the COA or EFC.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment. Specifically, the director of admissions and the interim director of enrollment had access to the Banner student financial aid application screens allowing awarding and disbursing of aid. Additionally, a former employee, whose last day of employment was in July 2013, still had access to the network in May 2014. After auditors brought those issues to the University's attention, the University removed the inappropriate access.

Allowing users inappropriate or excessive access increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University did not have formal change management controls in place for its Banner student financial aid application prior to November 2013. Approved personnel adequately documented, approved, tested, and implemented changes to the Banner system after November 2013. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Recommendations

The University should:

- Include all required elements in its written verification policies and procedures.
- Limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.
- Sufficiently document changes to Banner to support testing, authorization, and migration of changes to production by authorized personnel.

Management Response and Corrective Action Plan:

VERIFICATION

Action Item:

Texas A&M University-Texarkana's current 2013-2014 procedures were missing the required areas that are mandated by the Department of Education (see below):

(1) the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.57;

(2) the consequences of an applicant's failure to provide the requested documentation within the specified time period;

(3) the method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's expected family contribution (EFC) changes and results in a change in the amount of the applicant's assistance under Title IV, Higher Education Act (HEA) of 1965 programs;

(4) the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g)

In addition, during the A-133 audit review process, the state auditors found that "An institution's procedures must also provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing any required actions and the consequences of failing to complete any required action. Finally, an institution's procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance (COA) or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53)."

Action Plan:

Effective for the 2014-2015 and 2015-2016 award year, Texas A&M University will update its verification policies and procedures to include the following elements:

- *The time period within which an applicant must provide any documentation requested by the institution.*
- *The procedures for making referrals.*
- *A description of the documentation needed to satisfy the verification requirements.*
- *The applicant's responsibility to provide documentation by the deadline.*
- *A statement specifying that a student must successfully complete verification prior to consideration of changes to the COA or EFC.*

Offices that need to be involved: *Financial Aid and Compliance Office.*

Implementation Date: *January 2015*

Responsible Persons: *Charlene Ervin Name: Kathy Williams*

USER ACCESS

Action Item: *User Access*

Limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.

Action Plan: *Enhance Processes*

Banner Security

Texas A&M University Texarkana makes a concerted effort to ensure that business owners sign off on individual's access to their module's forms. Information Technology maintains a paper-trail and has processes in place for new hires, changes, and terminations. However, the user access process can be unwieldy and an effort is underway to streamline the assignment of proper privileges for Banner.

On July 30, 2014, the business owners met to discuss the existing security processes and avenues for enhancing user access controls. The current process for Banner security processing follows:

1. *User fills out a Banner security access form*
2. *It is signed by the business owners for the Registrar, Business Office, and Financial Aid.*
3. *Completed form is delivered to IT*
 - a. *FERPA forms must be submitted for faculty and adjunct to Registrar*

b. Forms are delivered to the Texarkana Banner Administrator, Nikki Thomson

c. Banner Administrator creates user account for Banner access

d. Form is stored in a secure location.

4. There is a change or delete access form. This is for change of access, change of job function, and terminations.

Visibility into Banner Security is provided via an online Banner user access level report. With this information, business owners can review access at any time by a particular user, class, or form.

There is an effort underway to review access to Banner forms and consolidate access rights through profiles designated by job function. This will assist with onboarding new personnel and make it easier to administer security access.

Offices that need to be involved: Information Technology

Implementation Date: March 2015

Responsible Person: Jeff Hinton

CHANGE MANAGEMENT

Action Item: Change Management

Sufficiently document changes to Banner to support testing, authorization, and migration of changes to production by authorized personnel.

Response: Implemented

Banner Change Requests

Our change management process is based upon ITIL principles and closely resembles change processes used in similar environments.

We have a cycle for requesting new releases, as well as a post-implementation review regimen in place for our Banner releases and major upgrades. Business owners are familiar with our process and have become accustomed to testing the new Banner release when it becomes available during our scheduled maintenance window (6p-9a, one Friday evening per month). Several days prior to the maintenance window, Information Technology sends out a notice to our business owners with a preliminary schedule/description of what will occur during the maintenance window. This information includes a list of patches/releases included in the updates and a tentative timetable for implementation. Once the patches and updates have been applied, a notification is sent to the business owners indicating that the production instance is ready for them to test. From the time of that notification until 7am, the users have a window of time to test the release and approve via email. If approval is not received, the release will be rolled back. Example; This scenario occurred most recently in January 2014 when a Financial Aid release was rolled back for TAMUT because no approval was given.

If the users experience problems due to a change, incident tickets will be created, and an Emergency Change could be the result. During the Change Advisory Board meetings, all emergencies are discussed and managers are responsible to account for all emergencies. The change management process requires that any change to Banner production be verified/tested by the requestor or the change will be backed out. A change to production must first be qualified in the test environment. A verbal confirmation or an email confirming tests were performed successfully is considered acceptable.

Offices that need to be involved: Information Technology

Implementation Date: Implemented

Responsible Person: Jeff Hinton

Texas State Technical College - Marshall

Reference No. 2014-122

Eligibility

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A138753; CFDA 84.033, Federal Work-Study Program, P033A138753; CFDA 84.063, Federal Pell Grant Program, P063P135503; and CFDA 84.268, Federal Direct Student Loans, P268K135503

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed for a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Questioned Cost: \$0
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

For students with less-than-half-time enrollment, COA includes tuition and fees and an allowance for only books, supplies, and transportation; dependent care expenses; and room and board costs, except that a student may receive an allowance for such costs for not more than three semesters, or the equivalent, of which not more than two semesters or the equivalent may be consecutive (Higher Education Act of 1965 (HEA), Section 472(4)).

Texas State Technical College – Marshall (College) initially calculates student COA budgets based on full-time enrollment. After the census date each semester, the College identifies students with less-than-full-time enrollment and runs a process within its financial aid system, Colleague, to adjust those students’ COA budgets. That process requires the College to manually enter specific award codes to adjust students’ COA based on their enrollment.

For 5 (8 percent) of 60 students tested, the College did not correctly or consistently calculate COA. The five students were enrolled less than full-time, and the College did not adjust their COA after the census date based on their actual enrollment. That occurred because the College did not enter the correct award codes for those students, and Colleague did not identify that the COA needed to be adjusted. That resulted in overawards for 2 of those students totaling \$2,399 in Federal Direct Student Loans. After auditors brought those overawards to the University’s attention, it corrected the overawards and returned the funds; therefore, there were no questioned costs.

Additionally, the College’s COA budgets are not consistent with federal requirements. The College’s COA budgets include a personal expense component for all students. However, the personal expense component is not allowable for students who are enrolled less than half-time. Two (3 percent) of 60 students tested were enrolled less than half-time, but the College assigned them a personal expense COA component that they were not eligible. That occurred because the College was not aware that less-than-half-time students were not eligible for a personal expense component. Although those two students were not overawarded student financial assistance, including COA components for which students are not eligible increases the risk that students could be overawarded student financial assistance.

Pell Grant and Direct Loan Limits

For the federal Pell Grant Program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education to determine award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum and annual amounts a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for students enrolled three-quarter-time, half-time, and less-than-half-time (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower's cost of attendance, the borrower's maximum borrowing limit, or the borrower's unmet financial need (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

The College's automated controls over Direct Loans and Pell Grant awards do not ensure that manually entered awards comply with federal financial assistance limits. The automated packaging process within Colleague has limits to prevent awarding more student financial assistance than a student is eligible to receive. However, if the College manually awards student financial assistance, Colleague does not prevent students from being awarded more than the limits. That increases the risk that students could be overawarded student financial assistance. Auditors tested 60 students and did not identify any students who were awarded federal financial assistance that exceeded their annual or aggregate award limits.

Other Compliance Requirement

Although the general control weaknesses described below apply to special tests and provisions – verification, auditors identified no compliance issues regarding that compliance requirement.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

The College did not maintain adequate user access controls over Colleague. Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague administrative account for performing administrative tasks on the Colleague application. Four of those eight administrators also had programming responsibilities. The number of individuals with access to that account was excessive.
- One of the Colleague database administrators also had responsibilities as a programmer.
- Programmers migrated their own code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct formal, periodic reviews of user access to Colleague to determine the appropriateness of users' access based on job responsibilities. During the audit period, the College had no policies requiring such reviews. However, as of June 2014, the College had information technology operational governance policies regarding periodic review that were pending approval. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains Colleague for all of its institutions.

Recommendations:

The College should:

- Adjust COA accurately and consistently for students with less-than-full-time enrollment.

- Include COA budget components, such as personal expenses, in the COA calculation only for students who are eligible for those components.
- Implement a process to ensure that manual student financial assistance awards do not cause students' total awards to exceed annual and aggregate award limits.
- Restrict the number of individuals who can access shared administrative accounts for Colleague.
- For Colleague, segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Conduct formal, periodic reviews of user access to Colleague.

Management Response and Corrective Action Plan:

Cost of Attendance

The College calculates initial cost of attendance and awards based on full-time enrollment. After the census date each semester, a process is run to adjust the cost of attendance based on the student's actual enrollment levels. Awards are adjusted as needed in accordance to student's actual enrollment at official census date. This process required Financial Aid staff to enter award codes requiring adjustment. The process has been automated to no longer require award code entry.

The Financial Aid Office will ensure that only eligible budget components are included in the COA calculation for all less-than-full-time students.

Implementation Date: July 16, 2014

Responsible Person: Susan Wingate

Pell Grants and Direct Loan Limits

To take out the human error of awarding Financial Aid, the College auto packages awards to ensure that the students are receiving the correct amount. After census date and again before the end of the semester, the college will run a report that will check to ensure that no students are receiving more aid than they are eligible to receive.

Implementation Date: February 1, 2015

Responsible Person: Susan Wingate

General Controls

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.

The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.

Implementation Date: Implemented

Responsible Person: Richard Martin

Texas State University

Reference No. 2014-123

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134122; CFDA 84.033, Federal Work-Study Program, P033A134122; CFDA 84.063, Federal Pell Grant Program, P063P130387; CFDA 84.268, Federal Direct Student Loans, P268K140387; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T140387; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A130387

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
--

When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student’s FAFSA information changes as a result of verification, an institution must recalculate the student’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

For 4 (7 percent) of 60 students tested, Texas State University (University) did not accurately verify all required information on students’ FAFSAs and did not always correct student ISIR information when required. The University did not accurately verify tax-related information on those students’ FAFSAs. Auditors identified errors in adjusted gross income, reported income taxes paid, and education tax credits. Three of those errors resulted in the students’ EFC being understated; for two of those students, that resulted in the University making Pell Grant overawards of \$100 and \$400.

According to the University, those errors occurred because of manual errors it made during the verification process. When auditors brought those errors to the University’s attention, the University made corrections to the students’ ISIRs and adjusted the students’ awards; therefore, there were no questioned costs.

Not properly verifying FAFSA information can result in the University overawarding or underawarding student federal financial assistance.

Recommendation:

The University should accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.

Management Response and Corrective Action Plan:

Upon the identification of this issue, the data for the affected students were corrected. All verification procedures (e.g., entering tax transcript data, entering W-2 data, etc.) were reviewed and strengthened to ensure greater verification accuracy. A new verification supervisor with extensive verification experience at several institutions was hired to oversee and strengthen the verification team’s operations. Lastly, a new position, Assistant Director for

Compliance, was created and filled. This position will, in part, undertake more extensive quality control sampling of verification work to ensure increased quality and compliance.

Implementation Date: January 2015

Responsible Person: Dr. Christopher D. Murr

Reference No. 2014-124

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134122; CFDA 84.063, Federal Pell Grant Program, P063P130387; CFDA 84.268, Federal Direct Student Loans, P268K140387; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T140387; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A130387

Type of finding – Significant Deficiency and Non-Compliance

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student’s withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, CFR, Section 668.22(a)).

Questioned Cost: \$ 0
U.S. Department of Education

An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(j)).

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return, and it must determine which funds were disbursed directly to a student. The institution must return those Title IV funds as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, CFR, Section 668.21(b)).

Texas State University (University) did not always return Title IV funds within the required time frames. Specifically:

- For 1 (2 percent) of 50 students tested who withdrew, the University did not return Title IV funds within the required 45-day time frame. The University returned funds 274 days after it determined the student withdrew.
- For 1 (7 percent) of 14 students tested who never began attendance, the University did not return Title IV funds within the required 30-day time frame. The University returned funds 70 days after the student withdrew.

Those errors occurred because the University did not process withdrawal notifications in a timely manner.

Not determining withdrawal dates in a timely manner or making returns after the required time frame reduces the information available to the U.S. Department of Education for its program management.

Recommendation:

The University should process withdrawal notifications in a timely manner and return Title IV funds within required time frames.

Management Response and Corrective Action Plan:

The Office of Financial Aid and Scholarships undertakes a 100% re-review of Return of Title IV calculations. While this best practice ensures that all returns are calculated for the correct amounts, it has not necessarily ensured the calculations are performed within the federally-specified timeframe. To address this shortcoming, the re-review of calculations will be performed on a more regular basis (i.e. at least twice a semester) to help minimize the potential of funds being returned beyond the mandated timeframe. In addition, we have created an exception report that will be run weekly to identify students who have withdrawn but do not yet have a Return of Title IV funds calculation in our student information system. Lastly, a new position, Assistant Director for Compliance, was created and filled. This position will, in part, undertake more extensive quality control sampling of Return of Title IV work to ensure increased timeliness of the calculations.

Implementation Date: January 2015

Responsible Person: Dr. Christopher D. Murr

Reference No. 2014-125

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2013-148)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134122; CFDA 84.033, Federal Work-Study Program, P033A134122; CFDA 84.063, Federal Pell Grant Program, P063P130387; CFDA 84.268, Federal Direct Student Loans, P268K140387; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T140387; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A130387

Type of finding – Non-Compliance

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost: \$ 0

U.S. Department of Education

Texas State University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The effective date for a student with a “graduated” status is the date the student completed the course requirements and not the presentation date of the diploma or certificate (*NSLDS Enrollment Reporting Guide*, Appendix B).

For 2 (3 percent) of 60 student status changes tested, the University did not report the change to the NSLDS accurately. Specifically:

- For one student, the University did not properly update the student's status and corresponding effective date. The student completed coursework for a degree in the Fall 2013 semester but did not apply for graduation until the Spring 2014 semester. The student was reported as “withdrawn” following the Fall 2013 semester, and the University did not update that status in the Spring 2014 semester to reflect the student’s “graduated” status. The University reported the graduated status to the NSC in May 2014; however, that status was not reported to the NSLDS. The University did not manually adjust the student's record to reflect the "graduated" status and was not aware of the correct effective date to be used for that student.
- For one student, the University reported an incorrect withdrawal date to the NSLDS. That occurred because of a manual error. After the initial withdrawal date was reported to the NSLDS, the University’s Office of the Registrar approved the student’s appeal to be considered as “never attended” for the Spring 2014 semester. The student had withdrawn on the first day of classes for the semester and had not attended any classes during that term. The University updated the student's effective withdrawal date in its financial aid system, but not in the NSLDS.

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government’s payment of interest subsidies.

Recommendation:

The University should accurately report all student status changes to NSLDS.

Management Response and Corrective Action Plan:

The Office of the University Registrar has developed a report that will identify students who have completed course work but did not graduate and monitor their graduation status for subsequent semesters to identify those that have graduated. The status will then be manually updated with the NSLDS.

All affected staff have been trained and updated on the correct procedures for processing and reporting students who have been granted an appeal to their status in order that NSLDS is updated accurately and in a timely manner.

Implementation Date: January 2015

Responsible Person: Louis E. Jimenez

Texas Tech University

Reference No. 2014-126

Cash Management

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award number – CFDA 84.033, Federal Work-Study Program, P033A124151

Type of finding – Non-Compliance

If an institution submits a request for the advance payment of funds, the request for funds may not exceed the amount of funds the institution needs immediately for disbursements it has made or will make. The institution must disburse the requested funds as soon as administratively feasible, but no later than three business days following the date the institution received those funds (Title 34, Code of Federal Regulations (CFR), Section 668.162(b)). An institution may maintain, for up to seven days, an amount of excess cash that was not disbursed by the end of the third business day and that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must immediately return any amount of excess cash over the one percent and any amount remaining in the institution’s account after the seven-day tolerance period (Title 34, CFR, Section 668.166(b)). Institutions may retain interest earned on federal funds drawn up to \$250 per award year (Title 34, CFR, 668.163(c)(4)).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
--

Texas Tech University (University) did not always minimize the time between its drawdowns of federal funds and its disbursement of those funds. The University drew down funds for the Federal Work-Study Program from a prior award year and did not disburse those funds within three business days of receipt. The University drew down \$34,850 from award year 2012-2013 on September 30, 2013, but it did not fully expend those funds for another 15 days. In addition, those drawdowns exceeded one percent of the total amount from the prior year and the seven-day tolerance period. The interest earned on those funds would not have exceeded the \$250 allowance and, therefore, would not have been required to be remitted.

That issue occurred because the University was not aware of the amount of 2012-2013 Federal Work-Study Program funds that would be available to carry forward until calculations for the Fiscal Operations Report and Application to Participate (FISAP) were completed in late September 2013.

Not minimizing the time between drawdowns of federal funds and the disbursement of those funds increases the risk that the University could draw down funds in excess of its needs.

Recommendations:

The University should:

- Develop and implement a process to help ensure that it minimizes the time between drawdowns of federal funds and the disbursement of those funds.
- Immediately return any federal funds over one percent of the prior year’s total drawdowns or that remain in its accounts after seven days.

Management Response and Corrective Action Plan:

The University has documented policy and procedures, which includes management review and approval of drawdowns, to ensure funds are drawn only after funds have been disbursed. Management will ensure that existing policy is updated to incorporate annual carry forward calculations as well. The University will continue to draw funds on a cost-reimbursable basis only.

Implementation Date: August 2014

Responsible Person: Simone Barnhill

Reference No. 2014-127

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014.

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134151; CFDA 84.033, Federal Work-Study Program, P033A134151; CFDA 84.063, Federal Pell Grant Program, P063P132328; CFDA 84.268, Federal Direct Student Loans, P268K142328; CFDA 84.379, Teacher Education Assistance for College of Higher Education Grants, P379T142328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award

Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) program assistance if the student maintains satisfactory academic progress in his or her course of study according to the institution’s published standards of satisfactory progress that meet the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.34 (Title 34, CFR, Section 668.32(f)). Institutions must establish a reasonable satisfactory academic progress (SAP) policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive Title IV assistance (Title 34, CFR, Section 668.34(a)). A student is making satisfactory progress when the student is enrolled in a program of study of more than two academic years and, therefore, is eligible to receive Title IV, HEA program assistance after the second year; the student has a grade point average of at least a “C” or its equivalent; or the student has academic standing consistent with the institution’s requirements for graduation (Title 34, CFR, Section 668.34(a)).

Questioned Cost: \$ 0

U.S. Department of Education

Texas Tech University’s (University) SAP policy allows students who do not meet SAP requirements to file an appeal in order to receive financial aid. Students with successful appeals are placed on probation with an approved academic plan and allowed to receive financial aid for one or more periods of enrollment if they are determined to be following their academic plans. Beginning October 15, 2013, the University’s policy was to evaluate SAP for all students on an annual basis. However, for students on probation, it evaluated SAP at the end of each term.

The University did not update the SAP status in the financial aid system for 36 (3 percent) of 1,101 students who were identified as not meeting SAP requirements and were on probation. Those students did not meet SAP requirements before the Fall 2013 semester and were placed on probation with an academic plan for the Fall semester. At the end of the Fall semester, those students still did not meet SAP requirements, but the University did not update its financial aid system. That occurred because of a manual error in the process for updating students’ SAP statuses in the financial aid system. The University was unaware that those students still had not met SAP requirements and did not review those students or their academic plans. As a result, the University did not determine whether those students were following the approved academic plans prior to disbursing a total of \$195,799 in Title IV assistance to those students for the Spring 2014 term.

When auditors brought that issue to the University’s attention, it performed a review to determine whether those 36 students were following approved academic plans. For 29 of those students, the University determined that the students were following approved academic plans. For seven of those students, the University had to request additional documentation from the students, including SAP appeals. Those seven students filed the required documentation and their appeals were approved. Therefore, all 36 students were determined to be eligible for federal financial assistance.

Not updating SAP statuses increases the risk that the University could award Title IV assistance to students who are not eligible for that assistance.

Teacher Education Assistance for College and Higher Education

During federal fiscal year 2014, there was a change in the sequester-required percentage reduction that applied to Teacher Education Assistance for College and Higher Education (TEACH) grants first disbursed during fiscal year 2014. The U.S. Office of Management and Budget (OMB) recalculated the sequester-required reduction percentage for the TEACH grant program to 0.89 percent, which was a decrease from the 7.2 percent reduction previously announced in the October 17, 2013, *Dear Colleague Letter*. If an institution had already disbursed TEACH grant awards with a first disbursement date on or after October 1, 2013, and before October 1, 2014, it should have adjusted the award amounts to reflect the reduction percentage of 0.89 percent and disbursed the additional funds to the affected students (*Dear Colleague Letter*, GEN-13-27).

Based on a review of the entire population of federal student financial assistance recipients, the University awarded incorrect amounts for TEACH grant awards to three students. For two of those students, the University underawarded TEACH grants by \$252 and \$470. For one of those students, it overawarded the TEACH grant by \$153. The University entered the incorrect award amounts manually into its financial aid system based on enrollment at the time the award amount determinations were made. Because those award amounts were manually entered, the financial aid system did not automatically adjust the award amounts when sequestration percentage reduction changed. When auditors brought those issues to the University's attention, it adjusted and corrected the TEACH grant awards to those students; therefore, there were no questioned costs.

Recommendations:

The University should:

- Strengthen controls to help ensure that it assigns the correct SAP statuses to students in the financial aid system and to help ensure that it does not award financial aid to ineligible students.
- Adjust and award the correct amount of TEACH grants to eligible students.

Management Response and Corrective Action Plan:

Beginning with spring 2014, we began utilizing the financial aid management system to assign correct SAP statuses.

Beginning with fall 2014, we implemented a checklist of SAP codes to ensure correct SAP statuses are assigned for all students.

All TEACH grants are now awarded at full-time enrollment status. The financial aid management system will prorate the amount applied to the student's tuition and fee record based on enrollment. Internal monitoring of TEACH grant students has been implemented to ensure correct amounts awarded and sequestration amounts implemented by the Associate Director of Administrative Maintenance and Compliance.

Implementation Date: Spring 2014 and Fall 2014

Responsible Persons: Connie Brown and Shannon Followill

Reference No. 2014-128

Special Tests and Provisions – Verification

(Prior Audit Issues 2013-150, 13-129, 12-136, 11-136, and 09-72)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134151; CFDA 84.033, Federal Work-Study Program, P033A134151; CFDA 84.063, Federal Pell Grant Program, P063P132328; CFDA 84.268, Federal Direct Student Loans, P268K142328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 77, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student’s FAFSA information changes as a result of verification, an institution must recalculate the student’s Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost: \$ 0
U.S. Department of Education

For 3 (5 percent) of 60 students tested, Texas Tech University (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs as required. For those three students, the University did not accurately verify one or more of the following items: the number of household members, the number of household members who are in college, income earned from work for non-tax filers, and education credits.

When auditors brought those errors to the University’s attention, it corrected those errors and requested updated ISIRs for those students. For one student, the EFC was overstated and the student should have received an additional \$400 in Pell Grant assistance. The University corrected the Pell Grant assistance and disbursed the additional amount to that student. For one student, the EFC was understated and the student was overawarded \$1,795 in Pell Grant assistance. The University corrected that Pell Grant award amount; therefore, there were no questioned costs. For the remaining student, the errors did not result in changes to the student’s EFC and there was no overaward or underaward of financial assistance.

Those errors occurred because of manual errors the University made during its verification process and that it did not identify in its monitoring of the verification process. Not properly verifying FAFSA information can result in the University overawarding or underawarding student federal financial assistance.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students it selects for verification and request updated ISIRs when required.
- Strengthen the monitoring of its verification process.

Management Response and Corrective Action Plan:

We have begun outsourcing verification for the 2014-15 academic year. This practice allows for current student financial aid staff verification specialists to focus on quality control and report resolution for verified students.

We have implemented an internal review by verification advising staff of outsourced files to ensure proper verification of FAFSA information.

Implementation Date: August 2014

Responsible Persons: Connie Brown and Shannon Followill

Reference No. 2014-129

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2013-152, 13-132, 12-138, 11-139 and 09-75)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134151; CFDA 84.063, Federal Pell Grant Program, P063P132328; CFDA 84.268, Federal Direct Student Loans, P268K142328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142328; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis, (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended, or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Section 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost: \$ 0
U.S. Department of Education

Institutions are required to use the date of a student’s withdrawal for the purposes of reporting enrollment status changes to the Secretary of the U.S. Department of Education and determining when a refund or return of Title IV funds must be paid (Title 34, CFR, Section 685.305(c)). In addition, the *Federal Student Aid Handbook* states that, if a student officially withdraws while on a scheduled break of five consecutive days or more, the withdrawal date is the last date of scheduled class attendance prior to the start of the scheduled break (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*). The *NSLDS Enrollment Reporting Guide* defines the effective date of a status change as the date when the most recently reported status took effect. It also states that, in the absence of a student’s formal withdrawal, the student’s last recorded date of attendance should be reported as the status change date. The effective date to be reported for graduated students is the date the students completed the course requirements (*NSLDS Enrollment Reporting Guide*, Appendix B).

The *NSLDS Enrollment Reporting Process* attachment to the *Dear Colleague Letter* GEN-12-06 states that, in instances for which a student completes one academic program and then enrolls in another academic program at the same institution, the institution must report two separate enrollment transactions: one showing the completion of the first program and its effective date and credential level, and the other showing the enrollment in the second program and its effective date (GEN-12-06).

Texas Tech University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all

students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes, when required, to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

For 9 (15 percent) of 61 student enrollment changes tested, the University did not report enrollment changes to NSLDS accurately. Specifically:

- For two students who unofficially withdrew during the Fall 2013 term and did not return for the Spring 2014 term, the University did not report the correct withdrawal dates to NSLDS. The University initially reported both students' last date of attendance in an academically related activity to NSLDS. However, when the registrar's office recertified those students' statuses, the University incorrectly reported the final day of the Fall 2013 term as the effective date of the withdrawals.
- For two students who officially withdrew during the Thanksgiving break of the Fall 2013 term, the University did not report the correct withdrawal date to NSLDS. The University reported the date of the students' withdrawal notification, rather than the last date of scheduled class attendance prior to the start of the Thanksgiving break.
- For three students who completed the term, the University subsequently placed the students on academic suspension and canceled their enrollment, but it did not report the correct withdrawal dates to NSLDS. The University incorrectly reported those students as withdrawn as of the date their classes for the following term were canceled, rather than the last class day of the term they had completed.
- For one student who graduated after the Spring 2014 term and began half-time attendance for the first session of the Summer term, the University reported the student's graduation to NSC; however, NSC did not report the student's graduation to NSLDS.
- For one student who graduated after the Fall 2013 term, the University incorrectly reported the student's commencement date, rather than the last class day of the Fall 2013 term.

Not reporting student status changes and effective dates accurately to NSLDS could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

Recommendation:

The University should accurately report effective dates and enrollment changes to NSLDS.

Management Response and Corrective Action Plan:

We have implemented and updated policy and procedure for unofficial withdrawals to ensure reporting of effective dates and enrollment changes to NSLDS.

We have implemented and updated policy and procedure for official withdrawals which occur during a scheduled break.

Official and unofficial withdrawal reporting with regards to student financial aid will be monitored on NSLDS by the Associate Director of Administrative Maintenance and Compliance to ensure each date is correctly reported.

As part of end-of-term processing, the final day of the term (last day of finals) will be the date used for all student future term enrollment cancelled for academic suspension.

The last day of the term (last day of finals) will be the date used as the end date for all degree candidates when complete.

We will continue to ensure the enrollment information uploaded is accurate and timely.

Implementation Date: Fall 2014

Responsible Persons: Bobbie Brown and Shannon Followill

University of Houston

Reference No. 2014-139

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134166; CFDA 84.033, Federal Work-Study Program, P033A134166; CFDA 84.063, Federal Pell Grant Program, P063P132333; CFDA 84.268, Federal Direct Student Loans, P268K142333; CFDA 84.038, Federal Perkins Loans – Federal Capital Contributions, Award Number Not Applicable; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142333

Type of finding –Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Section 668.54 and 668.56; and *Federal Register* Volume 77, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 from the student’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award. (Title 34, CFR, Section 668.59).

Questioned Cost: \$ 0
U.S. Department of Education

For 2 (5 percent) of 40 students tested, the University of Houston (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs as required. For those students, the University did not accurately verify one or more of the following verification items: the number of household members in college, education credits, and untaxed pension amounts. As a result of those errors, the University understated the EFC for one student by \$5,049 and overstated the EFC for one student by \$25. Those errors occurred because of manual errors the University made in verification.

When auditors brought those errors to the University’s attention, it corrected the errors and requested updated ISIRs for those students. Although there was a change in the students’ EFC, that did not affect the students’ aid amounts. Therefore, there were no questioned costs.

Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

Recommendation:

The University should accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.

Management Response and Corrective Action Plan:

We have implemented a new procedure in the PeopleSoft computer system to identify the applicants selected for verification in a timely manner, which will help to ensure that we accurately verify all required FAFSA information and that all FAFSA verification requirements are being met. As part of this new procedure, we will request updated ISIRs when required in order to be compliant with Federal verification regulations.

Implementation Date: September 2014

Responsible Persons: Sal Loria, Scott Moore, and Candida DuBose

Reference No. 2014-140

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2013-165, 13-147, 12-153, 11-154, 10-98, 09-87, 08-74, and 07-58)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134166; CFDA 84.033, Federal Work-Study Program, P033A134166; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132333; CFDA 84.268, Federal Direct Student Loans, P268K142333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142333

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost: \$ 0
U.S. Department of Education

When a student completes one academic program and then enrolls in another academic program at the same school, the school must report two separate enrollment transactions: one showing the completion of the first program and its effective date and credential level, and the other showing the enrollment in the second program and its effective date (*Dear Colleague Letter*, March 20, 2012, GEN-12-06).

The University of Houston (University) runs a query to identify students who have graduated during a specified term. Degree verification transmissions are scheduled weekly until the colleges have made all degree decisions for the relevant term and the Office of Registration and Academic Records has processed those decisions. The colleges have up to 40 calendar days from the close of the relevant term to submit their graduation decisions for processing. Degree decisions not completed by that due date are reported manually (not by batch) directly to the National Student Clearinghouse (NSC), which reports student status changes to the National Student Loan Data System (NSLDS) on behalf of the University. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to enrollment reporting roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

For 1 (3 percent) of 40 student status changes tested, the University did not report the enrollment change to NSLDS accurately. The student graduated at the end of the Fall 2013 term, and the University reported the status change to NSC. However, NSC did not report the status change to NSLDS; instead, it reported a full-time status for that student for the Fall 2013 term. While the student enrolled in the Spring 2014 term and was reported with a half-time status, NSC should have reported the completion of the student’s program in the Fall 2013 term to NSLDS as a separate enrollment transaction.

Not reporting student status changes accurately and within the required time frame could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government’s payment of interest subsidies.

Recommendation:

The University should implement a process to ensure that all student status changes are reported accurately to NSLDS.

Management Response and Corrective Action Plan

We have implemented procedures that will help ensure that all student status changes are reported accurately to National Student Loan Data System (NSLDS). Procedures are in place to review files that are submitted to the National Student Clearinghouse (NSC) and to then review the information submitted to NSLDS from the NSC. Since we have accurately reported to the NSC, we have discussed this issue with NSC personnel to help ensure that they understand this audit issue.

Implementation Date: September 2014

Responsible Persons: Sal Loria, Scott Moore, Candida DuBose and Debbie Henry

University of Houston - Downtown

Reference No. 2014-144

Eligibility

(Prior Audit Issue 11-158)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134118; CFDA 84.033, Federal Work-Study Program, P033A134118; CFDA 84.063, Federal Pell Grant Program, P063P132306; and CFDA 84.268, Federal Direct Student Loans, P268K142306

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase "cost of attendance" refers to the "tuition and fees normally assessed for a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Questioned Cost: \$ 0

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

The University of Houston - Downtown (University) established different COA budgets for students based on living status (off-campus, with parents, and with parents with dependent) and term enrollment (full-time, three-quarter-time, half-time, and less-than-half-time). For Summer semesters, the University budgets students using a Summer budget if the students request financial assistance for the Summer. The University budgets students at full-time anticipated enrollment for the Fall, Spring, and Summer semesters. At the census date of each semester, the University manually adjusts students' COA budgets based on actual enrollment from system generated reports.

For 5 (8 percent) of 60 students tested, the University incorrectly or inconsistently calculated COA. Specifically:

- For three students, the University incorrectly performed a manual adjustment to the students' COA budgets. As a result, the students' COA budgets were each overstated by \$2,093.
- For two students, the University assigned the incorrect living status budget component. That occurred because of an error in the automated financial assistance budgeting processes. The budgeting processes accepted the "with parents" living status prior to checking whether the students satisfied the criteria for "with parents with dependent" living status. As a result, the students' COA budgets were understated by \$370 and \$185.

The errors did not result in overawards for these five students; however, by incorrectly calculating COA, the University increases the risk of overawarding or underawarding financial assistance to students.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

An institution's policy must describe how a student's grade point average (GPA) and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)). The University's completion rate policy requires students to complete 73 percent of all hours attempted, including transfer hours.

The University did not always apply its SAP policy consistently. For 1 (2 percent) of 60 students tested, the University disbursed aid to a student who did not meet the University's pace of completion requirement. That occurred because the student's transfer credits were not included in the automated SAP calculation; as a result, the student was not flagged as not meeting SAP requirements. The student had received \$7,424 in Federal Direct Loans associated with award number P268K142306 for which the student was not eligible. After auditors brought this matter to its attention, the University returned all federal aid; therefore, there were no questioned costs.

Not evaluating and documenting the review of students' satisfactory academic progress increases the risk of awarding financial assistance to ineligible students.

Recommendations:

The University should:

- Correctly and consistently apply and adjust COA budgets for all students.
- Include all necessary information in SAP determinations.

Management Response and Corrective Action Plan:

Cost of Attendance

We corrected the setup of the automated grouping process in Spring 2014 to consider "with parent, with dependent" group prior to the "with parent" group to prevent further errors in budget grouping. We have also implemented periodic budgeting which automatically coordinates the students' budget amount with their corresponding budget components and enrollment. The Tuition and Fees component is now tied to the enrollment hours. The budget is automatically re-calculated on a daily basis during the registration period to correspond to the hours as students add and drop courses.

SAP

We have modified our admission procedures effective Fall 2014, such that:

1. *All transfer credits are evaluated prior to an admission decision.*
2. *SAP is calculated after a student is admitted, so all evaluated transfer credits will be captured at the time SAP is calculated for a student.*

Implementation Date: Fall 2014

Responsible Person: LaTasha Goudeau

Reference No. 2014-145

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P132306; CFDA 84.033, Federal Work-Study Program, P033A134118; CFDA 84.268, Federal Direct Student Loans, P268K142306; and CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134118

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 from the student’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student’s FAFSA information changes as a result of verification, an institution must recalculate the student’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost: \$ 0
U.S. Department of Education

For 5 (8 percent) of 60 students tested, the University of Houston – Downtown (University) did not accurately verify all required items on the FAFSA. Therefore, it did not subsequently update its records and request updated ISIRs as required. For those five students, the University did not accurately verify one or more of the following items: the number of household members, the number of household members who are in college, income earned from work for non-tax filers, education credits, and the amount of U.S. income taxes the student paid.

When auditors brought the errors to the University’s attention, the University made corrections to the students’ ISIRs. For one student, the EFC was overstated and the student should have received an additional \$400 in Pell Grant assistance associated with award P063P132306. The University subsequently awarded the additional \$400 in Pell Grant assistance. For the remaining four students, the errors did not result in changes to the students’ EFC and there was no overaward or underaward of financial assistance.

Those errors occurred because of manual errors the University made during the verification process, and because the University does not have an adequate process to monitor verification. Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.

Management Response and Corrective Action Plan:

To strengthen verification processes, Financial Aid has required recent training and quality assurance measures. All staff responsible for performing verification as part of their job duties have been required to take an online course offered through the National Association of Student Federal Aid Administrators. All staff responsible for verification have now completed this 4 week course. As an added measure of accountability, the Assistance Director of Processing will review a sample of verification files on a quarterly basis to verify and make any necessary corrections and take actions as warranted.

Implementation Date: January 2015

Responsible Person: LaTasha Goudeau

University of North Texas

Reference No. 2014-146

Eligibility

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134085; CFDA 84.033, Federal Work-Study Program, P033A134085; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132293; CFDA 84.268, Federal Direct Student Loans, P268K142293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142293

Type of finding – Material Weakness and Material Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code (USC), Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed for a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 1087ll).

Questioned Cost: \$ 0
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

For students who receive loans, COA includes the fees required to receive those loans. The COA may also include the fees required for non-federal student loans (that is, non-federal loans that must be considered Estimated Financial Assistance for the student when packaging aid). An institution can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at the institution. To be included in the COA, any loan fees for private loans must be charged to the borrower during the period of enrollment for which the loan is intended (U.S. Department of Education 2013-2014 Federal Student Aid Handbook).

For 28 (47 percent) of 60 students tested, the University of North Texas (University) incorrectly or inconsistently calculated COA. Specifically, the University included loan fees for Direct PLUS Loans in the COA budget for all dependent students, regardless of whether those students received that type of loan. The University does not have a process to remove the loan fees from the COA budget if a student does not accept a Direct PLUS loan.

Because the University included loan fees for those students, it overawarded financial assistance to 3 of those 28 students. Specifically, the University incorrectly awarded one student need-based aid in excess of financial need, which resulted in an overaward of \$350. For two students, the University incorrectly awarded financial aid in excess of each student’s COA, which resulted in overawards of \$310 and \$85. After auditors brought those errors to its attention, the University corrected those overawards and returned the funds; therefore, there were no questioned costs.

Not removing Direct PLUS loan fees from COA when necessary could result in higher COA budgets and increases the risk of overawarding financial assistance.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

An institution must establish a reasonable SAP policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA Program. The Secretary of the U.S. Department of Education considers an institution's policy to be reasonable if the policy is at least as strict as the policy the institution applies to a student who is not receiving assistance under the Title IV, HEA Program (Title 34, CFR, Section 668.34(a)).

The policy should specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum time frame, as defined in Title 34, CFR, Section 668.34(b), and provides for measurement of the student's progress at each evaluation. An institution calculates the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted. In making this calculation, the institution is not required to include remedial courses (Title 34, CFR, Section 668.34(5)(i) and (ii)).

For an undergraduate program measured in credit hours, a period no longer than 150 percent of the published length of the program as measured in credit hours should be used to determine the maximum time frame for the quantitative component of SAP. For a graduate program, institutions define that period based on the length of the educational program (Title 34, CFR, Section 668.34(b)(1) and (3)).

The University's SAP policy does not meet all federal requirements. As a result, for 6 (11 percent) of 54 students tested, the University did not correctly determine their SAP status. The policy allows for students to progress through an academic program at a pace that does not ensure that they will graduate within the maximum time frame. The policy specifies a minimum number of hours that must be completed based on the number of hours enrolled within each semester of a financial assistance year. However, the policy does not consider cumulative hours, which could result in a pace that would not ensure a student graduated within the maximum time frame.

The University incorrectly disbursed financial assistance to five of the six students tested who did not meet SAP requirements. Specifically, the University disbursed \$51,302 in federal Direct Student Loans and \$16,229 in federal Pell Grants to those ineligible students. After auditors brought those errors to the University's attention, it requested SAP appeals for two of those five students, and those two students were placed on an academic plan. For three of those five students, the University corrected their awards and returned funds to the U.S. Department of Education. The remaining student would have entered a probation period and was still eligible for the financial assistance that student received. Therefore, there were no questioned costs.

Having a policy that allows students to progress through their program at a pace that does not ensure that they will graduate within the maximum time frame increases the risk of federal assistance being disbursed to ineligible students.

In addition, the University's SAP policy is less strict than its academic policy for graduate students. The University's Institutional Academic Policy in its graduate catalog specifies that master's degree students have five to seven years to complete their degree, and doctoral students have eight years to complete their degree. However, the SAP policy allows graduate students to complete their degree within 150 percent of the published length of the program measured by the number of terms. In addition, the University asserted that, for SAP evaluation, the maximum length was 27 terms (9 years) for master's degree students and 45 terms (15 years) for doctoral students. Although auditors did not identify students who exceeded those time frames during testing, having a SAP policy that is less strict than the academic policy increases the risk of federal assistance being disbursed to ineligible students.

Recommendations:

The University should:

- Include loan fees in COA only for students who receive loans.
- Ensure that its SAP policy meets federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than an annual basis; ensuring that the policy requires students to graduate within the maximum time frame; and making the policy at least as strict as its academic policy.

Management Response and Corrective Action Plan:

Cost of Attendance

Management made changes to include loan fees in the COA budget only for students who receive loans.

Implementation Date: August 2014

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

Satisfactory Academic Progress

Management made changes to its SAP policy to meet federal requirements by calculating the quantitative pace requirement on a cumulative basis to ensure students graduate within the maximum time frame. For graduate students, management made changes to the policy to make it at least as strict as UNT’s academic policy.

Implementation Date: August 2014

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

Reference No. 2014-147

Special Tests and Provisions - Verification

(Prior Audit Issue 2013-168)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134085; CFDA 84.033, Federal Work-Study Program, P033A134085; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132293; CFDA 84.268, Federal Direct Student Loans, P268K142293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142293

Type of finding – Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). The U.S. Department of Education has outlined items that are to be included in other taxable income and items that are not to be included. In addition to other types of income, untaxed Social Security benefits are not to be included in other taxable income (U.S. Department of Education 2013-2014 *Application and Verification Guide*).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
--

When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S.

Department of Education and adjust the student's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student's FAFSA information changes as a result of verification, an institution must recalculate the student's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

For 1 (3 percent) of 40 students tested, the University of North Texas (University) did not correctly verify all required information on the student's FAFSA and did not correct student ISIR information when required. The University incorrectly categorized Social Security benefits as untaxed income for that student, which resulted in an overstatement of the student's EFC. That error occurred as a result of a manual error in the University's verification process. When auditors brought that issue to the University's attention, it removed the Social Security benefits as untaxed income and submitted corrections to the student's ISIR. The corrected information changed the student's EFC and resulted in the student being eligible for \$5,645 in Pell Grant assistance. The University awarded the student the additional Pell Grant assistance.

Not properly verifying FAFSA information can result in the University overawarding or underawarding student financial assistance.

Recommendation:

The University should accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.

Management Response and Corrective Action Plan:

Management made changes to accurately categorize Social Security benefits for students selected for verification. Management corrected the ISIR information for the one student.

Implementation Date: December 2014

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

University of Texas at Arlington

Reference No. 2014-148

Eligibility

Activities Allowed or Unallowed

Cash Management

Period of Availability of Federal Funds

Reporting

Special Tests and Provisions – Separate Funds

Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)

Special Tests and Provisions – Institutional Eligibility

(Prior Audit Issues 2013-170, 13-154, and 12-156)

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K142335; CDFA 93.264, Nurse Faculty Loan Program, E01HP25899-01-00; CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134172; CFDA 84.033, Federal Work-Study Program, P033A134172; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contribution, Award Number Not Applicable

Type of finding – Material Weakness and Material Non-Compliance

Eligibility and Certification Approval Report

Each institution’s most recent *Eligibility and Certification Approval Report* (ECAR) lists the institution’s main campus and any additional approved locations. For any other locations at which an institution offers 50 percent or more of an eligible program during the audit period, the institution must either submit an application for approval of that location or notify the U.S. Department of Education of that location (Title 34, Code of Federal Regulations (CFR), Sections 600.20(c) and 600.21(a)(3)). An institution may not disburse Title IV, HEA Program assistance to students at that location before it reports to the U.S. Department of Education about that location (Title 34, CFR, Section 600.21(d)).

Questioned Cost: \$ 4,459,375
U.S. Department of Education
U.S. Department of Health and
Human Services

The University of Texas at Arlington’s (University) most recent ECAR did not include all additional locations. The University has additional locations in Fort Worth and Dallas that offer more than 50 percent of an eligible program. Those additional locations should have been included on the University’s most recent ECAR. In addition, the University had not notified the U.S. Department of Education about those additional locations. The University disbursed a total of \$4,459,375 in federal student financial assistance to 308 students enrolled in those locations during the award year. Of those disbursements, \$4,436,625 was associated with CFDA 84.268, Federal Direct Student Loans, award number P268K142335; \$22,000 was associated with CFDA 84.038, Federal Perkins Loans, award number not applicable; and \$750 was associated with CFDA 84.033, Federal Work-Study Program, award number P033A134172, all of which are considered questioned costs.

Failure to update the ECAR and notify the U.S. Department of Education of additional locations could result in students receiving financial assistance for ineligible programs.

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code (USC), Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 1087ll).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, CFR, Sections 668.2, 673.5, and 685.301).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

The University establishes different COA budgets for students based on class level (undergraduate or graduate); degree program; in-state or out-of-state residency; living status (on campus, off campus, or at home); and term enrollment (full-time, half-time, or three-quarter-time). Prior to an award year, the University requests that students submit their anticipated enrollment to the financial aid office if they plan to enroll less than full-time. The University's student budgets default to full-time enrollment if students do not respond to a request for anticipated enrollment. However, the University does not adjust the budget for actual enrollment; therefore, that increases the risk of awarding assistance in excess of a student's financial need or COA budget and awarding Pell assistance incorrectly.

For 16 (27 percent) of 60 students tested, the University incorrectly calculated the COA. Specifically:

- For nine students, the University did not update the COA based on actual enrollment. The University either assigned those students a full-time COA or calculated COA based on the students' anticipated enrollment, which was less than their actual enrollment. The incorrect calculation of COA caused one student to receive a Direct Subsidized Loan that exceeded that student's calculated need by \$909. The University budgeted that student with a full-time COA; however, that student was enrolled half-time for both terms during the award year. The incorrect calculation caused another student to be underawarded Pell assistance by \$706. The University budgeted that student's COA as half-time for one term in which the student was actually enrolled three-quarter-time. While the remaining seven students had incorrect COAs, those students were not overawarded or underawarded financial assistance.
- For three students, the University manually selected an incorrect budget when determining COA. That resulted in understatements of COA for two of those students in the amounts of \$165 and \$250, and an overstatement of COA for one of those students in the amount of \$616.
- For two students, the major in which those students were enrolled was not included in the financial assistance application system; therefore, the COA was based on the wrong budget. Auditors identified an additional 138 students with incorrect COAs due to that error.
- For three students enrolled less than half-time, auditors were unable to calculate a COA for those students. That occurred because the University did not have a documented budget or procedures for calculating COA for less-than-half-time enrollment. The lack of a documented budget or procedure to adjust COA for enrollment levels at less than half-time increases the risk that students could be overawarded or underawarded financial assistance. (One of those students was also discussed above in the issue regarding COA not being updated based on actual enrollment.)

After auditors brought the errors to the University's attention, it adjusted the students' awards by returning overawards to the U.S. Department of Education and disbursing additional funds to students to whom it underawarded assistance. Therefore, there were no questioned costs. Incorrect COA calculations could result in underawards or overawards of financial assistance.

Nurse Faculty Loan Program

Students who receive a Nurse Faculty Loan Program (NFLP) loan must be enrolled full-time or part-time in an eligible advanced education nursing degree program (master's or doctoral) that offers an education component to prepare qualified nurse faculty. The total amount of NFLP loans made to a student should cover the full or partial

tuition and fees for the academic year, not to exceed \$35,500 during fiscal year 2014. Full support includes the cost of tuition, fees, books, laboratory expenses, and other reasonable education expenses. NFLP loans do not include stipend support (for example, living expenses, student transportation cost, room/board, and personal expenses) (Title 42, USC, Section 297n-1(b)(4) and 297n-1(c)(4) and Health Resources and Services Administration (HRSA), Announcement HRSA-14-072).

For 1 (2 percent) of 60 students tested, the University disbursed an NFLP loan to that student in an amount that exceeded that student's qualified educational expenses. The student was initially awarded assistance based on that student attending half-time in both the Spring term and the Fall term. However, the student attended the Fall term half-time and attended the Spring term less than half-time; that resulted in an overaward of \$1,883. After auditors brought that error to the University's attention, it reduced the student's NFLP award to actual education expenses; therefore, there were no questioned costs.

Federal Pell Grant

When awarding Pell Grant assistance to students, for each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)). Institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63 (b)).

For 8 (28 percent) of 29 students tested who received Pell Grants, the University did not award the correct amount of Pell Grant assistance. Specifically:

- For five students, the University did not award those students Pell Grant assistance in the Summer term in which those students were eligible to receive that assistance. That occurred because of the University's process to award Pell Grant assistance in the Summer term only if a student requests assistance and meets eligibility requirements. Those five students were eligible to receive Pell Grant assistance in the amounts of \$398, \$673, \$706, \$1,873, and \$2,117.
- For one student, the University awarded Pell Grant assistance in the Summer term for half-time enrollment; however, that student was enrolled three-quarter-time. That occurred because the University automatically disburses Summer Pell Grant assistance as if a student's enrollment is half-time, and it does not adjust award amounts based on actual enrollment. That student was eligible to receive additional Pell Grant assistance in the amount of \$349.
- For one student, the University did not disburse Pell Grant assistance for which the student was eligible because the student was approaching the maximum lifetime limit. Rather than awarding the student the remaining Pell Grant assistance for which the student was eligible, the University did not award the student any Pell Grant assistance. As a result, that student was underawarded Pell Grant assistance by \$1,271.
- For one student, the University calculated COA incorrectly, which resulted in the student being underawarded Pell Grant assistance by \$706. (That student was among the 16 students discussed above for whom the University incorrectly calculated COA.)

The University asserted that the financial aid department monitors an add/drop list until the census date to determine Pell Grant awards; however, the financial aid system does not automatically identify students whose enrollment status changed during the award year. After auditors brought the errors to the University's attention, it adjusted those students' Pell Grant assistance and disbursed additional assistance.

Teacher Education Assistance for College and Higher Education

Under the Budget Control Act of 2011, additional sequester funding reductions took effect with the start of the 2014 federal fiscal year. For grants for which the first disbursement is made on or after October 1, 2013, Teacher Education Assistance for College and Higher Education (TEACH) grant awards must be reduced by 7.2 percent from the original statutory amounts. For grants first disbursed after March 1, 2013, and before October 1, 2013, the

award amount must be reduced by 6 percent from the award amount for which a recipient would otherwise have been eligible (*Dear Colleague Letter*, GEN-13-22).

During federal fiscal year 2014, there was a change in the sequester-required percentage reduction that applied to TEACH grants first disbursed during fiscal year 2014. The U.S. Office of Management and Budget (OMB) recalculated the sequester-required reduction percentage for the TEACH grant program to 0.89 percent, which was a decrease from the 7.2 percent reduction previously announced in the October 17, 2013 *Dear Colleague Letter*. If an institution had already disbursed TEACH grant awards with a first disbursement date on or after October 1, 2013, and before October 1, 2014, it should have adjusted the award amounts to reflect the reduction percentage of 0.89 percent and disbursed the additional funds to the affected students (*Dear Colleague Letter*, GEN-13-27).

For 93 (32 percent) of 292 TEACH grant recipients, the University did not award the correct amount of TEACH grant assistance. That occurred because the University misinterpreted the sequester requirements to mean that if a student had received a TEACH grant before March 1, 2013, the student was entitled to the full amount for subsequent awards disbursed during the sequester period. However, the sequester requirements applied to any student receiving a TEACH grant, even if the student had previously received assistance. For 92 of those 93 students, the University overawarded TEACH grant assistance totaling \$14,664, and for one student, the University underawarded \$178 in assistance. After auditors brought the error to the University's attention, it adjusted all 93 students' TEACH awards to reflect the correct amount required by the sequester; therefore, there were no questioned costs.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

For an undergraduate program measured in credit hours, a period no longer than 150 percent of the published length of the program as measured in credit hours should be used to determine the maximum timeframe quantitative component of SAP (Title 34, CFR, Section 668.34(b)(1)).

The University's SAP policy does not meet all federal requirements. The policy allows for students to progress through an academic program at a pace that does not ensure that they will graduate within the maximum time frame. The policy specifies a minimum number of hours that must be completed based on the number of hours enrolled within a financial assistance year. However, that policy does not consider cumulative hours, which could result in a pace that would not ensure a student graduated within the maximum time frame.

Although auditors did not identify students during testing who would be ineligible for student financial assistance as a result of this issue, calculating pace on a financial aid year basis and in a manner that does not ensure graduation within the maximum time frame increases the risk that students will not graduate within the maximum time frame required and, therefore, will be ineligible for federal financial assistance.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions – separate funds, and special tests and provisions – borrower data transmission and reconciliation (Direct Loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendations:

The University should:

- Update its ECAR as required and ensure that it does not disburse financial assistance to students at locations that are not on its ECAR.
- Calculate each student's COA based on the correct budget and ensure that COA calculations based on anticipated enrollment do not result in overawards or underawards of financial assistance.
- Establish procedures to address a student's COA at all enrollment levels, including less-than-half-time enrollment.
- Verify that the amounts of NFLP loans it awards do not exceed students' qualified educational expenses for the year.
- Award students the correct amount of Pell Grants according to their enrollment status for all terms, including the Summer term.
- Award students the correct amount of TEACH grants according to annual limits.
- Ensure that its SAP policy meets federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than an annual basis, and by ensuring that the policy requires students to graduate within the maximum time frame.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Eligibility and Certification Approval Report

The University recently identified three, accreditor approved, additional locations that were not submitted to the US. Department of Education, as required, prior to disbursing Title IV funds and was in the processes of evaluating the criteria at the same time the audit was conducted. The University has submitted the additional location update to the Application for Approval to Participate in Federal Student Financial Aid Programs to the Secretary.

Implementation Date: January 6, 2015

Responsible Party: Dr. Wallace Wasson

Cost of Attendance

The University is in the process of simplifying the COA budget assignment to ensure the correct budget assignments are made in addition to updating the budget policy to include less-than-half-time enrollment budgets.

Implementation Date: March 1, 2015

Responsible Parties: Karen Krause and Beth Reid

Nurse Faculty Loan Program

The University has implemented a NFLP review process each term to ensure the students requested by the awarding department are enrolled in the hours stated by the department each term.

Implementation Date: November 1, 2014

Responsible Parties: Tanya Vittitow and Lea Anne Sikora

Federal Pell Grant

The errors made were a result of manual procedures. The University is reviewing our manual procedures to automate as resources become available and improve accuracy. Additionally, the University is currently reviewing our summer Pell Grant awarding policy and procedures to ensure all eligible students are awarded.

Implementation Date: March 1, 2015

Responsible Party: Karen Krause

Teacher Education Assistance for College and Higher Education

The University made a one-time sequester error resulting in the failure to adjust the interest rate as required by sequestration. A 100% student review was performed and all adjustments are completed.

Implementation Date: August 1, 2014

Responsible Party: Beth Reid

Satisfactory Academic Progress

The University has published an updated SAP policy, specifically to replace an attempted credit range with an annual pace of 67%.

Implementation Date: December 1, 2014

Responsible Parties: Karen Krause and Tanya Vittitow

General Controls

The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.

Implementation Date: May 1, 2015

Responsible Parties: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery

Reference No. 2014-149

Special Tests and Provisions - Verification

(Prior Audit Issues 2013-171, 13-155, and 12-158)

Student Financial Assistance

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K142335; CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134172; CFDA 84.033, Federal Work-Study Program, P033A134172; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contribution, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of a student’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 from the student’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student’s FAFSA information changes as a result of verification, the institution must recalculate the student’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Questioned Cost: \$ 0
U.S. Department of Education

For 11 (18 percent) of 60 students tested, the University of Texas at Arlington (University) did not accurately verify all required items on students’ FAFSAs, and it did not always update its records and request updated ISIRs as required. The University did not accurately verify one or more of the following items for those students: the number of household members, the number of household members who are in college, income earned from work for non-tax filers, and education credits reported on income taxes.

Those errors occurred because of manual errors the University made during the verification process. In addition, the University’s monitoring of completed verifications did not identify those errors. When auditors brought the errors to the University’s attention, it made corrections to the students’ ISIRs. Specifically:

- For six of those students, the EFC was overstated. Four of those students should have received additional Pell Grant assistance, and the University subsequently disbursed a total of \$8,028 in additional Pell Grants to those four students. One student should have received additional Subsidized Direct Loan assistance, and the University subsequently awarded an additional \$777 in Subsidized Direct Loans to that student. For one student, the overstatement did not result in additional federal financial assistance.
- For five of those students, the errors did not result in changes to the students’ EFCs, and there was no overaward or underaward of financial assistance.

Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Verification of Applications

The errors made in the verification reviews were a result of human error and incorrect policy interpretation. The University has updated its Verification Policy to ensure it is compliant with federal verification requirements. Staff performance reviews, work audits and training have been conducted to prevent future errors.

Implementation Date: December 1, 2014

Responsible Party: Jason Young

General Controls

The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.

Implementation Date: May 1, 2015

Responsible Parties: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery

Reference No. 2014-150

Special Tests and Provisions – Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K142335; CDFR 93.264, Nurse Faculty Loan Program, E01HP25899-01-00; CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134172; CFDA 84.033, Federal Work-Study Program, P033A134172; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contribution, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Transfer Monitoring

If a student transfers from one institution to another institution during the same award year, the institution to which the student transfers must request from the Secretary of the U.S. Department of Education, through the National Student Loan Data System (NSLDS), updated information about that student so that it can make certain eligibility determinations. The institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS and the information it receives allows it to make the disbursement (Title 34, Code of Federal Regulations (CFR), Section 668.19).

Questioned Cost: \$ 0
U.S. Department of Education
U.S. Department of Health and
Human Services

The University of Texas at Arlington (University) did not perform required reviews of transfer students prior to disbursing student financial assistance. For 4 (80 percent) of 5 students tested who transferred during the academic year, the University did not obtain updated loan history information from NSLDS for the current year before it disbursed funds. The University did not add those students to its transfer monitoring list because of manual errors it made in identifying transfer students. The University asserted that it performed a check of NSLDS prior to disbursing funds for all students; however, it did not have documentation of that check.

Although auditors did not identify students during testing who were overawarded as a result of this issue, not obtaining updated NSLDS information prior to disbursing funds increases the risk that the University could overaward funds to students who received funds at another institution.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendation:

The University should:

- Strengthen its process to help ensure that it identifies all students who transfer during the award year and reviews information from NSLDS before disbursing funds.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.

- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Transfer Monitoring

The University failed to follow our Transfer Monitoring Policy and Procedure. Transfer Monitoring Policies and Procedures have been reviewed and training has been provided to the counseling staff to ensure future compliance.

Implementation Date: October 1, 2014

Responsible Party: Beth Reid

General Controls

The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.

Implementation Date: May 1, 2015

Responsible Parties: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery

Reference No. 2014-151

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 2013-172, 13-156, 12-160, and 10-112)

Student Financial Assistance

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.007, Federal Supplement Educational Opportunity Grant, P007A134172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379142335; and CFDA 84.268, Federal Direct Student Loans, P268K142335

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Calculations

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, CFR, Section 668.22(a)(4)).

Questioned Cost: \$ 0
U.S. Department of Education

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of

Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)).

The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (Title 34, CFR, Section 668.22(f)(2)(i)).

The University of Texas at Arlington (University) did not always use accurate term dates when calculating return amounts. For 15 (28 percent) of 54 students tested who required a return, the University did not correctly calculate the amount of funds earned. As a result, for ten of those students the University did not return the correct amount of funds (the remaining five students had earned 100 percent of their funds). The errors occurred because the University extended the academic calendar for the Fall 2013 term by two days, but it did not update the programming in its financial aid system to reflect that extension.

After auditors brought the errors to the University's attention, it performed the return calculation again and adjusted the grants and loans associated with the students based on the amount of assistance that it needed to return. As a result, there were no questioned costs.

Not updating its financial aid system to reflect the correct term end dates increases the risk that the University will not return the correct amount of Title IV assistance to the U.S. Department of Education.

Timeliness of Returns

An institution must return the amount of Title IV funds for which it is responsible to the U.S. Department of Education as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (Title 34, CFR, Section 668.22(j)).

For 4 (11 percent) of 37 students tested for whom the University was required to make returns, it did not return those funds within 45 days of determining those students' withdrawal dates. The University took between 57 and 142 days after determining the students had withdrawn to return the funds.

In addition, for 1 (2 percent) of 55 students tested who withdrew, the University documented an incorrect withdrawal date and did not perform a return calculation. After the auditors brought that error to its attention, the University performed the return calculation and determined that the student had earned all of the funds disbursed; therefore, the University was not required to return funds to the Department of Education.

Those errors occurred because of manual errors the University made during the return process. Late identification of withdrawals increases the risk that the University will not return unearned funds to the U.S. Department of Education in a timely manner.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendations:

The University should:

- Calculate returns of Title IV funds correctly.
- Return Title IV funds within the required time frames.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Return of Title IV Calculations

The University made a calendar change at the end of the term officially extending the term for two additional days. As a result all calculations were made using the original last date of term vs. the new last date of the term. A 100% student review was performed and all adjustments are completed.

Implementation Date: August 2014

Responsible Party: Lea Anne Sikora

Timeliness of Returns

The University's policy to grant Official Withdrawals after the end of the term has resulted in late return calculations. Additionally, a human error was made in the manual process used to identify Unofficial Withdrawals. The University continues to review our policy and procedures to ensure future compliance.

Implementation Date: December 1, 2014

Responsible Parties: Karen Kraus, Tanya Vittitow, and Lea Anne Sikora

General Controls

The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.

Implementation Date: May 1, 2015

Responsible Parties: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery

Reference No. 2014-152

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2013-173)

Student Financial Assistance

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.268, Federal Direct Student Loans, P268K142335; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Enrollment Reporting

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost: \$ 0

U.S. Department of Education

The *National Student Loan Data System (NSLDS) Enrollment Reporting Guide* states that, in the absence of a formal withdrawal, the last recorded date of attendance should be reported as the status change date. In addition, the effective date for a student who has never attended should be the date that the institution certifies the student’s “never attended” status, as reported to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix B).

An institution must either confirm that the current enrollment provided by NSLDS in the enrollment roster file is still valid, or update the enrollment status to the correct value. When updating the enrollment status, the enrollment status effective date (ESED) must also be updated to correspond to any change. If the status is correct but the ESED is not correct, institutions may correct the ESED without a change of status. The ESED is critical to maintaining student loan records and repayment schedules properly; therefore, it must be reported accurately (*NSLDS Enrollment Reporting Guide*, Chapter 2).

The University of Texas at Arlington (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS, as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

For 11 (18 percent) of 60 student enrollment changes tested, the University did not report the correct status and correct effective date. Specifically:

- For 10 of those students, who were unofficially withdrawn, the University did not update the status to withdrawn; therefore, the effective date for their status was incorrect. The University made the withdrawal determination after its final official reporting submission for the Spring semester, and it asserts that NSC does not report changes to NSLDS in the summer months. The *NSLDS Enrollment Reporting Guide* states that “students are considered to be in-school and continuously enrolled during academic year holiday and vacation periods, as well as during the summer between academic years (even if not enrolled in a summer session), as long as there is reason to believe that they intend to enroll for the next regularly scheduled term.” The University had determined a withdrawal date; therefore, the student was not considered to be continuously enrolled and should have been reported to NSLDS within the required time frame.

- For one of those students, the University reported the student as withdrawn at the end of the Fall term; however, the University did not have evidence showing that the student attended that term. Therefore, the University should have determined the last date of attendance for reporting purposes.

For 15 (25 percent) of 60 student enrollment changes tested, the University did not report the correct effective date. Specifically:

- For 8 of those students, the University reported an incorrect effective date for graduation. That occurred because the University extended its academic calendar by two days but did not make that same change in NSLDS. That error affected all students with a fall graduation date.
- For 7 of those students, the University reported an incorrect effective date to NSLDS for those students' withdrawal status. For 4 of those students, the University had already reported the students as withdrawn prior to the correct withdrawal date being determined, and it did not subsequently correct that date. For 2 of those students, the University reported the last date of the term for the effective date, instead of the last date of attendance. For one of those students, the University reported the beginning of the term for the effective date because the student had withdrawn prior to the census date.

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. As a result, employees had inappropriate access to packaging, authorizing and disbursing student financial assistance. That increases the risk of inappropriate changes to data and does not allow for proper segregation of duties.

The University did not have policies or procedures that required periodic reviews of user access during the audit period, and it could not provide documentation demonstrating that it had performed periodic reviews of user accounts during the audit period. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Recommendations:

The University should:

- Accurately report all student status changes to NSLDS.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities to ensure proper segregation of duties.
- Retain documentation of periodic user access reviews and conduct those reviews at least annually.
- Establish a policy for and conduct formal periodic reviews of user access to its key applications, databases, servers, and network to help ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Enrollment Reporting

The University is reviewing its policy and procedure to report Unofficial Withdraws to NSLDS and is in discussions with NSC to explore an alternate reporting schedule.

Implementation Date: June 1, 2015

Responsible Party: Dr. Wallace Wasson

General Controls

The University agrees it should limit access to ensure segregation of duties, improve periodic user account reviews, and establish a policy to conduct formal periodic reviews of user accounts. The Office of Information Technology has created an implementation schedule to implement the auditor's recommendations.

Implementation Date: May 1, 2015

Responsible Parties: Wayne Pirtle, Mike Ten Eyck, and Tammy Montgomery

University of Texas at Austin

Reference No. 2014-153

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 93.264, Federal Nurse Faculty Loan Program, E01HP24620 and CFDA 84.038, Federal Perkins Loan Program, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Nurse Faculty Loan Program

Students who receive a Nurse Faculty Loan Program (NFLP) loan must be enrolled full-time or part-time in an eligible advanced education nursing degree program (master's or doctoral) that offers an education component to prepare qualified nurse faculty. The total amount of NFLP loans made to a student should cover the full or partial tuition and fees for the academic year, not to exceed \$35,500 during fiscal year 2014. Full support includes the cost of tuition, fees, books, laboratory expenses and other reasonable education expenses. NFLP loans do not include stipend support (for example, living expenses, student transportation cost, room/board, and personal expenses) (Title 42, United States Code (USC), Section 297n-1(b)(4) and 297n-1(c)(4) and Health Resources and Services Administration (HRSA), Announcement HRSA-14-072). A student is ineligible to receive a NFLP loan if a judgment lien has been entered against the student based on the default on a federal debt (Title 28, USC, Section 3201(e)). An eligible student must be a citizen of the United States, a non-citizen national, or a foreign national having in his or her possession a visa permitting permanent residence in the United States (HRSA Announcement HRSA-14-072).

Questioned Cost: \$ 1,673

U.S. Department of Education
U.S. Department of Health and
Human Services

For 2 (67 percent) of 3 students who received NFLP loans tested, the University of Texas at Austin (University) awarded loans to students who were not eligible. Specifically:

- For one student, the University did not obtain documentation that the student was a U.S. citizen or eligible non-citizen prior to disbursing the NFLP loan. That error resulted in the student receiving assistance for which the student was not eligible in the amount of \$8,000 in Federal Nurse Faculty Loan Program loans. After auditors brought that error to the University's attention, it canceled the loans for that student; therefore, there were no questioned costs.
- For one student, the University did not obtain documentation that the student was not in default on federal loans prior to disbursing the NFLP loan. After auditors brought that to its attention, the University provided documentation from the National Student Loan Data System (NSLDS) showing that the student was not in default on federal loans. Therefore, there were no questioned costs.

In addition, for 2 (67 percent) of 3 students who received NFLP loans tested, the University disbursed loans to those students in amounts that exceeded their qualified educational expenses. For one student, that resulted in an overaward of \$2,297 in NFLP loans. The University canceled the loans for that student; therefore, there were no questioned costs associated with that overaward. For one student, that resulted in an overaward of \$1,673 associated with CFDA 93.264, Federal Nurse Faculty Loan Program, award number E01HP24620.

The School of Nursing at the University receives self-reported information from students to determine their eligibility. It does not verify that information. While the Office of Student Financial Services makes eligibility determinations for students applying for other types of federal aid, it is not involved in the eligibility determination for NFLP loans. The University awarded 9 NFLP loans to students for the 2013-2014 award year totaling \$82,000.

Federal Perkins Loans

Annual loan maximums for the Federal Perkins Loan program are \$5,500 for a student who has not successfully completed a program of undergraduate education and \$8,000 for a graduate or professional student (Title 34, Code of Federal Regulations (CFR), section 674.12).

Based on a review of all federal student financial assistance recipients, the University awarded four undergraduate students Perkins loans in excess of the annual limit. The amounts by which those awards exceeded the annual limit ranged from \$300 to \$2,319, and those four students were overawarded a total of \$4,369 in Perkins loans. Those errors occurred because of manual input errors the University made. After auditors brought those errors to the University's attention, it corrected the overawards; therefore, there were no questioned costs.

Recommendations:

The University should:

- Establish and implement a process to ensure that students who receive NFLP loans are eligible for those loans.
- Verify that the amounts of NFLP loans it awards do not exceed students' qualified educational expenses for the year.
- Award Perkins loans in amounts that are within the annual limits.

Management Response and Corrective Action Plan:

Nurse Faculty Loan Program (NFLP)

The University concurs with the finding.

The School of Nursing (Nursing) offers NFLP loans to students providing full or partial tuition or fees for the academic year, not to exceed \$35,500. Full support includes tuition, fees, books, laboratory expenses, and other reasonable education expenses. Travel, mileage, and other living expenses are unallowable per NFLP. Nursing defines reasonable educational expenses necessary for completion of the degree program, such as, electronic devices or equipment, doctoral dissertation expenses, or fees for course-related seminars and conferences. Students receiving additional funds are required to substantiate the expenses.

The student awarded \$1,673 above full support provided a list of expenditures deemed reasonable by Nursing. Nursing will require students awarded additional funds to provide receipts to reconcile against the list of expenditures proposed above full support. In addition, the Office of Student Financial Services (OSFS) will collaborate with Nursing in providing cost of attendance information each semester and verify NFLP loans awarded to students do not exceed full support.

OSFS has implemented a process to verify NFLP recipients' citizenship status and confirm the recipient is not in default on a Federal loan prior to disbursing the NFLP award. Nursing will require the Free Application for Federal Student Aid (FAFSA) to confirm citizenship status, loan status and social security verification for all NFLP applicants.

Qualified Expenditures

Implementation Date: August 2015

Responsible Person: Margaret Hill

Eligibility

Implementation Date: September 2014

Responsible Persons: Gloria De Leon and Margaret Hill

Perkins Loan Program

The University concurs with the finding.

OSFS reviewed the files with incorrect Perkins Loan amounts and discovered the errors were made by a counselor rather than the automated financial aid processing system. OSFS Information Technology (IT) staff has already created a computer-generated program that reports the amount of Perkins Loan funds that have been awarded to students for each semester. A counselor reviewed the report in October for the Fall 2014 semester and did not find any students that were awarded over the maximum annual Perkins Loan limits. This report will be generated and reviewed each semester.

Implementation Date: October 2014

Responsible Person: Gloria De Leon

Reference No. 2014-154

Special Tests and Provisions – Student Loan Repayments

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award number – CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Under the Federal Perkins Loan Program, institutions are required to make contact with the borrower during the initial and post-deferment grace periods. For loans with a nine-month initial grace period, the institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations (CFR), Section 674.42(c)).

Questioned Cost: \$ 0
U.S. Department of Education

The institution is required to send a first overdue notice to a borrower within 15 days after the payment due date if the institution has not received payment or a request for deferment, postponement, or cancellation. The institution must send a second overdue notice within 30 days after the first overdue notice is sent, and it must send a final demand letter within 15 days after the second overdue notice is sent (Title 34, CFR, Section 674.43(b) and (c)). If the borrower does not respond to the final demand letter within 30 days, the institution shall attempt to contact the borrower by telephone before beginning collection procedures (Title 34, CFR, Section 674.43(f)).

If the borrower does not satisfactorily respond to the final demand letter or following telephone contact, the institution is required to report the account as being in default to a national credit bureau and either use its own personnel to collect the amount due or engage a collection firm to collect the account (Title 34, CFR, Section 674.45(a)).

The University of Texas at Austin (University) did not perform all required contact and collection procedures for defaulted loans in a timely manner. Specifically, for 13 (36 percent) of 36 students with defaulted loans tested to whom the University sent third overdue billing notices, the University did not make contact within 240 days from the beginning of the grace period. The University made the third contact for each of those students 241 days after the beginning of the grace period. That occurred because the University’s loan management system is programmed to send notices out on the fourth Tuesday of every month. For those 13 students, that resulted in the notices being sent more than 240 days after the beginning of the grace period.

Not sending the required communications within the required time frames increases the risk that students will be unaware that their defaulted Perkins Loans will be referred for collection and students may not have appropriate time to resolve balance deficiencies and prevent their loans from being transferred to a collection agency.

Recommendation:

The University should strengthen controls in its loan management system to help ensure that it sends all required notices within the required time frames.

Management Response and Corrective Action Plan:

The University concurs with the finding.

Of the 36 students with defaulted loans tested, 13 students received their third contact notice in 241 days versus 240 days due to an error in timing. The computer program generating grace letters is programmed to run on the 4th Tuesday of every month in the early morning for same day delivery and mailing. Normally this is well within the 240 days from the grace period begin date but for these students the job was automatically submitted on the 241st day.

Student Accounts Receivable (SAR) will identify the specific dates on the calendar and request programmers manually change the submission date in order to have the third grace letters generate in 240 days or less. SAR will verify dates six months in advance and correspond with programmers using email and provide reminders during bi-weekly meetings,

Implementation Date: December 2014

Responsible Person: Karen Derouen

University of Texas of the Permian Basin

Reference No. 2014-166

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A1304178; CFDA 84.063, Federal Pell Grant Program, P063P133265; CFDA 84.268, Federal Direct Student Loans, P268K143265; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T143265; and CFDA 84.033, Federal Work-Study Program, P0033A134178

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

Questioned Cost: \$ 0
U.S. Department of Education

An institution's policy must describe how a student's grade point average (GPA) and pace of completion are affected by course incompletes, withdrawals, repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

The University of Texas of the Permian Basin's (University) SAP policy does not meet all federal requirements. Its policy includes transfer credits as completed hours, but not as attempted hours; therefore, the University incorrectly calculates the completion rate for students with transfer credits. As a result, for 40 (67 percent) of 60 students tested, the University did not accurately include transfer hours in the students' SAP calculations. However, those students still met the University's SAP requirements and were eligible to receive assistance.

Because the University's policy does not meet all federal requirements, the related automated controls in its financial aid system, POISE, do not accurately identify students not meeting SAP requirements. Excluding transfer hours from attempted hours in the SAP calculation increases the risk that the University's calculation may not identify students who do not comply with the pace of completion requirement. As a result, those students could receive financial assistance for which they are ineligible or eligible students could be denied financial assistance.

Pell Grants

In selecting students for federal Pell Grants, an institution must determine whether a student is eligible to receive a federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, CFR, Section 690.6(a)). For each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)).

Based on a review of the entire population of Title IV assistance recipients, the University disbursed Pell Grants to two students who were not eligible for that assistance. Those students were undergraduate students in the Fall semester and admitted into graduate and post-baccalaureate programs for the Spring semester. The University awarded a total of \$2,017 in Pell grant assistance to those students in the Fall semester, which was

disbursed in the Spring semester, and did not adjust the assistance based on the students' admission to the new programs. When auditors brought those errors to the University's attention, the University corrected the errors, adjusted the students' awards, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Direct Subsidized Loan

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods and periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible only for Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

Based on a review of the entire population of Title IV assistance recipients, the University disbursed Subsidized Direct Loans to one ineligible graduate student. The student was an undergraduate student in the Fall semester and admitted into a graduate program for the Spring semester. The University awarded a total of \$2,722 in Direct Loan assistance to the student in the Spring semester and did not adjust the assistance based on the student's admission to the new program. When auditors brought the error to the University's attention, the University corrected the error, adjusted the student's award, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Award Limits

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The Department of Education has established annual, and in some cases aggregate, limits for awarded federal aid (Title 34, CFR, 685.203; Title 34, CFR, 690.62; Title 34, CFR, 676.20; and Title 34, CFR 686.21).

An institution can reduce a borrower's determination of need for a Direct Subsidized, Unsubsidized, or PLUS loan if the reason for the action is documented and provided to the borrower in writing, and if the determination is made on a case-by-case basis; the documentation supporting the determination is retained in the student's file; and the institution does not engage in any pattern or practice that results in a denial of a borrower's access to Direct Loans because of the borrower's race, gender, color, religion, national origin, age, disability status, or income (Title 34, CFR, 685.301(a)(8)).

The University's financial aid system, POISE, does not have automated controls for aggregate assistance limits and is not adequately designed for some annual assistance limits to ensure that those limits are enforced. Specifically, POISE does not have controls to ensure that annual award limits for Direct Loans and Teacher Education Assistance for College and Higher Education Grants (TEACH) are not exceeded. In addition, the University's automated controls over federal financial aid do not ensure that manually entered awards comply with federal assistance limits. When awards are manually entered, POISE does not apply automated packaging rules to those awards. Not having controls for aggregate and annual assistance limits increases the risk that students could be overawarded student financial assistance.

In addition, POISE restricts the amount of awarded unsubsidized loans to independent undergraduates through its automated packaging formulas, but the University does not provide notification of reductions to students in writing. Not notifying students that their unsubsidized loan amounts have been reduced increases the risk that students may not receive the full amount for which they are eligible.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not have sufficient change management controls for the POISE student financial aid system. Specifically, for all five POISE changes tested, the University did not maintain adequate documentation of its testing or migration into the production by an appropriate individual. In addition, for 2 (40 percent) of those 5

changes, the University did not maintain adequate documentation showing that the change was authorized prior to migrating that change to the production environment. The University has a software change policy; however, it did not enforce that policy.

Having insufficient change management procedures increase the risk of unauthorized programming changes being made to critical information systems.

Recommendations:

The University should:

- Update its SAP policy and financial aid system to include transfer hours as both attempted and completed hours in its SAP calculations.
- Award Pell Grant and Federal Direct Subsidized Loan assistance only to eligible students.
- Ensure that its financial aid system enforces aggregate and annual award limits.
- Notify students when their loan limits have been reduced.
- Maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management Response and Corrective Action Plan:

Satisfactory Academic Progress

In response to the Satisfactory Academic Progress Policy, the University of Texas of the Permian Basin acknowledges and agrees with the finding. Automated controls in POISE do not accurately identify students not meeting SAP requirements. The University is in the process of converting to PeopleSoft, once implemented automated controls will be set to accurately determine SAP.

The Financial Aid office is working to update and revise its existing SAP policies and procedures to ensure compliance with all federal requirements. Modifications will be made to the SAP process to include transfer hours in the overall SAP calculation for hours attempted and earned, as well as in the determination of the maximum timeframe until the conversion to PeopleSoft is completed.

Implementation Date: June 2015

Responsible Person: Jennifer Taveras

Pell Grant and Federal Direct Subsidized Loans

In response to the awarding of Pell Grant and Federal Direct Subsidized loans to ineligible students, the University of Texas of the Permian Basin acknowledges and agrees with the finding. The students in question changed classification in the spring of 2014 after graduation in the Fall of 2013. The awards are made on a yearly basis, and there is no process in POISE that updates the student financial aid files when a student graduates.

Upon finding the error, the Pell Grant and loans were cancelled and replaced with institutional funds. In order to stop this error from reoccurring we have initiated a process in which the Registrar's office will notify the Financial Aid office of students that have graduated at the end of each semester so awards can be changed prior to the beginning of the following semester, if a student re-enrolls. This will ensure that the awards, per semester, are correct.

Implementation Date: December 2014

Responsible Person: Jennifer Taveras

Federal Awards Limits

In response to the aggregate and annual loan and TEACH limits, the University of Texas of the Permian Basin acknowledges and agrees with the findings. Poise does not possess automated controls that monitor aggregate or annual award limits. Until the implementation of the PeopleSoft system the Financial Aid office will continue to monitor annual and aggregate limits manually with the assistance of COD and NSLDS. Once implemented automated controls will be set to accurately monitor both aggregate and annual award limits based on student classification.

In response to the reduced annual limits for students, the University of Texas of the Permian Basin acknowledges and agrees with the findings. Previous limits were set to reduce the amount of unsubsidized loans offered to students in an effort to uphold the universities "Graduate Debt Free" approach. To satisfy federal requirements for annual loan limits modifications have been made in POISE to ensure that students receive the full amount of unsubsidized loans for their grade level during automated packaging. All department personnel were made aware of this specific finding, and will manually award the full amount of loan eligibility with regard to COA if packaging students by hand. Notification of reductions to students will not be necessary since changes have already been made to award students the full amount of loan eligibility.

Implementation Date: January 2015

Responsible Person: Jennifer Taveras

General Controls

In response to general controls the University of the Permian Basin acknowledges and agrees with the findings. The Information Resources Division (IRD) will re-implement the existing policy with documentation being maintained regarding the authorization, testing, and approval of all changes being migrated to the production environment. New staff will be trained on the procedures associated with this policy.

Implementation Date: February 2015

Responsible Person: Ken Bridges

Reference No. 2014-167

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A1304178; CFDA 84.063, Federal Pell Grant Program, P063P133265; CFDA 84.268, Federal Direct Student Loans, P268K143265; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T143265; and CFDA 84.033, Federal Work-Study Program, P033A134178

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on

Questioned Cost: \$0
U.S. Department of Education

the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

For 3 (5 percent) of 57 students tested, the University of Texas of the Permian Basin (University) did not accurately verify all required items on the FAFSA. For one student, the number of household members was not completed on the verification form. For two students, the verification form was not signed appropriately. Those errors occurred because of manual errors the University made during the verification process. Those errors did not result in any underawards or overawards of student financial assistance; therefore, there were no questioned costs.

Not properly verifying FAFSA information can result in the University overawarding or underawarding student federal financial assistance.

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information. Those policies must include: (1) the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, CFR, Section 668.57; (2) the consequences of an applicant's failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's assistance under Title IV, Higher Education Act (HEA) of 1965 programs; (4) the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g).

An institution's procedures must provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing required actions and the consequences of failing to complete any required action. Finally, an institution's procedures must also provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises any authority under Section 479A(a) of the HEA to make changes to the applicant's cost of attendance or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

The University's policies and procedures for its verification process did not include all of the required elements. Specifically, the University's verification policies and procedures do not include:

- Consequences for applicants failing to provide the appropriate documentation by the specified time period.
- The procedures for making referrals under Title 34, CFR, Section 668.16.
- Procedures for the types of information to be collected from students.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not have sufficient change management controls for the POISE student financial aid system. Specifically, for all five POISE changes tested, the University did not maintain adequate documentation of its testing or migration into the production environment by an appropriate individual. In addition, for 2 (40 percent) of those 5 changes, the University did not maintain adequate documentation showing that the change was authorized prior to migrating that change to the production environment. The University has a software change policy; however, it did not enforce that policy.

Having insufficient change management procedures increases the risk of unauthorized programming changes being made to critical information systems.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for the students it selects for verification and correct students' ISIR when required.
- Include in its written verification policies and procedures all elements required by Title 34, CFR, Section 668.53.
- Maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management Response and Corrective Action Plan:

Verification of Applications

In response to the verification of applications the University of Texas of the Permian Basin acknowledges and agrees with the findings. The need for consistency and accuracy is important, and errors in the verification due to oversights were the result of an increase in student population with no adjustment in staff size. Efforts will be made to establish and enhance the verification protocol and process, and training schedules along with reference guides will be established to facilitate training of staff.

The Financial Aid office is working to update and revise its existing verification policies and procedures to ensure compliance to all required elements under Title 34, CFR, Section 668.53. This revision will include the consequences for failing to provide the appropriate documentation by a specified time period, the procedure for making referrals, and procedures for types of information to be collected from students.

Implementation Date: April 2015

Responsible Person: Jennifer Taveras

General Controls

In response to general controls the University of Texas of the Permian Basin acknowledges and agrees with the findings. The Information Resources Division (IRD) will re-implement the existing policy with documentation being maintained regarding the authorization, testing, and approval of all changed being migrated to the production environment. New staff will be trained on the procedures associated with this policy.

Implementation Date: February 2015

Responsible Person: Ken Bridges

University of Texas at San Antonio

Reference No. 2014-168

Special Tests and Provisions – Enrollment Reporting

Prior Audit Issue 2013-191

Student Financial Assistance Cluster**Award year – July 1, 2013 to June 30, 2014**

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134169; CFDA 84.033, Federal Work-Study Program, P033A134169; CFDA 84.063, Federal Pell Grant Program, P063P133294; CFDA 84.268, Federal Direct Student Loans, P268K143294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T143294; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost: \$ 0

U.S. Department of Education

The University of Texas at San Antonio (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student's formal withdrawal, the student's last recorded date of attendance should be reported as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix B).

For 3 (5 percent) of 60 students tested, the University did not accurately report enrollment changes to NSLDS.

- For one student, the University submitted information to NSC regarding the student's change in enrollment from less-than-half-time to withdrawn; however, NSC did not submit that change to NSLDS.
- For two students, changes were not submitted to NSC or NSLDS. For one student, the University did not submit information to NSC regarding the student's change in enrollment from less-than-half-time to withdrawn. For the other student, the University did not submit information to NSC regarding the student's change in enrollment from half-time to never attending. The University identified the status of those two students at the end of the semester; however, it did not submit those changes to NSC or NSLDS.

For 5 (8 percent) of 60 students tested, the University did not accurately report the effective dates of the students' withdrawal to NSLDS. Three of those students were the students discussed above, and the errors discussed above resulted in incorrect effective dates of withdrawal being submitted to NSLDS. The University also did not accurately report the effective dates of students' withdrawal to NSLDS for two additional students. At the end of the semester, the University identified those two students as never attending. For those two students, the

University should have reported the last dates of attendance as the last effective enrollment dates. However, the dates it submitted to NSLDS were those students' withdrawal dates during the semester.

Inaccurate or incomplete submission of information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

Recommendations:

The University should:

- Accurately report all student status changes to NSLDS.
- Strengthen its procedures for reporting the effective dates of withdrawal for students who are identified at the end of the semester as having withdrawn or are identified as never having attended classes.

Management Response and Corrective Action Plan:

The Office of the Registrar will update the less than half-time status criteria in the Banner student information system to change from zero to greater than zero. For undergraduate students, the less than half-time range will be greater than zero through five hours for fall, spring or summer terms. For graduate/doctorate students, the less than half-time range will be greater than zero through three hours for fall or spring terms. For summer, graduate/doctorate students, the less than half-time range will be greater than zero through two hours.

Implementation Date: February 28, 2015

Responsible Person: Joe DeCristoforo

At the end of each term, Student Financial Aid and Enrollment Services (SFAES) will identify students who never attended and will update the National Student Loan Database System (NSLDS) to reflect the correct enrollment status.

Implementation date: June 30, 2015

Responsible Person: Diana S. Martinez

West Texas A&M University

Reference No. 2014-169

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134186; CFDA 84.033, Federal Work-Study Program, P033A134186; CFDA 84.063, Federal Pell Grant Program, P063P132342; and CFDA 84.268, Federal Direct Student Loans, P268K142342

Type of finding – Significant Deficiency and Non-Compliance

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, Code of Federal Regulations (CFR), Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, expected family contribution (EFC), and cost of attendance (COA). There are separate schedules for full-time, three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*). Additionally, a student’s eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200).

Questioned Cost: \$0

U.S. Department of Education

West Texas A&M University (University) awarded an incorrect Pell Grant amount to 1 (3 percent) of 40 students tested. That student received \$400 less than the amount for which the student was eligible. That error occurred because the University did not increase the student’s Pell award as a result of a change in the EFC after it had verified that student’s information. After auditors brought that error to the University’s attention, it awarded the additional \$400 to that student.

In addition to affecting Pell Grant awards, errors made in Pell Grant awards may adversely affect awards made under other federal programs, such as Direct Subsidized or Direct Unsubsidized loans.

Pell Grant and Direct Loan Limits

Direct Subsidized/Unsubsidized Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower’s COA, the borrower’s maximum borrowing limit, or the borrower’s unmet financial need (U.S. Department of Education *2013-2014 Federal Student Aid Handbook*).

The University’s financial aid system, Colleague, does not have sufficient controls over Direct Loans and Pell Grant awards to ensure that manually entered awards comply with federal financial assistance limits. Colleague has controls to prevent awarding more student financial assistance than a student is eligible to receive. However, if the University manually awards student financial assistance, Colleague does not prevent students from being awarded more than the annual or aggregate award limits. The automated packaging process in Colleague does not review awards that the University enters manually.

The University manually packages federal financial assistance for students who are enrolled for the Summer term and for other students on an exception basis as needed. Not having sufficient controls to prevent awarding more than the limit increases the risk that students could be overawarded financial assistance. Audit testing did not identify any students who were awarded federal financial assistance that exceeded their annual or aggregate award limits.

Comment Codes

The U.S. Department of Education’s Central Processing System (CPS) adds comment codes and text to students’ Institutional Student Information Record (ISIR) transactions to provide information to the students and institutions about the students’ processed Free Application for Federal Student Aid (FAFSA) (U.S. Department of Education

2013-2014 *Technical Reference for Electronic Data Exchange (EDE) and Companion to the EDE Technical Reference SAR Comment Codes and Text*). For some comment codes and text, there will also be a comment (C) code, which institutions must resolve before disbursing financial assistance to students (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

Colleague does not have sufficient controls to prevent federal financial aid funds from being authorized and disbursed before the University resolves comment codes. Colleague is designed to prevent packaging financial assistance for students with outstanding comment codes. However, if the University manually packages financial assistance for students, Colleague does not prevent disbursement of financial assistance to those students before the University resolves comment codes. The University manually packages federal financial assistance for students who are enrolled for the Summer term and for other students on an exception basis as needed. Not having sufficient controls to prevent financial assistance from being disbursed until the resolution of comment codes could result in ineligible students receiving financial assistance.

Recommendation:

The University should:

- Award federal Pell Grant funds to eligible students based on the applicable Pell disbursement tables.
- Establish and implement a process to (1) review manually packaged financial assistance for award limits and (2) resolve comment codes prior to disbursement of financial assistance.

Management Response and Corrective Action Plan:

The Financial Aid Office at West Texas A&M University will start implementing the Update Mode process in the automatic packaging process on every FAFSA that is imported from the Department of Education with the exception of those students who are changing from undergraduate classification to graduate classification and for summer terms which will still be a manual process. This will automatically update each student's package and therefore should eliminate any oversights in the amount of aid being awarded and disbursed.

Implementation Date: December 2014

Responsible Person: Rebecca Rutkowski

Reference No. 2014-170

Special Test and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134186; CFDA 84.033, Federal Work-Study Program, P033A134186; CFDA 84.063, Federal Pell Grant Program, P063P132342; and CFDA 84.268, Federal Direct Student Loans, P268K142342

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR),

Sections 668.54 and 668.56 and *Federal Register*, Volume 77, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the applicant's FAFSA, the institution must submit a correction to the U.S. Department of Education and

Questioned Cost: \$ 0

U.S. Department of Education

adjust the applicant's financial aid package on the basis of the corrected expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under the award (Title 34, CFR, Section 668.59).

West Texas A&M University (University) did not always accurately verify FAFSA information. For 3 (21 percent) of 14 students tested who had non-tax filer status, the University did not request sufficient documentation to verify that the students had no taxable income. That occurred because the University does not have a process to monitor its verification of students' FAFSAs. When auditors brought those errors to the University's attention, the University requested that each of the three students confirm that he or she did not work or were not required to file taxes for 2012. The three students confirmed that they were not required to file taxes for 2012. Therefore, there were no questioned costs. Not properly verifying FAFSA information could result in the University overawarding students federal financial assistance.

The University's financial aid system, Colleague, does not have sufficient controls to prevent federal financial aid funds from being authorized and disbursed before the completion of the verification process. If the University manually awards students federal financial aid, Colleague does not prevent the authorization and disbursement of that aid before the FAFSA verification process is complete. The University manually packages federal financial aid for students who are enrolled for the Summer term and for other students on an exception basis as needed. It has a process to ensure that students who are owed a credit do not receive funds until verification is complete; however, that control does not apply if a student is not owed a credit. Not having sufficient controls to prevent financial aid from being disbursed until the completion of verification could result in ineligible students receiving financial aid.

In addition, the University's verification policy does not meet all federal requirements. The University's policy states that corrections to a student's application do not need to be resubmitted to the U.S. Department of Education unless the absolute value of the discrepancies exceeds \$200. According to federal requirements, any change to a single dollar item of \$25 or more must be resubmitted. Auditors did not identify any applications with a single dollar item of \$25 or more that required resubmission in the 60 student financial aid applications tested. However, not having up-to-date policies increases the risk that student applications would not be corrected when required.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for the students selected for verification, and correct students' applications as required.
- Establish and implement a process to monitor the verification of student applications for federal financial assistance.
- Establish and implement a process to prevent the authorization and disbursement of all federal financial aid before the completion of its verification process.
- Ensure that its verification policy meets federal requirements.

Management Response and Corrective Action Plan:

The verification department will begin requesting further documentation to resolve discrepancies between the information reported on the FAFSA and the Verification Worksheet. The file will not be marked completed until all discrepancies have been resolved which will insure that the file will not be sent to the packaging process.

Additional rules are being added to the packaging rules for federal aid so that if the verification status field is not populated with a "7" or "null" code, then it will not be able to disburse funds.

Implementation Date: August 2014

Responsible Person: Rachel Williams

The Financial Aid's Policy and Procedures Manual has been updated to reflect that corrections to a student's application do not need to be resubmitted to the U.S. Department of Education unless the absolute value of the discrepancies exceeds \$25.

Implementation Date: December 2014

Responsible Person: Marian Giesecke

Summary Schedule of Prior Year Audit Findings

Federal regulations (OMB Circular A-133) state, “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2013 Schedule of Findings and Questioned Costs.
- Each finding in the 2013 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding.

The Summary Schedule of Prior Audit Findings (year ended August 31, 2014) has been prepared to address these responsibilities.

Angelo State University

Reference No. 12-104

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers –CFDA 84.033 P033A113956, CFDA 84.375 P375A112258, CFDA 84.376 P376S112258, CFDA 84.007 P007A113956, CFDA 84.268 P268K112258, CDFA 84.063 P063P112258, and CFDA 93.264 E10HP13020-01-00

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087I).

<p>Initial Year Written: 2011 Status: Partially Implemented</p> <p>U.S. Department of Education U.S. Department of Health and Human Services</p>
--

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 673.5, 673.6, and 682.603).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Angelo State University (University) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual or expected enrollment. As a result, for 4 (6.2 percent)

of 65 students tested, the University based the students' COA on full-time enrollment, although the students indicated that they would attend less than full-time. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of awarding financial assistance that exceeds financial need.

Because the University developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were awarded financial assistance that exceeded their financial need for the 2010-2011 school year.

Recommendation:

The University should determine each student's COA and financial need based on the student's expected or actual enrollment.

Management Response and Corrective Action Plan 2011:

Management concurs with recommendations related to determination of eligibility for financial assistance specifically related to Cost of Attendance. Angelo State University will continue the practice of initially packaging student assistance based on projected fulltime enrollment. Manual procedures to subsequently update COA based on actual attendance will be implemented. Specifically, following the census date for fall or spring semester, Information Technology will provide a report to the Director of Financial Aid containing a list of students that are enrolled less than halftime. The Director will process the list, changing all affected students from the fulltime COA budgets to a less-than-halftime budget. Financial Aid Counselors will manually review each student for over-awards and correct the student's aid package to ensure the student's financial aid and need are correct. Since, summer semesters are packaged manually, students that have submitted a "summer supplemental application" will be reviewed by a Financial Aid Counselor to ensure students are placed in the correct COA budgets and ensure the student's financial aid and need are correct.

Management Response and Corrective Action 2012:

Given that financial aid packages are initially prepared prior to registration, Financial Aid ordinarily uses full-time COA budgets during this process. Financial Aid believes the best available enrollment data on which to base final COA budgets is actual attempted enrollment, available at census date. The Division of Information Technology is creating a report that will identify three groups of students: those enrolled less than half-time; those enrolled halftime; and those enrolled for between half- and full-time. For those students identified in each group, Financial Aid counselors will correct COA budgets based on the actual attempted enrollment as of the census date and repackage financial aid as necessary. Calendar reminders are set for September 15th for future fall semesters and February 15th for future spring semester to ensure the report is run and COA budgets and financial aid packages are adjusted timely.

Management Response and Corrective Action 2013:

Management is generating reports to identify students enrolled less than full time and awarded as full time. Once identified, these students have manual modifications made to their budgets and awards. Additionally, consulting services were contracted to assist the financial aid staff to develop and implement rules using algorithmic budgeting. This process will automate the adjustments to a student's budget and awards depending on their enrollment status. The Interim Director of Financial Aid is responsible for implementing the new process by January 15, 2014.

Management Response and Corrective Action 2014:

Immediate corrective action: *Angelo State University has implemented a process to identify students who are enrolled for hours less than full time. There is a tracking requirement placed on the student's Banner account that will prohibit any awards from crediting until the costs of attendance (COA) are adjusted to reflect actual enrollment. We have rechecked all 2013-2014 students enrolled less than full time, identifying and correcting random isolated values that were manually inputted with errors. While we have reviewed COA for 2014-2015*

students, we will be conducting a second phase check of all manually inputted budget values for all 2014-2015 terms and adjusting COA budgets using one-quarter time, half-time, three-quarters time, and full-time as appropriate.

Long term corrective action: Angelo State University is developing an Algorithmic Rule budget program in the student management software Banner. Algorithmic rules show methods of calculating the various budget components, including looking up values from the RORALGS charts, calculating amounts based on the number of credits a student is taking, calculating amounts based on the number of courses the student is taking, and other parameters. This process is consistent with most other state institutions. Timeline for implementation is Fall 2015.

Implementation Date: Fall 2015

Responsible Person: William Bloom

Lamar Institute of Technology

Reference No. 2013-101

Eligibility

(Prior Audit Issue 11-101)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A128695; CFDA 84.033, Federal Work-Study Program, P033A128695; CFDA 84.063, Federal Pell Grant Program, P063P125265; and CFDA 84.268, Federal Direct Student Loans, P268K135265

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Lamar Institute of Technology (Institute) established different COA budgets for students based on living status (off campus and with parents) and term enrollment (full-time, half-time, three-quarter time, and less than half-time). The Institute budgets students at full-time anticipated enrollment for Fall and Spring. For Summer, it budgets students using a Summer budget if students request financial assistance for the Summer. At the census date of each semester, the Institute manually adjusts students’ COA budgets based on actual enrollment.

For 5 (8 percent) of 60 students tested, the Institute calculated COA incorrectly. Specifically:

- For three students, the Institute did not adjust the students’ COA budgets at the census date to match their actual enrollment. As a result, the students’ COA budgets were each understated by amounts ranging from \$606 to \$1,258.
- For one student, the Institute incorrectly budgeted the student’s COA for Summer 2013. The Institute manually adjusted the student’s COA at the census date; however, the adjustment was incorrect. As a result, the student’s COA budget was overstated by \$35.
- For one student, the Institute incorrectly budgeted the student’s COA for Spring 2013. The student was ineligible for assistance in Fall 2012. When the student regained eligibility for assistance in Spring 2013, the

Institute applied a budget for Spring only; however, it used incorrect amounts for tuition, fees, and books. As a result, the student's budget was understated by \$303.

The above errors were related to the Institute's manual process of adjusting COA. The errors did not result in overawards for those students; however, by incorrectly calculating COA, the Institute increases the risk of overawarding or underawarding financial assistance to students.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The Institute did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment. Specifically, three third-party contractor database administrators (DBAs) did not have individual server accounts and, instead, they used a shared generic administrator account to authenticate to the Banner production servers. In addition, three Lamar University DBAs and three third-party contractor DBAs used two generic database accounts, which are administrative accounts required by the Oracle database, when performing administrative tasks on the Banner production database. Section 4.7 (Privileged Roles) of the Institute's Information Security Policies does not adequately address the sharing of administrative access accounts among users or the documentation of exemptions for generic administrative accounts that are required by the information technology systems. Sharing generic, administrative accounts reduces accountability by removing the ability to identify and log the individual users who access systems.

The Institute also did not periodically review administrative access to its network and user access to the Banner application, the Banner database, and the Banner servers to determine the appropriateness of users' access based on their job responsibilities. Section 4.4 (Owner Responsibilities) of the Institute's Information Security Policy does not adequately address the periodic review of user access to the information technology systems. Not periodically reviewing user access increases the risk of inappropriate access to critical applications and their associated databases and servers.

Additionally, the Institute did not configure password settings for the Banner application and the Banner database in accordance with its password policy. Not adhering to the Institute's password policy could result in unauthorized access or alteration to critical applications and data.

Recommendations:

The Institute should:

- Correctly and consistently apply and adjust COA budgets for all students.
- Strengthen its information security policies by addressing the use of shared generic account, requiring documentation for all exemptions to the policy, and requiring the periodic review of user access to critical applications and their associated databases and servers.

Management Response and Corrective Action Plan 2013:

Cost of Attendance:

Management concurs with the findings associated with determining accurate Cost of Attendance budgets for student financial aid applicants. Efforts will be made to correctly and consistently apply and adjust COA Budgets for all students. It should be noted that issues associated with incorrect COA Budgets result from the manual nature of the methodology involved in identifying students with changing enrollment levels within a term, inconsistent application of adjustments when dealing with student records requiring mixed budgets (enrollment differs from one term to the next), and simple human error in the case of a \$35 books/supplies cost element. Because initial COA budgets are assigned on the presumption of expected enrollment at full-time, all students not enrolling for a full time load must be identified for the purpose of review and adjustment to ensure that COA is ultimately assigned to match actual enrollment levels for all students.

Management will work to create a viable query system designed to identify financial aid applicants not enrolling for a full-time load during a given semester. This query will be run immediately following census and will be used to select student records in need of review and subsequent adjustment. Budgets will be adjusted to ensure that elements for tuition & fees, room & board, books & supplies, transportation and personal/miscellaneous costs are assigned based on established COA budgets for the actual enrollment level of each student. This query/review/adjustment protocol will be run after census date for each semester. Review in subsequent semesters will also be used to compare enrollment levels and budget assignments from term to term. Problems associated with the use of mixed budgets for students will be addressed by the Director and Financial Aid Coordinator. Research will be conducted to ensure that the "mixed budget" feature within the Banner Financial Aid module is functioning properly, and to determine if this feature can be better utilized. A uniform process will be defined to ensure that the use of the mixed budget feature is used when appropriate and in a consistent manner with accurate results.

General Controls

Management concurs with findings associated with maintaining adequate user access controls to its Banner student assistance application and its operating environment.

Review of existing access accounts will be performed on an annual basis for users in the Banner Financial Aid Module, database, and servers. Financial Aid Director will request printed documentation to review administrative access account assignments for both internal and external administrators to ensure those individuals have obtained individually assigned accounts for use when accessing the database and/or servers to perform duties associated with functions related to inquiries and assistance, administration, troubleshooting, and reporting functions associated with student financial aid. A report will be requested by the director to review utilization of any existing generic access accounts, users with knowledge and access to such accounts, and justification of need for this type of access. A subsequent report will be required to demonstrate elimination or restricted access of generic accounts ensuring the security policies related to this practice have strengthened and enforced. Director will request review and update of password settings, to ensure the institution password policy has been followed.

Management Response and Corrective Action 2014:

Cost of Attendance

Management concurs with the findings associated with determining accurate Cost of Attendance budgets for student financial aid applicants. Federally required Cost of Attendance budgets are initially assigned by an automated process, using data from the FAFSA, related to residency and housing plans. Student budgets are calculated at full-time enrollment to allow awarding at maximum eligibility for each applicant. Errors associated with reasonable COA budgets occur when human intervention is required to supersede automated processes and change budgets due to fluctuations in enrollment.

Management will continue to strive to perfect manual processes and efforts will be made to correctly and consistently apply and adjust COA Budgets for all students.

Implementation date: July 2014

Responsible Person: Lisa Schroeder

General Controls

Management concurs with findings associated with maintaining adequate controls and establishing appropriate Information Security Policies to ensure the integrity and secure operation of automated systems.

Management will continue to review access for high profile roles, with periodic reviews of active/inactive user accounts and adherence to Information Security Policies now in place.

Implementation date: August 2014

Responsible Person: Isaac Barbosa

Reference No. 2013-102

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P125265; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A128695; CFDA 84.268, Federal Direct Student Loans, P268K135265; and CFDA 84.033, Federal Work-Study Program, P033A128695

Type of finding – Material Weakness and Material Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register* Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

For 20 (33 percent) of 60 students tested, Lamar Institute of Technology (Institute) did not accurately verify all required information in student financial assistance applications and did not always correct student ISIR information when required. Specifically:

- For 1 (2 percent) of 60 students tested, the Institute did not ensure that the number of household members enrolled in post-secondary education reported on the student’s application was adequately supported.
- For 3 (20 percent) of the 15 students who received food stamps, the Institute did not accurately verify that the students received food stamps.
- For 16 (27 percent) of 59 students who reported tax-related verification items, the Institute did not accurately verify the students’ applications. Auditors identified application errors in education credits, income tax paid, AGI, and untaxed pensions.

According to the Institute, the errors occurred because of errors in manual processing during verification. In addition, the process the Institute uses to monitor verification addresses only corrections it makes to a student’s ISIR and does not assess the overall quality of the verifications performed.

For the 20 students discussed above, the Institute did not initially correct the students’ ISIRs to reflect the accurate information at the time of verification. As a result:

- For 7 students, the errors resulted in overawards of federal Pell Grant funds totaling \$2,475 associated with award number P063P125265.
- For 4 students, the errors resulted in underawards of federal Pell Grant funds totaling \$837 associated with award number P063P125265.
- For 9 students, the errors related to non-dollar items or did not result in a change to the students’ EFC or awards.

When auditors brought the errors to the Institute’s attention, it requested updated ISIRs and/or adjusted the students’ awards; therefore, there were no questioned costs.

Not properly verifying FAFSA information can result in the Institute overawarding or underawarding student federal financial assistance.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The Institute did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment. Specifically, three third-party contractor database administrators (DBAs) did not have individual server accounts and, instead, they used a shared generic administrator account to authenticate to the Banner production servers. In addition, three Lamar University DBAs and three third-party contractor DBAs used two generic database accounts, which are administrative accounts required by the Oracle database, when performing administrative tasks on the Banner production database. Section 4.7 (Privileged Roles) of the Institute's Information Security Policies does not adequately address the sharing of administrative access accounts among users or the documentation of exemptions for generic administrative accounts that are required by the information technology systems. Sharing generic, administrative accounts reduces accountability by removing the ability to identify and log the individual users who access systems.

The Institute also did not periodically review administrative access to its network and user access to the Banner application, the Banner database, and the Banner servers to determine the appropriateness of users' access based on their job responsibilities. Section 4.4 (Owner Responsibilities) of the Institute's Information Security Policy does not adequately address the periodic review of user access to the information technology systems. Not periodically reviewing user access increases the risk of inappropriate access to critical applications and their associated databases and servers.

Additionally, the Institute did not configure password settings for the Banner application and the Banner database in accordance with its password policy. Not adhering to the Institute's password policy could result in unauthorized access or alteration to critical applications and data.

Recommendations:

The Institute should:

- Strengthen the process it uses to monitor the quality of verifications.
- Strengthen its information security policies by addressing the use of shared generic account, requiring documentation for all exemptions to the policy, and requiring the periodic review of user access to critical applications and their associated databases and servers.

Management Response and Corrective Action Plan 2013:

Verification of Applications:

Management concurs with issues cited from review of the verification of financial aid records. It is agreed that the need for accuracy and consistency is vitally important. A major factor was a personnel shortage, with one long term vacancy and the loss of a valued financial aid specialist. There are some conditions that must also be noted, with regard to specific categories. With regard to the number in college issue: the FAFSA reflected 2 in college. The student's sister was to be attending college in San Antonio. At some point health issues caused her to be unable to continue, and with the hardship/stress on the family we were not able to obtain proof of her enrollment to justify leaving both siblings in college. Of the three students whose answer to the SNAP benefits was not "corrected" by the school, 2 of these were already eligible for the Auto Zero EFC by meeting some other criterion; retained their Zero EFC through all transactions with no impact to eligibility. The third student had an initial EFC = 0, which remained unchanged through all transactions with no impact to eligibility. Issues related to tax related verification items presented as we transitioned from utilization of student 1040 forms to the now required Tax Return Transcripts. Reliance on the copied tax returns provided the ease of specified line numbers for required verification elements, whereas review of the Tax Transcript relies on wordy definitions/labels for specific data fields. It was

suggested that we might use a provided verification table as a guide to selecting the appropriate items. When forwarding the table, it did not match what the auditors had been using. It was discovered that there had been 3 versions of this table which only served to compound the problem. 10 of the 16 tax related issues were based on selecting the inappropriate Tax Paid line when verifying and making corrections. Unfortunately, in these instances, our consistency actually resulted in greater level of errors in this category.

Previous vacancies in the financial aid office have been filled and efforts to replace another position are underway. Management will establish a verification spreadsheet to become a part of processor desk references to assist with selection of proper tax related items. Training schedules will be established to facilitate training of new staff members and retraining veteran employees as appropriate. Efforts will be made to establish an enhanced verification protocol utilizing additional form(s) within Banner, which will potentially provide useful output and/or exception data resulting in an improved a more detailed review process to reduce errors and inconsistencies.

General Controls

Management concurs with findings associated with maintaining adequate user access controls to it Banner student assistance application and its operating environment.

Review of existing access accounts will be performed on an annual basis for users in the Banner Financial Aid Module, database, and servers. Financial Aid Director will request printed documentation to review administrative access account assignments for both internal and external administrators to ensure those individuals have obtained individually assigned accounts for use when accessing the database and/or servers to perform duties associated with functions related to inquiries and assistance, administration, troubleshooting, and reporting functions associated with student financial aid. A report will be requested by the director to review utilization of any existing generic access accounts, users with knowledge and access to such accounts, and justification of need for this type of access. A subsequent report will be required to demonstrate elimination or restricted access of generic accounts ensuring the security policies related to this practice have strengthened and enforced. Director will request review and update of password settings, to ensure the institution password policy has been followed.

Management Response and Corrective Action 2014:

Verification of Applications

Management concurs with issues cited from review of the verification of financial aid records. It is agreed that strong processes must be in place to ensure accuracy and consistency when verifying applicant data.

Management will continue efforts to strengthen processes used to monitor the quality of verifications.

Implementation date: July 1, 2014

Responsible Person: Lisa Schroeder

General Controls

Management concurs with findings associated with maintaining adequate controls and establishing appropriate Information Security Policies to ensure the integrity and secure operation of automated systems.

Management will continue to review access for high profile roles, with periodic reviews of active/inactive user accounts and adherence to Information Security Policies now in place.

Implementation date: August 31, 2014

Responsible Person: Isaac Barbosa

Lamar State College - Orange

Reference No. 2013-103

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P124258; CFDA 84.268, Federal Direct Student Loans, P268K134258; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A127177; and CFDA 84.033, Federal Work-Study Program, P033A127177

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087II).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Lamar State College – Orange (College) established different COA budgets for students enrolled full-time, three-quarter-time, half-time, and less-than-half-time, as required. The College’s financial aid system automatically applies the COA based on its full-time budgets; however, the College manually updates the COA budget for students whose attendance is less than full-time or who are not attending the College for a full academic year.

For 7 (12 percent) of 60 students tested, the College inconsistently or incorrectly calculated the student’s COA. That occurred because of manual errors the University made when adjusting COA for students enrolled less than full-time or enrolled only for a portion of the academic year. None of those students received student financial assistance in excess of their COA or auditor-calculated need; however, incorrectly or inconsistently calculating COA increases the risk that students may be overawarded or underawarded student financial assistance.

Recommendations:

The College should strengthen its process for adjusting COA budgets for students enrolled less than full-time or students enrolled for only a portion of the academic year so that it accurately calculates COA budgets in accordance with its policy.

Management Response and Corrective Action Plan 2013:

To strengthen the adjusting of COA budgets, all of the appropriate different budgets have been added to the RBRCOMP form in Banner. Financial aid personnel then only have to adjust the student’s individual aid period on the RBAABUD screen. This will eliminate the need for financial aid personnel having to make calculations on individual students.

Management Response and Corrective Action 2014:

We agree with the SAO finding of partially implemented for the Cost of Attendance portion of the #2013-103 Eligibility audit.

We are striving to complete the adjustment of COA budgets more efficiently and accurately. We believe most of the issues we experienced for the 2013-14 award year were due to inaccuracies in the system set-up. We think we have corrected these issues for the current year.

Implementation Date: August 2014

Responsible Person: Kerry Olson

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education 2012-2013 Federal Student Aid Handbook). Additionally, a student's eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200).

For 1 (2 percent) of 60 students tested, the College overawarded the student \$694 in Pell Grants associated with award P063P124258 because it did not adjust the award amount when the student withdrew from all courses for the Spring 2013 semester. The College does not have a process to automatically adjust student financial assistance awarded when a student withdraws from courses prior to the beginning of a semester without going through the College's Registrar's Office; therefore, the College's Student Financial Aid Office uses a manual process to identify and adjust awards for those students. After auditors brought this error to the College's attention, the College returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

In addition to affecting Pell Grant awards, errors made in Pell Grant awards may adversely affect awards made under other federal programs, such as Direct Subsidized or Direct Unsubsidized loans.

Corrective Action:

Corrective action was taken.

Reference No. 2013-104

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P124258 and CFDA 84.268, Federal Direct Student Loans, P268K134258

Type of finding – Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to

Initial Year Written: 2013
Status: Implemented

U.S. Department of Education

the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

For 3 (8 percent) of 40 students tested, Lamar State College – Orange (College) did not accurately verify all required items on the students' FAFSAs. Specifically:

- For 1 (25 percent) of 4 students tested who earned income and did not file a tax return, the College incorrectly verified the student's income earned from work as reported by the student in a signed statement certifying the student's income. Based on information the College provided, that error did not result in an adjustment to the student's EFC or award. The error occurred because of a manual error the College made in verification.
- For 1 (3 percent) of 38 students tested who filed tax returns or whose parents filed tax returns, the College incorrectly verified the parents' IRA deductions. For that student, the College understated the student's EFC by \$379, resulting in a \$300 overaward of a Pell Grant. After auditors brought this matter to the College's attention, the College provided evidence that it corrected that overaward; therefore, there were no questioned costs associated with that error. The error occurred because of a manual error the College made in verification.
- For 1 (3 percent) of 38 students tested who filed tax returns or whose parents filed tax returns, the College incorrectly verified the student's AGI and income tax paid. The College did not follow the methodology prescribed in the 2012-2013 *Application and Verification Guide* to calculate individual AGI and taxes paid using a joint return. Based on information the College provided, that error did not result in an adjustment to the student's EFC or award.

Corrective Action:

Corrective action was taken.

Lamar University

Reference No. 2013-105

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124051; CFDA 84.033, Federal Work-Study Program, P033A124051; CFDA 84.063, Federal Pell Grant Program, P063P122282; CFDA 84.268, Federal Direct Student Loans, P268K132282; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132282; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2013
Status: Partially Implemented

U.S. Department of Education

Lamar University (University) has established full-time budgets in its financial aid system, and it also has established rates for three-quarter-time, half-time, and less-than-half-time enrollment. The University sets each of its rates based on actual tuition and fees charged (either resident or non-resident), average cost of books for students who attend, and estimated costs for living expenses and other personal expenses based on average living costs for the area in which the University is located. The school’s financial aid system automatically applies the COA based on a student’s academic schedule.

For 1 (3 percent) of 40 students tested, the University incorrectly calculated the student’s COA. That occurred because of an error the University made when it updated the COA budget tables in its financial aid system for the 2012-2013 academic year. Specifically, the University did not properly update amounts for all budget components in one budget group. A total of three students were affected by that error. As a result, the University understated the COA and financial need for each of those students by \$1,189. The University corrected those students’ COA when auditors brought the issue to its attention. However, not applying correct COA budgets to students could result in an overaward or underaward of student financial assistance.

Recommendations:

The University should apply current COA budgets correctly for all budget groups.

Management Response and Corrective Action Plan 2013:

In response to the COA budget errors, the discrepancy occurred due to a manual data-entry error that was copied across the Banner system and applied to multiple students. Upon the auditors findings, we immediately corrected these individual errors. In the future, we will run RBRBCMP which details the values that make up the cost of attendance. A different processor will review the values for manual errors before they are copied into production.

Management Response and Corrective Action Plan 2014:

Currently, Lamar University has approximately ninety (90) possible Cost of Attendance (COA) budget combinations due to the addition of the on-line Academic Partnership programs. Budgets are manually calculated and entered

into the student information system called Banner. After budgets are entered into the system, the accuracy of each budget is electronically verified through the running of a computer process called RBRCMP within the Banner System. In addition to running this report, the Office of Student Financial Assistance will strengthen procedures by adding two people to work on this report. The first employee will be assigned to review the report for each detail of items that make up the budget (i.e. tuition, fees, room and board, etc...) and the second will verify the accuracy of each budget amount. This will be implemented with the 15-16 budgets for the new award year. The Associate Director, Chris Baur, will be responsible for this.

Cost of Attendance (COA): To ensure accurate budgeting of each individual student, a report is run on the University's official census date that freezes hours and student enrollment statuses. Based upon the students' status on the census date, students who are no longer enrolled or have reduced hours of enrollment will have their COA reduced or cancelled to match the enrollment status. This may cause some students aid to be reduced so that they do not exceed their Unmet Need. Students who indicate that they anticipate a full-year enrollment are packaged for Fall/Spring with a COA based on nine months. After completing the Fall semester, should a student not return to the University for the Spring semester, the second (Spring) semester of aid is cancelled and the budget is adjusted to reflect five months of attendance. Since one-half of the nine month COA is 4.5 months, the Department of Education provides for schools to round to the nearest whole month. After adjusting the Expected Family Contribution (EFC) for the same five month period the contribution appears to be increased and thus students will technically fall into an over-award situation. On the other hand, should the University choose to round down to four months (rather than up to five) the use of a four month EFC would require that the COA be adjusted to reflect a four month budget and then (depending on the individual EFC) the result is that the student will be under-awarded for the completed term. Aid Periods are adjusted to Fall only if the Office of Student Financial Assistance is made aware that the student will not be attending the subsequent semester (term). Otherwise, we do not change the Aid Period as the student may return at a later date within the semester.

In striving to maintain the Subsidized Usage Limits Applied (SULA), our office does terminate the loan period for the semester (term) the student attended and cancel any future financial aid.

Implementation Date: March 2015

Responsible Person: Margo Hymer

Federal Direct Student Loan

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods and periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible only for Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

Based on a review of the full population of federal student financial assistance recipients, the University awarded one graduate student a \$2,723 Subsidized Direct Loan associated with award number P268K132282 for which that student was not eligible. According to the University, that occurred because the student's status changed from post-baccalaureate to graduate on the same day that the University disbursed the funds. After auditors identified that error, the University canceled that award.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment. Specifically, three third-party contractor database administrators (DBAs) did not have individual server accounts and, instead, they used a shared generic administrator account to

authenticate to the Banner production servers. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) prohibits the sharing of administrative access accounts among users. Sharing those accounts reduces accountability by removing the ability to identify and log the individual users who access systems.

In addition, three University DBAs and three third-party contractor DBAs used two generic database accounts, which are administrative accounts required by the Oracle database, when performing administrative tasks on the Banner production database. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) requires that information regarding users with access to a generic account must be documented with the office of the chief information officer (CIO) annually. However, there was no documentation filed with the office of the CIO to document the purpose of the two generic database accounts or the six DBAs who had passwords for those accounts.

The University also did not periodically review administrative access to its network and user access to the Banner application, the Banner database, and the Banner servers to determine the appropriateness of users' access based on their job responsibilities. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 6) requires that access to, changes to, and use of information resources be strictly secured and states that information access authority for each user must be reviewed on a regular basis, as well as when a job status changes, such as a transfer or termination of service. Not periodically reviewing user access increases the risk of inappropriate access to critical applications and their associated databases and servers.

Additionally, the University did not configure password settings for its network, the Banner application, and the Banner database in accordance with its password policy. Not adhering to the University's password policy could result in unauthorized access or alteration to critical applications and data.

Corrective Action:

Corrective action was taken.

Reference No. 2013-106

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124051; CFDA 84.033, Federal Work-Study Program, P033A124051; CFDA 84.063, Federal Pell Grant Program, P063P122282; CFDA 84.268, Federal Direct Student Loans, P268K132282; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132282; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions,

Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013 Status: Implemented U.S. Department of Education

For 1 (3 percent) of 40 applications tested, Lamar University (University) did not accurately verify all required items on the FAFSA. Specifically, the applicant's parent reported paying \$24,000 in child support, but the University did not verify that because of a manual error. As a result, the University did not request an updated ISIR for the student at the time of verification. Based on information the University provided, that error resulted in an overaward of \$88 in subsidized direct loans associated with award P268K132282.

When auditors brought the error to the University's attention, the University requested an updated ISIR and adjusted the student's award; therefore, there were no questioned costs. However, not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant's FAFSA information. Those policies must include: (1) the time period within which an applicant shall provide the documentation; (2) the consequences of an applicant's failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's award or loan; (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16. The procedures must provide that the institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of application information, including the deadlines for completing required actions and the consequences of failing to complete any required action. An institution's procedures must also provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes to the applicant's cost of attendance or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

The University's policies and procedures for its verification process did not include all of the required elements. Specifically, the University's verification policies and procedures did not provide that it would furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification, deadlines for completing any required actions. Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not maintain adequate user access controls to its Banner student financial assistance application and its operating environment. Specifically, three third-party contractor database administrators (DBAs) did not have individual server accounts and, instead, they used a shared generic administrator account to authenticate to the Banner production servers. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) prohibits the sharing of administrative access accounts among users. Sharing those accounts reduces accountability by removing the ability to identify and log the individual users who access systems.

In addition, three University DBAs and three third-party contractor DBAs used two generic database accounts, which are administrative accounts required by the Oracle database, when performing administrative tasks on the Banner production database. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) requires that information regarding users with access to a generic account must be documented with the office of the chief information officer (CIO) annually. However, there was no documentation filed with the office of the CIO to document the purpose of the two generic database accounts or the six DBAs who had passwords for those accounts.

The University also did not periodically review administrative access to its network and user access to the Banner application, the Banner database, and the Banner servers to determine the appropriateness of users' access based on their job responsibilities. The University's Administrative/Special Access Policy (Policy 10.02.02, Section 6) requires that access to, changes to, and use of information resources be strictly secured and states that information access authority for each user must be reviewed on a regular basis, as well as when a job status changes, such as a

transfer or termination of service. Not periodically reviewing user access increases the risk of inappropriate access to critical applications and their associated databases and servers.

Additionally, the University did not configure password settings for its network, the Banner application, and the Banner database in accordance with its password policy. Not adhering to the University's password policy could result in unauthorized access or alteration to critical applications and data.

Corrective Action:

Corrective action was taken.

Prairie View A&M University

Reference No. 10-33

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.268 P268K092319, CFDA 84.063 P063P082319, CFDA 84.007 P007A084098, CFDA 84.033 P033A084098, CFDA 84.375 P375A082319, CFDA 84.376 P376S082319, CFDA 84.379 P379T082319, and CFDA 93.925 Award number Not Applicable.

Type of finding - Material Weakness and Non-Compliance

Budget Amounts

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written: 2009 Status: Partially Implemented U.S. Department of Education U.S. Department of Health and Human Services
--

When entering students' cost of attendance (COA) budgets into its financial aid system tables, the University included incorrect loan fee amounts for three budget groups. The University entered \$200, when the correct amount was \$100. This was limited to the following three budget groups: (1) student was a full-time undergraduate from out of state entering the University in the Spring semester; (2) student was a three-quarter time undergraduate in-state resident entering the University in the Spring semester; and (3) student was a full-time undergraduate from out of state entering the University for the Spring and Summer 1 semesters. A total of 42 students were affected by the incorrect cost of attendance budgets. As a result, the University included incorrect loan fee amounts within all Pell-based budgets that it reported to the U.S. Department of Education's *Common Origination and Disbursement* (COD) system. Reporting incorrect COA budgets could result in students being underawarded or overawarded financial assistance. None of the items tested resulted in incorrect award amounts.

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34).

The University's satisfactory academic progress policy requires an undergraduate student receiving federal aid to (1) maintain a minimum 2.00 cumulative GPA, (2) successfully complete at least 75 percent of the student's credit hours, and (3) meet the student's degree objectives within 180 total attempted hours. If a student does not meet these requirements, the student may be placed on financial aid probation or financial aid suspension. If the student is placed under financial aid suspension, the student may appeal the suspension. All appeals that are denied could be awarded in error if the manual adjustment is not made to the automated system.

The University disbursed financial assistance to 1 (2.5 percent) of 40 students tested, even though that student did not meet the University's satisfactory academic progress policy. The University awarded the student a total of \$8,880 in assistance because the University did not manually adjust its automated system to reflect that the student's satisfactory academic progress appeal was denied. The University later detected this error and canceled the assistance, but it had already disbursed \$8,800 for the Spring semester to this student. The University cleared the student's account with the U.S. Department of Education after canceling the funds; therefore, there is no questioned cost associated with the error.

COA Calculation

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's COA minus the expected family contribution (EFC). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal aid to ensure that total aid is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Section 685.301).

The University incorrectly calculated the COA for 4 (10 percent) of 40 students tested. While the University's financial aid system automatically calculates COA for Fall and Spring semesters, University staff manually calculates the Summer semester portion of each student's COA. This could result in an overaward if the student does not have any excess unmet need. For the four students noted, the staff incorrectly calculated the Summer semester portion of the student's COA. One student was a full-time graduate student who incorrectly had a loan fee of \$75 added to the student's COA. The remaining three students were part-time for the Summer semester: One student had a \$500 room charge incorrectly added to the student's COA, one student had a \$425 book allowance incorrectly omitted from the student's COA, and one student had \$406 in personal expenses incorrectly omitted from the student's COA. However, the incorrect COA calculations did not have an effect on the amount of assistance awarded to students because the students had excess unmet needs.

Corrective Action:

This finding was reissued as current year reference number 2014-101.

Reference No. 10-34

Special Tests and Provisions - Disbursements To or On Behalf of Students

(Prior Audit Issue - 08-38)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.268 P268K092319, CFDA 84.063 P063P092319, CFDA 84.007 P007A084098, CFDA 84.033 P033A084098, CFDA 84.375 P375A082319, CFDA 84.376 P376S082319, and CFDA 93.925 Award number Not Applicable.

Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a students' account at the institution with Direct Loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2007 Status: Partially Implemented U.S. Department of Education U.S. Department of Health and Human Services

For 7 (18 percent) of 39 students tested who received Direct Loans, the University did not send disbursement notifications within the required 30 days for the Fall 2008 semester. The University implemented a new financial aid system and did not set up the automated process for disbursement notification letters in time to ensure that it sent

disbursement notifications within the 30-day requirement for some of the disbursements it made on the first day of the Fall 2008 disbursement cycle (August 18, 2008). As a result, the University sent disbursement notification letters one day late for some of the disbursements that occurred on the first day of the Fall 2008 disbursement cycle, including for the seven students discussed above. Auditors did not note any late disbursement notification letters for the Spring 2009 semester. Not receiving these notifications promptly could impair students' and parents' ability to cancel their loans.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 1 (4 percent) of 25 students with Pell disbursements tested, the University did not report the amount and date of the Pell disbursement to the COD System. According to University staff, the student's information was recorded in Banner but was rejected by the COD System. The student's information was not manually corrected; therefore, the University did not report information subsequently to the COD System. The University did not have an adequate procedure in place to ensure data not accepted by COD was corrected and submitted timely.

Corrective Action:

This finding was reissued as current year reference number 2014-103.

Sam Houston State University

Reference No. 2013-121

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award number – CFDA 84.063, Federal Pell Grant Program, P063P122301

Type of finding –Significant Deficiency and Non-Compliance

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, Code of Federal Regulations (CFR), Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, estimated family contribution (EFC), and cost of attendance (COA). There are separate schedules for three-quarter-time, half-time, and less-than-half-time students. Additionally, a student’s eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance, such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200). Students who are enrolled less-than-half-time are eligible for Pell based on the Pell disbursement tables, which include calculations based on less-than-half-time enrollment. Institutions do not have the discretion to refuse to provide Pell funds to an eligible part-time student, including during a summer term or intersession (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

Initial Year Written: 2013
Status: Partially Implemented

U.S. Department of Education

An institution must establish a reasonable satisfactory academic progress (SAP) policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, Higher Education Act programs. The Secretary of the U.S. Department of Education considers the institution’s SAP policy to be reasonable if it meets certain conditions. To be considered reasonable, the policy must be at least as strict as the policy the institution applies to a student who is not receiving federal financial assistance and provide for consistent application of standards to all students within categories of students (for example, full-time, part-time, undergraduate, and graduate students). The policy also must specify the grade point average that a student must achieve at each evaluation and the pace at which a student must progress through his or her educational program. An institution calculates the pace at which a student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted (Title 34, CFR, Section 668.34).

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s COA minus the EFC (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Sam Houston State University (University) did not disburse federal student financial assistance to students enrolled in fewer than six course hours in a semester, even when those students were eligible to receive financial assistance. As a result, for 1 (2 percent) of 60 students tested, the University underawarded the student \$694 in federal Pell Grant assistance for which the student was eligible. That underaward was associated with award number P063P122301.

The University requires that students be enrolled in at least six hours each semester to make satisfactory academic progress toward a degree and be eligible to receive financial aid. The University has implemented a disbursement rule in its financial aid system that prevents disbursement to students who are enrolled in fewer than six hours for a semester. However, that policy contradicts federal requirements related to Pell Grant eligibility determination and

does not meet federal requirements for a reasonable SAP policy. As a result, students enrolled in fewer than six course hours may not receive financial assistance for which they are eligible.

Additionally, for 11 (18 percent) of 60 students tested, the University did not determine the students' COA based on tuition and fees normally assessed for students carrying the same academic workload. Those students were enrolled in fewer than six hours in one or more semesters, and the University assigned them COA budgets that did not reflect their actual enrollment. Because the University does not disburse federal student financial assistance to students enrolled in fewer than six hours, it did not have correct COA budgets to assign to those students. Incorrectly calculating COA increases the risk that students may be overawarded or underawarded assistance.

Recommendations:

The University should revise its COA budgets to include a less-than-half-time enrollment category.

Management Response and Corrective Action Plan 2013:

Sam Houston State University acknowledges and agrees with the finding. As of August 2013, Pell was disbursed to all eligible students enrolled in less than half time for the 2012-2013 academic year. Management has modified disbursement rules to allow Pell disbursement for eligible students enrolled in less than half.

Management concurs with the State Auditor's Office (SAO) regarding the Satisfactory Academic Progress Policy (SAP). The SAP policy has been modified as of June 2013 to meet federal requirements for reasonableness. In the future, the Financial Aid and Scholarships Office will conduct an annual review of the policy.

Management recognizes the need for less than half time cost of attendance (COA) budgets. As indicated by the finding, Sam Houston State University identified all affected students and has taken corrective action as necessary. As of August 2013, COA budgets for less than half-time have been implemented. In the future, the Financial Aid and Scholarships Office will conduct an annual, secondary review of both the programmatic and business elements to ensure correct calculations.

2014 Update:

The University awarded federal Pell Grant funds to eligible part-time students and updated its SAP policy to meet federal requirements for reasonableness. The University also revised its COA budgets to include a less than half-time enrollment category; however, the less-than-half-time budgets include a component for personal/miscellaneous expenses which is not allowable per Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087 II (4).

Management Response and Corrective Action Plan 2014:

Corrective action taken concerning Pell eligible students. Software awarding and disbursement rules were modified to allow Pell awarding and disbursement for less than half time. Pell was paid to students enrolled in less than half time for Fall 2012, Spring 2013, and Summer 2013 terms.

Cost of Attendance budgets created for less than half time enrollment August 2013 and will be modified to comply with Federal Regulation for the 15-16 academic year.

Implementation Date: April 2015

Responsible Person: Lydia Hall

Reference No. 2013-122

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award number – CFDA 84.063, Federal Pell Grant Program, P063P122301

Type of finding – Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

For 1 (3 percent) of 40 students tested, Sam Houston State University (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request an updated ISIR as required. Specifically, the University incorrectly verified that student’s education credit amount because of a manual data entry error. As a result, the University overstated the student’s EFC by \$46 and underawarded the student \$100 in Pell grants. After auditors brought the error to its attention, the University corrected the error and awarded the student the additional \$100 in Pell grant funds.

Not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant’s FAFSA information. Those policies must include: (1) the time period within which an applicant shall provide the documentation; (2) the consequences of an applicant’s failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant’s EFC changes and results in a change in the applicant’s award or loan; (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16. The procedures must provide that the institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant’s responsibilities with respect to the verification of application information, including the deadlines for completing required actions and the consequences of failing to complete any required action. An institution's procedures must also provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes to the applicant's cost of attendance or to the values of the data items required to calculate the EFC. (Title 34, CFR, Section 668.53).

The University’s written policies and procedures for verifying an applicant’s FAFSA information did not include all of the required elements. Specifically, the University’s verification policies and procedures did not include:

- The procedures for making referrals under Title 34, CFR, Section 668.16.

- The procedures the institution will follow and the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements and that applicants may not understand their responsibilities when their FAFSAs are verified.

Corrective Action:

Corrective action was taken.

Texas A&M International University

Reference No. 11-118

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2009 to June 30, 2010

Award numbers – CFDA 84.033 P033A094137, CFDA 84.063 P063P093216, CFDA 84.007 P007A094137, CFDA 84.375 P375A093216, CFDA 84.376 P376S093216, and CFDA 84.032 Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include (1) a qualitative component that consists of grades, work projects completed, or comparable factors that are measurable against a norm; and, (2) a quantitative component that consists of a maximum time frame in which a student must complete his or her educational program (Title 34, CFR, Section 668.16 (e)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average (GPA) of at least a “C” or its equivalent, or has academic standing consistent with the institution’s requirements for graduation (Title 34, CFR, Section 668.34 (b)).

Initial Year Written:	2010
Status:	Implemented
U.S. Department of Education	

University staff perform SAP determinations manually using paper forms. The University asserts that, as a control, administrative staff perform random, periodic reviews of those forms; however, because those reviews are not documented, auditors were unable to verify the existence of this control. **During testing, auditors identified several inconsistencies in staff’s documentation of SAP determinations.** Specifically, auditors noted instances in which:

- The documented cumulative GPA included grades earned from non-institutional courses. According to the University’s SAP policy, the cumulative GPA should include only institutional courses.
- The documented cumulative GPA, course completion rate, and total cumulative hours attempted did not incorporate courses completed in the Fall 2008 and/or Spring 2009 semesters. According to the University’s SAP policy, SAP determinations are made at the end of the academic year.
- The documented total cumulative hours attempted included hours earned from transfer courses not applicable to a student’s degree program. According to the University’s SAP policy, a student’s total cumulative hours attempted are counted only if they apply to the student’s degree program.

Despite these inconsistencies in SAP calculations, based on testing of 40 students, auditors did not identify any students who were ineligible to receive financial assistance for not meeting SAP requirements.

Corrective Action:

Corrective action was taken.

Texas A&M University

Reference No. 2013-138

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A125286 and CFDA 84.063, Federal Pell Grant Program, P063P125286

Type of finding – Significant Deficiency and Non-Compliance

Postsecondary Education Scholarships for Veteran’s Dependents

Under the Postsecondary Education Scholarships for Veteran’s Dependents award, also known as the Iraq and Afghanistan Service Grant (IASG), a Pell grant recipient whose parent or guardian died as a result of military service in Iraq or Afghanistan after September 11, 2001, can receive the maximum amount of a Pell award available. The student must be younger than 24 years of age or, if 24 years old or older, enrolled at least part-time in college at the time of the parent’s or guardian’s death. Effective July 1, 2010, if a student meets those criteria but does not meet the needs-based criteria for a Pell grant, then the student would be eligible for a non-need based (IASG) and can receive IASG in an amount equal to the maximum amount of a Pell grant award available (Title 20, United States Code, Chapter 1070h).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

For 1 (3 percent) of 40 students tested, Texas A&M University (University) did not award the proper amount of IASG in accordance with program requirements. The University awarded the student \$5,500 in IASG instead of \$5,550 (which was the maximum Pell grant available for the 2012-2013 award year). According to the University, the underaward occurred because of a clerical error. After auditors brought this matter to the University’s attention, the University corrected the error and awarded the student an additional \$50 in aid.

Post-baccalaureate Students Receiving Federal Pell Grants

The federal Pell Grant Program awards grants to help financially needy students meet the cost of their postsecondary education (Title 34, Code of Federal Regulations (CFR), Section 690.1). In selecting students for the federal Pell Grant Program, an institution must determine whether a student is eligible to receive a federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, CFR, Section 690.6(a)). For each payment period, an institution may pay a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)(2)).

Based on a review of the full population of federal student financial assistance recipients, the University awarded \$1,388 in Pell Grant funds to two post-baccalaureate students who were not eligible for that assistance. The errors occurred because the University did not properly implement its control to identify students who have bachelor's degrees. The University’s financial aid system relied on self-reported information from the students’ Institutional Student Information Records (ISIRs), which incorrectly indicated that the students had not yet received bachelor’s degrees. The University runs a daily report that identifies all students with bachelor’s degrees and subsequently cancels all Pell assistance for those students. However, it did not run that daily report for a period of time prior to the Summer semester, which allowed those students’ inappropriate Pell awards to go undetected.

After auditors brought this matter to the University’s attention, the University provided evidence that it corrected the above Pell awards; therefore, there were no questioned costs. However, not properly awarding Pell Grant funds could result in the University awarding federal aid to ineligible students.

Corrective Action:

Corrective action was taken.

Reference No. 2013-139

Special Tests and Provisions - Verification

(Prior Audit Issues 13-122 and 12-124)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K135286 and CFDA 84.063, Federal Pell Grant Program, P063P125286

Type of finding – Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of a student's eligibility results in a total difference of more than \$25 from the student's original FAFSA, the institution must submit a correction and recalculate the expected family contribution (EFC) based on the student's new information to determine whether an adjustment to Title IV assistance is required. For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected Student Aid Report (SAR) or valid Institutional Student Information Record (ISIR). The institution must disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2011
Status: Implemented
U.S. Department of Education

Texas A&M University (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop a quality improvement approach to their administration of the financial student assistance programs. The QAP provides participating institutions the ability to design a verification program that fits their population (2012-2013 *Application and Verification Guide*, page AVG-84). As a part of quality improvement for the verification process, the University's policy requires verifying wages, income exclusions, and all of the items required by Title 34, CFR, Section 668.56.

For 2 (5 percent) of 40 students tested, the University did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request an updated ISIR as required. Specifically, the University did not accurately verify the students' AGI amounts. In both cases, the University did not correctly match supporting tax documentation with the ISIR information in the University's financial aid system.

When auditors brought the errors to management's attention, the University corrected the AGI amounts and uploaded the changes to the students' ISIRs. The updated information changed the students' EFCs, but that did not result in any underawards or overawards of student financial assistance; therefore, there were no questioned costs. Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

Corrective Action:

Corrective action was taken.

Reference No. 2013-140

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 13-123)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124136; CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award number not applicable; CFDA 84.063, Federal Pell Grant Program, P063P125286; CFDA 84.268, Federal Direct Student Loans, P268K135286; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T135286; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A125286

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c)).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Education	

Texas A&M University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student’s formal withdrawal, the student’s last recorded date of attendance should be reported as the status change date. In addition, the effective date for a student who has never attended should be the date that the institution certifies the student’s “never attended” status, as reported to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix B).

For 4 (7 percent) of 60 student status changes tested, the University did not report the change to NSLDS accurately. Specifically:

- For one student, the University incorrectly reported the student’s enrollment status as withdrawn for the Fall 2012 semester. Although the student enrolled in classes for the Fall semester, the student received all non-passing grades in the Fall and did not provide evidence of attendance during the semester. In addition, the student was a first-time student at the University; therefore, the student’s enrollment status should have been reported as “never attended.”
- For one student who unofficially withdrew during the Fall 2012 semester, the University incorrectly reported the student’s enrollment status as full-time. The student received all non-passing grades in the Fall and did not provide evidence of attendance during the semester. The University reported the effective date of the student’s full-time status, when it should have reported the effective date of the student’s withdrawal.
- For two students who unofficially withdrew during the Fall 2012 semester, the University reported incorrect withdrawal dates to the NSLDS. The University reported the last class day of the Fall 2012 semester as the withdrawal date when it should have reported the students’ last recorded date of attendance. One of those students did not provide proof of attendance for the Fall 2012 semester. Auditors determined the last date of attendance for that student was December 14, 2011. The University received evidence that the other student had attended classes through October 29, 2012.

Although the University reported these students' enrollment statuses incorrectly, it appropriately canceled the students' federal assistance for the Fall 2012 semester. The errors discussed above occurred because of weaknesses in University processes. At the end of each semester, the University's Office of Financial Aid verifies changes in student enrollment statuses for students who do not complete the semester to determine whether unofficial withdrawals require a return of funds. However, the University's Registrar does not update NSLDS based on the withdrawal determinations and returns made by the Office of Financial Aid.

The University reported the correct enrollment statuses to the NSLDS for the students discussed above after auditors brought the errors to its attention. However, not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

Corrective Action:

Corrective action was taken.

Texas A&M University - Commerce

Reference No. 2013-141

Eligibility

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124016; CFDA 84.063, Federal Pell Grant Program, P063P130384; CFDA 84.268, Federal Direct Student Loans, P268K130384; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T130384; CFDA 84.033, Federal Work Study Program, P033A124016; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions,

Award Number Not Applicable

Type of finding – Significant Deficiency

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

Texas A&M University - Commerce (University) did not have sufficient change management controls for its student financial aid system, Banner. For all five system changes that auditors tested, the University did not have sufficient documentation supporting that (1) the changes were properly tested and authorized prior to being migrated to the production environment or (2) the changes were migrated to the production environment by authorized personnel. That increases the risk of unauthorized programming changes being made to critical information systems.

The University also did not consistently maintain appropriate administrator-level access. Specifically, one employee who was responsible for making programming changes for Banner had inappropriate access to the Banner production database. After auditors brought this to the University's attention, the University removed the inappropriate access. Allowing users inappropriate or excessive access increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

University management asserted that it reviews user access at the database level every six months; however, it does not document that review. The University also did not have a process to periodically review user access on application or server user accounts. This is not in compliance with the University's user account management policy, which requires data owners to review access privileges to information resources at least biannually and for those reviews to be documented.

Although the general control weaknesses described above apply to eligibility and special tests and provisions – verification, auditors identified no compliance issues regarding those compliance requirements.

Recommendations:

The University should:

- Sufficiently document changes to key systems to support testing, authorization, and migration of changes to production by authorized personnel.
- Ensure that user access is appropriate based on job responsibilities.
- Comply with its policy to conduct formal, periodic reviews of user access to its key applications, databases, and servers.
- Comply with its policy to retain documentation of its user access reviews.

Management Response and Corrective Action Plan 2013:

The Center of IT Excellence has implemented a Change Management process in November 2013. Required documentation for each change to production includes the following elements:

- Change Description
- Requestor
- Reason for Change
- Priority and Impact
- Configuration Items
- Start Date/Time
- Finish Date/Time
- Implementation Plan
- Risk Assessment
- Test Plan
- Back-out Plan
- Communication Plan

Each week the CAB, Change Approval Board, meets to discuss and approve/reject the submitted requests for that week. An Emergency change may be submitted if a change is required after the CAB meets for the week. At least one CAB member must approve all emergency changes. Stakeholders of any system that will experience any outage are notified prior to any change occurring. No change will be promoted to production unless testing has first been completed in the UAT environment and stakeholders have signed off on the change." Service Request SR29451 was created to remove the improper access to production of one staff member.

Management Response and Corrective Action Plan 2014:

Management at A&M-Commerce has improved processes for change management and documentation timelines related to General Controls and Provisions-Verification at the University. The Chief Information Officer (CIO) of the University has charged the Information Security Officer (ISO) with ensuring that change management processes for Texas A&M University-Commerce and Texas A&M University-Texarkana are consistent. The CIO, in collaboration with the ISO, will monitor and review the General Controls for Eligibility and Provisions-Verification the first and third quarters of each calendar year. All findings discovered in the account review process will be addressed by the CIO and ISO, and will additionally be documented in a pre-and post-review assessment summary.

Implementation Date September 2015

Responsible Person: Tim Murphy

Texas Southern University

Reference No. 11-127

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2009 to June 30, 2010

Award numbers – CFDA 84.063 P063P092327, CFDA 84.007 P007A094145, CFDA 84.033 P033A094145, CFDA 84.375 P375A09327, CFDA 84.376 P376S092327, CFDA 84.379 P379T102327, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, and CFDA 84.268 Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written: 2010
Status: Partially Implemented
U.S. Department of Education

The University has not configured its Banner enterprise software to enforce rules regarding password length or complexity. Banner can be configured to enforce any standards specified in the University's information security policy. Not enforcing password rules increases the risk of unauthorized access to key financial aid processes, student records, and University financial data.

Recommendation:

The University should configure Banner to enforce rules regarding password length and complexity.

Management Response and Corrective Action Plan 2010:

Management agrees with the finding and recommendation. The Office of Information Technology/Enterprise Applications division has taken on a Banner Security Project that is scheduled to begin February, 2011. The first phase of the project will include password length and complexity rule enforcement. Phase I is scheduled for completion by March 31, 2011.

Management Response and Corrective Action Plan 2011:

Decision was made not to roll out password length and complexity modification until after fall registration and headcount was complete.

Management Response and Corrective Action Plan 2012:

The Office of Information Technology identified Banner password security policy in which to adopt.

- a. Created a project plan to roll-out Banner password length complexity.*
- b. Database Administrator applied rules to a test environment.*
- c. Banner Configuration Team was assigned to test new security rules in test environment.*
- d. Analyzed test results.*
- e. Notified campus of the change in policy.*
- f. Applied approved rules to the Production environment.*
- g. Change was applied to the Production environment in October, 2011.*

Management Response and Corrective Action Plan 2013:

19 accounts noted in the finding were expired; however, they were not locked. All of the accounts have been expired and locked as of this date. Additionally, the policy for administering employee accounts has been standardized to ensure accounts are properly expired and locked.

91 other accounts were referenced in the finding. TSU is currently analyzing the groups. Accounts that were no longer active have been expired and locked. The remainders of the accounts represent service accounts tied directly to a process. Expiring the service accounts sited in the finding would have a significant impact on the TSU's business processes. Based on standard industry best practices, a uniformed naming convention will be developed and implemented for the service accounts. A security password with 14 to 15 character complexity will also be applied to the service accounts.

Management Response and Corrective Action Plan 2014:

TSU analyzed the 91 accounts referenced in the previous finding. The remainders of the accounts represent service accounts tied directly to a process. Although expiration of these service accounts sited in the finding would have a significant impact on the TSU's business processes, each of the accounts were analyzed and reduced to 54 accounts; 37 of the original 91 accounts were analyzed, tested and expired and locked.

Based on standard industry best practices, a uniformed naming convention has been developed and will be implemented for the remaining accounts. A policy will be created for these service accounts. Each remaining account will be analyzed, tested and applied to production. The policy will require a security password with 14 to 15 character complexity.

Implementation Date: March 2015

Responsible Person: Kathy Booker

Reference No. 11-128

Special Tests and Provisions – Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year – July 1, 2009 to June 30, 2010

Award numbers – CFDA 84.063 P063P092327, CFDA 84.007 P007A094145, CFDA 84.033 P033A094145, CFDA 84.375 P375A09327, CFDA 84.376 P376S092327, CFDA 84.379 P379T102327, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, and CFDA 84.268 Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

The University has not configured its Banner enterprise software to enforce rules regarding password length or complexity. Banner can be configured to enforce any standards specified in the University's information security policy. Not enforcing password rules increases the risk of unauthorized access to key financial aid processes, student records, and University financial data.

Recommendation:

The University should configure Banner to enforce rules regarding password length and complexity.

Management Response and Corrective Action Plan 2010:

Management agrees with the finding and recommendation. The Office of Information Technology/Enterprise Applications division has taken on a Banner Security Project that is scheduled to begin February, 2011. The first phase of the project will include password length and complexity rule enforcement. Phase I is scheduled for completion by March 31, 2011.

Management Response and Corrective Action Plan 2011:

To avoid impacting fall registration, decision was made not to roll out password length and complexity modification until after September 2011.

Management Response and Corrective Action Plan 2012:

The Office of Information Technology identified Banner password security policy in which to adopt.

- a. Created a project plan to roll-out Banner password length complexity.*
- b. Database Administrator applied rules to a test environment.*
- c. Banner Configuration Team was assigned to test new security rules in test environment.*
- d. Analyzed test results.*
- e. Notified campus of the change in policy.*
- f. Applied approved rules to the Production environment.*
- g. Change was applied to the Production environment in October, 2011.*

Management Response and Corrective Action Plan 2013:

19 accounts noted in the finding were expired; however, they were not locked. All of the accounts have been expired and locked as of this date. Additionally, the policy for administering employee accounts has been standardized to ensure accounts are properly expired and locked.

91 other accounts were referenced in the finding. TSU is currently analyzing the groups. Accounts that were no longer active have been expired and locked. The remainders of the accounts represent service accounts tied directly to a process. Expiring the service accounts sited in the finding would have a significant impact on the TSU's business processes. Based on standard industry best practices, a uniformed naming convention will be developed and implemented for the service accounts. A security password with 14 to 15 character complexity will also be applied to the service accounts.

Management Response and Corrective Action Plan 2014:

TSU analyzed the 91 accounts referenced in the previous finding. The remainders of the accounts represent service accounts tied directly to a process. Although expiration of these service accounts sited in the finding would have a significant impact on the TSU's business processes, each of the accounts were analyzed and reduced to 54 accounts; 37 of the original 91 accounts were analyzed, tested and expired and locked.

Based on standard industry best practices, a uniformed naming convention has been developed and will be implemented for the remaining accounts. A policy will be created for these service accounts. Each remaining account will be analyzed, tested and applied to production. The policy will require a security password with 14 to 15 character complexity

Implementation Date: March 2015

Responsible Person: Kathy Booker

Texas State Technical College - Harlingen

Reference No. 2013-142

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P133162; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134149; CFDA 84.268, Federal Direct Student Loans, P268K133162; and CFDA 84.033, Federal Work-Study Program, P033A134149

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll). A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, Code of Federal Regulations (CFR), Section 668.2).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, CFR, Sections 673.5 and 668.2).

A federal Pell Grant is calculated by determining a student’s enrollment for the term, and then based on that enrollment status, determining the annual award from a disbursement schedule. The amount of a student's award for an award year may not exceed his or her scheduled federal Pell Grant award for that award year (Title 34, CFR, Sections 690.63 (b) and (g)). No federal Pell Grant can exceed the difference between the EFC for a student and the COA at the institution in which the student is in attendance (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1070b).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower’s cost of attendance, the borrower’s maximum borrowing limit, or the borrower’s unmet financial need (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

For 6 (10 percent) of 60 students tested, Texas State Technical College – Harlingen (College) did not calculate the students’ COA in accordance with its published COA schedule. Specifically:

- For 5 students, the College did not remove room and board and personal expense charges for terms the students did not attend, which resulted in the students’ COA being overstated. However, the College did not overaward assistance to those students as a result of that error.

- For 1 student, the College increased the student's COA by \$2,500 in miscellaneous fees to offset a merit-based scholarship the student received, but it did not document its rationale for exercising that professional judgment. However, the College did not overaward assistance to that student as a result of that error.

In addition, for 2 (3 percent) of 60 students tested, the College overawarded need-based financial assistance and awarded financial assistance in excess of the students' COA. Specifically:

- Through a manual process, the College awarded one student \$794 in Subsidized Direct Loans. That assistance exceeded the student's need by \$794; therefore, the amount of questioned costs associated with award P268K133162 was \$794. Additionally, that student's total assistance exceeded the student's COA by \$650. The \$650 overaward was associated with Direct Plus Loans, which also means that the student's assistance exceeded the Direct Plus Loan limit.
- The College awarded one student \$1,388 in Pell Grant funds even though the student's COA was only \$1,284. That resulted in a \$104 overaward of Pell Grant funds; therefore, the amount of questioned costs associated with award P063P133162 was \$104. The College awarded Pell Grant funds based on the student's Pell COA, which the College calculates differently from its institutional COA. The methodology the College used to determine Pell COA overstated the student's COA and resulted in the overaward of assistance.

These errors occurred because for the 2012-2013 award year, the College initially packaged student assistance based on full-time enrollment, regardless of students' actual enrollment. In summer 2013, the College redesigned its automated COA process and retroactively adjusted students' COA to reflect their actual enrollment for each term of the 2012-2013 award year. However, the College did not retroactively adjust COA for students whose COA budgets the College had locked following previous manual adjustments. Incorrectly calculating COA increases the risk that students may be overawarded or underawarded financial assistance.

The College's automated controls over Direct Loans and Pell Grant awards do not ensure that manually entered awards comply with federal assistance limits. In addition, the College awarded all Direct Loans through manual processes during the 2012-2013 award year. Thirteen staff members at the College have the ability to modify or override eligibility rules. That increases the risk of awards exceeding limits.

Recommendations:

The College should calculate students' COA in accordance with its published COA schedule.

Management Response and Corrective Action Plan 2013:

The College will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process will be run to adjust the cost of attendance based on the student's actual enrollment levels. Awards will be adjusted as needed in according to student's actual enrollment at official census date.

The Financial Aid Office will implement procedures to ensure that programming and setup of annual COA budgets is verified and correctly calculated. Training will be provided to the Financial Aid staff to be able trouble shoot, report, and/or correct errors in the financial aid management system.

Management Response and Corrective Action Plan 2014:

The College will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process will be run to adjust the cost of attendance based on the student's actual enrollment levels Awards will be adjusted as needed in according to student's actual enrollment at official census date.

In order to implement the plan above Financial Aid Office will work closely with IT to implement additional procedures to ensure that programming and setup of annual COA budgets are verified and correctly calculated. This collaboration will allow the Financial Aid Office to test student's records to ensure compliance. As procedures are updated training will be provided to the Financial Aid staff in order to troubleshoot, report, and/or correct errors in the financial aid student information system. Initial Cost of Attendance will be based on full time [36 credit

hours (12 per semester)] and use actual enrolled credits after census date. Student's not at least half time status for the term will have the Tuition/Fees and Books components adjusted accordingly.

Together with IT we will create an automated process that will reduce the Room/Board, and Personal Expenses budget components in the COA for students that are enrolled less-than half time. With the transition of a new Financial Aid System Analyst these procedures and processes will be closely monitored.

Implementation Date: August 2015

Responsible Persons: Federico Pena and Javier Nieto

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education 2012-2013 Federal Student Aid Handbook).

An institution's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

The College's automated SAP calculation process includes transfer credits as completed hours, but not as attempted hours; therefore, the College does not evaluate transfer hours as part of a student's maximum time frame and the College incorrectly calculates the pace of completion for students with transfer credits. As a result, for 4 (7 percent) of the 60 students tested, the College did not accurately include transfer hours in the students' SAP calculations. Those students still met the College's SAP requirements and were eligible to receive assistance. However, not including transfer hours as attempted and completed hours in the SAP calculation increases the risk that the College's calculation may not identify students who do not comply with either the maximum credit hour requirement or the pace of completion requirement. As a result, those students could receive financial assistance for which they are not eligible.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

The College did not maintain adequate user access controls over its Colleague student financial assistance application. Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.

Management Response and Corrective Action Plan 2013:

We agree with the findings related to the general control portion of the audit. During the course of the audit the inappropriate access identified by the auditors was immediately revoked. Going forward the Office of Information Technology (OIT) will periodically produce and distribute reports to executive management detailing employees with access to BAWD and FGLP. We will work with management to ensure related access is appropriate.

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.

Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.

The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.

Management Response and Corrective Action Plan 2014:

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.

The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.

Implementation Date: Implemented during audit

Responsible Person: Richard Martin

Reference No. 2013-143

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.033, Federal Work-Study Program, P033A131419; CFDA 84.063, Federal Pell Grant Program, P063P133162; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134149; and CFDA 84.268, Federal Direct Student Loans, P268K133162

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of a student's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013 Status: Partially Implemented

U.S. Department of Education

For 14 (23 percent) of 60 students tested, Texas State Technical College - Harlingen (College) did not accurately verify all required information in student financial assistance applications and did not always correct student ISIR information when required. Specifically:

- For 1 student, the College did not accurately verify the number of household members enrolled in post-secondary education.
- For 7 students, the College did not accurately verify that the students received food stamps.
- For 1 student, the College did not accurately verify that the student had paid child support.
- For 6 students, the College did not accurately verify tax-related items on the students' applications. Auditors identified application errors in AGI, income tax paid, untaxed pensions, and education credits.

According to the College, the errors occurred because of errors in manual processing during verification. Not properly verifying FAFSA information could result in the College overawarding or underawarding student federal financial assistance. Because the U.S. Department of Education's due dates for ISIR correction had already passed at the time the errors were identified, the College was unable to request updated ISIRs for the affected students. However, the College asserted that the errors resulted in overawards of Pell Grant funds to two students totaling \$1,563 and an underaward of \$38 in Pell Grant funds to one student. The overawards and underaward were associated with award number P063P133162.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

The College did not maintain adequate user access controls over its Colleague student financial assistance application. Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.

Management Response and Corrective Action Plan 2013:

We agree with the findings related to the general control portion of the audit. During the course of the audit the inappropriate access identified by the auditors was immediately revoked. Going forward the Office of Information Technology (OIT) will periodically produce and distribute reports to executive management detailing employees with access to BAWD and FGLP. We will work with management to ensure related access is appropriate.

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.

Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.

The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.

Management Response and Corrective Action Plan 2014:

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.

The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.

Implementation Date: Implemented during audit

Responsible Person: Richard Martin

Texas State Technical College - Waco

Reference No. 2013-144

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122321; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124147; CFDA 84.268, Federal Direct Student Loans, P268K132321; and CFDA 84.033, Federal Work-Study Program, P033A124147

Type of finding – Material Weakness and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 673.5 and 668.2).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Texas State Technical College – Waco (College) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual enrollment. As a result, for 15 (25 percent) of 60 students tested, the College based the students’ COA on full-time enrollment, even though the students attended less than full-time for one or more terms during the award year. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of overawarding financial assistance. Because the College developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were overawarded financial assistance for the 2012-2013 school year.

Additionally, 1 (2 percent) of 60 students tested attended Texas State Technical College – Harlingen in the Fall 2012 term and Texas State Technical College – Waco in the Spring 2013 term. The College does not have a process to adjust COA budgets to reflect enrollment at multiple College campuses within the same award year. As a result, auditors could not determine whether that student’s COA budget was appropriate or whether that student was overawarded financial assistance for the 2012-2013 award year.

Corrective Action:

Corrective action was taken.

Pell Grants

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

For 1 (2 percent) of 60 students tested, the Pell Grant award exceeded the amount for which the student was eligible for the award year. The student was enrolled half-time for the Summer 2013 term but was awarded a full-time Pell Grant for that term. As a result, the College overawarded that student \$925 in Pell Grant assistance. The College's automated controls over Pell awards do not ensure that manually entered awards comply with federal assistance limits. The College reviews a report of all Pell disbursements for each term to ensure that the correct amount of Pell has disbursed based on EFC and enrollment level; however, that control is not always effective. After auditors brought the error to the College's attention, the College corrected the Pell award; therefore, there were no questioned costs.

The automated control issue discussed above also affects Direct Loan awards; however, auditors did not identify any compliance errors related to Direct Loan awards.

Corrective Action:

Corrective action was taken.

Federal Supplemental Educational Opportunity Grants

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG first to federal Pell Grant recipients who have the lowest EFC. If an institution has FSEOG funds remaining after giving FSEOG awards to all Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Pell Grants (Title 34, CFR, Section 676.10).

Based on a review of the full population of student financial assistance recipients, the College awarded \$281 in FSEOG assistance to one student who did not also receive a Pell Grant; it did not award FSEOG assistance to all other Pell Grant recipients before awarding FSEOG assistance to that student. The student had already received the lifetime eligibility amount for Pell Grants and, therefore, was no longer eligible to receive a Pell Grant. When identifying potential students eligible for FSEOG, the College ran a query to find Pell-eligible students, but it did not check for an actual Pell Grant disbursement within the award year. After auditors brought the error to the College's attention, the College returned the FSEOG award; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

An institution's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

The College does not apply its SAP policy consistently, and its SAP policy does not meet all federal requirements. For 1 (2 percent) of 60 students tested, the College did not evaluate the student's SAP status at the end of each term as required by its SAP policy. The student was enrolled in the Fall 2012 term; however, the College did not calculate the student's SAP for that term. The College could not explain why it excluded that student from its SAP calculation process for that term. Therefore, auditors were unable to determine whether that issue also affected other students who received financial assistance in the 2012-2013 award year. Based on the student's GPA, pace, and maximum hours, the student's academic progress would have been satisfactory for that term; therefore, the student was eligible for financial assistance in the Spring 2013 term.

In addition, the College's SAP policy states that transfer hours that apply toward the completion of a student's program will be counted in attempted credits; however, the policy does not state that transfer hours will be counted in completed credits. **Further, the College's automated SAP calculation process does not include transfer credits as either attempted or completed hours; therefore, the College does not evaluate transfer hours as part of a student's completion rate or maximum time frame.** For 1 (2 percent) of 60 students tested, the total combined institutional and transfer hours exceeded the student's program's maximum time frame; however, because the College did not include the student's transfer hours in its SAP calculation, the College did not place that student on suspension. After auditors brought the error to the College's attention, the College reviewed the student's transfer hours to determine how many hours applied to the student's program. Based on that review, the student was eligible for financial assistance in the 2012-2013 award year.

Additionally, the College's SAP policy states that if a student repeats a course, it will count both course attempts in the maximum credit hours and pace of completion calculation. However, the College's SAP calculation excludes repeated courses from a student's cumulative attempted hours. Auditors did not identify any compliance errors as a result of that issue. However, not including transfer hours and repeated courses as attempted and completed hours in the SAP calculation increases the risk that the College's calculation may not identify students who do not comply with either the maximum credit hour requirement or the pace of completion requirement. As a result, those students could receive financial assistance for which they are not eligible.

The College's SAP policy also states that a student who has reached the maximum time frame for the student's program of study will be placed on suspension. According to the SAP policy, after the maximum time frame has passed, students cannot regain satisfactory progress or financial assistance eligibility unless they submit an appeal detailing the mitigating circumstances. However, the College's SAP process does not follow that policy. For all students who have reached their maximum time frame, the College reviews the students' academic progress and determines whether the students' should continue to receive financial assistance. That review includes students who have reached their maximum time frames and may not have complied with another SAP requirement (such as GPA or pace completion requirements). The College does not require those students to submit appeals. The College also does not retain documentation of the rationale it uses to determine whether a student should continue to receive financial assistance. Not requiring students to submit a SAP appeal violates both the College's policy and federal requirements. As a result, students may be receiving financial assistance for which they are not eligible.

Seven (12 percent) of 60 students tested had reached the maximum time frame for their program and the College had approved them to continue receiving financial assistance without submitting an appeal. Five of those students also did not comply with the GPA requirement, the pace of completion requirement, or both of those requirements.

Additionally, 281 students had reached the maximum time frame for their program as of the Summer 2013 term. The College approved 256 (91 percent) of those students to continue receiving financial assistance without submitting an appeal. Of those 256 students, 98 (38 percent) also did not comply with the GPA requirement, the pace of completion requirement, or both of those requirements.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

The College did not maintain adequate user access controls over its Colleague student financial assistance application. Specifically:

- Fifteen individuals had inappropriate access based on their job responsibilities to either award or post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

Management Response and Corrective Action Plan 2013:

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.

Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.

The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.

Management Response and Corrective Action Plan 2014:

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.

The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.

Implementation Date: Implemented during the audit

Responsible Person: Richard Martin

Reference No. 2013-145

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122321; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124147; CFDA 84.268, Federal Direct Student Loans, P268K132321; and CFDA 84.033, Federal Work-Study Program, P033A124147

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013 Status: Partially Implemented U.S. Department of Education

For 8 (13 percent) of 60 applicants tested, Texas State Technical College – Waco (College) did not accurately verify all required information in student financial assistance applications and did not always correct applicant ISIR information when required. Specifically, the College did not always accurately verify the applicants' education credits, income tax paid, or household members. According to the College, that resulted in an overaward of \$150 to one student and underawards totaling \$101 to two students in federal Pell Grant funds associated with award P063P122321.

For the eight students discussed above, the College also did not correct the students' ISIRs to reflect the accurate information at the time of verification. The College was unable to request updated ISIRs for those students when auditors brought the errors to its attention because that occurred after the U.S. Department of Education's due date for corrections. Therefore, the effects on EFC and assistance noted above, including the questioned costs, are based on the College's assertion. The errors occurred because of manual errors the College made in verification.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

The College did not maintain adequate user access controls over its Colleague student financial assistance application. Specifically:

- Fifteen individuals had inappropriate access based on their job responsibilities to either award or post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

Management Response and Corrective Action Plan 2013:

Verification

The college has provided additional training to TSTC staff members who made the verification errors. Those staff members were performing verification at the same time they were answering a large volume of phone calls so that caused them to make some errors.

In order to speed up the verification process and to assure that verification was performed accurately, we outsourced it to EdFinancial in April 2013. The Edfinancial staff operates in a 100% quality control environment with each new client. Their staff reviews every file, ensuring that every application was verified accurately and that the Colleague system was updated correctly. They review 100% of files until they consistently maintain a standard accuracy rate of 97%. Once reached, Edfinancial continues through the duration of the contract by reviewing 30%

of applications. In an effort to check the accuracy of EdFinancial's work, our Assistant Director of Financial Aid and/or her staff will verify a random sample of files.

General IT Controls

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.

Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.

The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.

Management Response and Corrective Action Plan 2014:

Verification

TSTC Waco will continue to outsource verification to EdFinancial and will continue to provide additional training to TSTC staff members regarding verification. While no errors were made in verification, we made corrections to some data elements for one student who had a 0 EFC and the changes resulted in the EFC remaining at 0. Although the corrections were made to the student's ISIR and were sent to the CPS from Colleague, a new ISIR was not generated.

In order to ensure that this does not happen again, we have developed a management report called SANDI.CAPX.CHECK. The report produces a list of all students who had corrections sent for that day. We will keep each report and check off each student as the new ISIR is received. We have also created a report that will show all students who were selected for verification and who had corrections submitted along with the date that the new ISIRS are received.

Implementation Date: January 2015

Responsible Persons: Jackie Adler and Sandi Abshier

General Controls

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.

The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.

Implementation Date: Implemented during the audit

Responsible Person: Richard Martin

Texas State Technical College – West Texas

Reference No. 2013-146

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P123266; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124150; CFDA 84.268, Federal Direct Student Loans, P268K123266; and CFDA 84.033, Federal Work-Study Program, P033A124150

Type of finding – Material Weakness and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2013 Status: Partially Implemented U.S. Department of Education

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Texas State Technical College – West Texas (College) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual enrollment. As a result, for 23 (38 percent) of 60 students tested, the College based the students’ COA on full-time enrollment, even though the students attended less than full-time for one or more terms during the award year. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of overawarding financial assistance. Because the College developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were overawarded financial assistance for the 2012-2013 award year.

Corrective Action:

Corrective action was taken.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades, or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

An institution’s policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another

institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

The College does not apply its SAP policy consistently, and its SAP policy does not meet all federal requirements. For 7 (13 percent) of 56 students tested, the College did not consider the correct SAP status or calculate SAP in compliance with its SAP policy. Specifically:

- For three students, the College did not calculate SAP for the students' last term of enrollment preceding the 2012-2013 academic year; therefore, the College considered the SAP status for an incorrect term when determining those students' eligibility for assistance. Those students had gaps in enrollment of between 3 and 11 years prior to the 2012-2013 academic year; however, the College could not explain why it did not calculate SAP for those years. As a result, one of those students should have been placed in a different SAP status, which would have made that student ineligible for assistance for at least one term during the year. Therefore, that student's, \$3,465 in Direct Student Loan assistance associated with award number P268K123266 was considered a questioned cost.
- For two students, the College did not calculate SAP for a term in which the students were enrolled only in partnership courses. At the College, students are eligible to receive financial assistance while enrolled in partnership courses at another institution.
- For two students, the College assigned the incorrect SAP status. For one student, the College did not consider the student's transfer hours in its pace component calculations. The College placed the other student on an academic plan in lieu of suspension; however, the College was unable to provide documentation of that plan. As a result, one of those students was ineligible for assistance for at least one term during the year. Therefore, that student's \$1,388 in Pell Grant funds associated with award number P063P123266 and \$3,465 in Direct Student Loan assistance associated with award number P268K123266 were considered questioned costs.

Additionally, for 41 (73 percent) of the 56 students tested, the SAP components, such as courses attempted or completed and GPA, that auditors calculated did not match the SAP components on which the College relied when it awarded assistance. The College asserted that it relies on the Texas State Technical College System to run the automated SAP calculation for the College. As a result, College personnel have a limited understanding of the automated SAP calculations in the financial aid system; therefore, the College was unable to provide explanations regarding certain discrepancies identified or provide definitive guidance regarding the data included in the automated calculation. The College also may not be consistently entering courses into its student record system, which would further affect the automated SAP calculations.

In addition, the College's SAP policy states that transfer hours that apply toward the completion of a student's program will be counted in attempted credits; however, it does not state that transfer hours will be counted in completed credits. Further, the College's automated SAP calculation process includes transfer credits as completed hours, but not as attempted hours; therefore, the College does not evaluate transfer hours as part of a student's maximum time frame, and it incorrectly calculates the pace of completion for students with transfer credits. Thirty-seven (66 percent) of 56 students tested had transfer credits.

Not correctly evaluating students' satisfactory academic progress or including all required elements in the policy increases the risk of awarding financial assistance to ineligible students.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

The College did not maintain adequate user access controls over its Colleague student financial assistance application. Specifically:

- Three individuals had inappropriate access based on their job responsibilities to post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to the account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems go undetected.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

Management Response and Corrective Action Plan 2013:

During the course of the audit three individuals were identified with inappropriate access based on their job duties which were immediately revoked. The Director of Administrative Technology conducts and documents an annual review by which each supervisor reviews and approves their employee's user access. In order to further enhance this process the Office of Information Technology (OIT) will revise the account management policy to include formal, periodic reviews of user access. OIT will distribute reports to executive management to ensure related access is appropriate. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.

The number of individuals with access to the default Colleague administrator account has been reduced from eight to three and vendor access has been removed. The role of the Colleague administrator with programming responsibilities will be changed and the administrative duties will be transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment will be removed. We will reassign the review and migrating function to another area within OIT.

Management Response and Corrective Action Plan 2014:

Texas State Technical College West Texas has reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment were removed during this audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.

The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.

Implementation Date: Implemented during the audit.

Responsible Person: Richard Martin

Reference No. 2013-147

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124150; CFDA 84.033, Federal Work Study Program, P033A124150; CFDA 84.063, Federal Pell Grant Program, P063P123266; and CFDA 84.268, Federal Direct Student Loans, P268K133266

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income. (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

For 12 (20 percent) of 60 students tested, Texas State Technical College - West Texas (College) did not accurately verify all required information in student financial assistance applications and did not always correct applicant ISIR information when required. According to the College, that resulted in overawards of federal Pell Grant funds totaling \$567 associated with award number P063P123266. Specifically:

- For 6 (43 percent) of the 14 students tested whose households received food stamps, the College did not accurately verify whether the students received food stamps. There was no change in EFC or aid associated with those errors.
- For 2 (29 percent) of the 7 students tested who reported child support paid, the College did not accurately verify the students’ applications to reflect the correct amount paid. For both students, child support paid was overstated. That caused both students’ EFCs to be understated and resulted in overawards of federal Pell Grant funds totaling \$567.
- For 2 (7 percent) of the 30 students tested who reported income tax paid, the College did not accurately verify the students’ application to reflect the correct amount paid. For both students, income tax paid was understated. That caused both students’ EFCs to be overstated, but it did not affect the students’ assistance amounts.

- For the 1 student tested who reported an IRA deduction, the College did not accurately verify the student's application to reflect the deduction. The IRA deduction was understated. That caused the student's EFC to be understated, but it did not affect the student's assistance amount.
- For 1 (3 percent) of 40 students tested who were non-tax filers and reported income from work, the College did not accurately verify the student's application to reflect the income. The student's income was overstated. However, that did not change the student's EFC or affect the student's assistance.

For the 12 students discussed above, the College did not correct the students' ISIRs to reflect the accurate information at the time of verification. The College was unable to request updated ISIRs for those students when auditors brought the errors to its attention because that occurred after the U.S. Department of Education's due date for corrections. Therefore, the effects on EFC and assistance noted above, including the questioned costs, are based on the College's assertion.

According to the College, the errors occurred because of errors in manual processing during verification. In addition, the process the College uses to monitor verification is inadequate to ensure the overall quality of verifications performed. Not properly verifying FAFSA information can result in the College overawarding or underawarding student financial assistance.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

The College did not maintain adequate user access controls over its Colleague student financial assistance application. Specifically:

- Three individuals had inappropriate access based on their job responsibilities to post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to the account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems go undetected.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.

- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

Management Response and Corrective Action Plan 2013:

During the course of the audit three individuals were identified with inappropriate access based on their job duties which were immediately revoked. The Director of Administrative Technology conducts and documents an annual review by which each supervisor reviews and approves their employee's user access. In order to further enhance this process the Office of Information Technology (OIT) will revise the account management policy to include formal, periodic reviews of user access. OIT will distribute reports to executive management to ensure related access is appropriate. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.

The number of individuals with access to the default Colleague administrator account has been reduced from eight to three and vendor access has been removed. The role of the Colleague administrator with programming responsibilities will be changed and the administrative duties will be transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment will be removed. We will reassign the review and migrating function to another area within OIT.

Management Response and Corrective Action Plan 2014:

Texas State Technical College West Texas has reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment were removed during this audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.

The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.

Implementation Date: Implemented during the audit.

Responsible Person: Richard Martin

Texas State University

Reference No. 2013-148

Special Tests and Provisions – Enrollment Reporting
Activities Allowed or Unallowed
Cash Management
Eligibility
Period of Availability of Federal Funds
Reporting
Special Tests and Provisions – Separate Funds
Special Tests and Provisions – Verification
Special Tests and Provisions – Disbursements To or On Behalf of Students
Special Tests and Provisions – Return of Title IV Funds
Special Tests and Provisions – Borrower Transmission and Reconciliation (Direct Loan)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124122; CFDA 84.033, Federal Work-Study Program, P033A124122; CFDA 84.063, Federal Pell Grant Program, P063P120387; CFDA 84.268, Federal Direct Student Loans, P268K130387; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T130387; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A12038

Type of finding – Significant Deficiency and Non-Compliance

Enrollment Reporting

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c)).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

Texas State University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The University did not update NSLDS with correct withdrawal dates for four students during the award year. That occurred because the University does not have a process to report status changes to NSLDS for students whose withdrawal records are updated after scheduled enrollment reports are submitted for a term. At the end of the Fall 2012 and Spring 2013 terms, the University’s Office of Financial Aid reviewed and verified the entire population of withdrawn students to validate that correct effective withdrawal dates were used to calculate the amount of Title IV assistance to be returned. The University asserted that, of the population of all withdrawn students, it made changes for four students. However, the University did not carry those changes forward and appropriately report them to NSLDS because the Office of Financial Aid made the updates after the University’s registrar had submitted the last scheduled enrollment reports for those terms. Because the changes were not communicated to the registrar, the students were not updated accordingly.

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, eligibility, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - verification, special tests and provisions - disbursements to or on behalf of students, special tests and provisions - return of title IV funds, and special tests and provisions - borrower data transmission and reconciliation (Direct Loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not have adequate segregation of duties in its change management processes. Specifically, two programmers have access to change application code and migrate it to production environment. This increases the risk of unintended programming changes being made to critical information systems.

Additionally, the University did not consistently maintain adequate documentation of changes made to key information systems. Specifically, the University did not always maintain adequate evidence of authorization or approval of changes for its student financial aid system, Banner, or its accounting system, SAP. In addition, for Banner, the University did not always maintain documentation of its testing of changes or evidence of who moved the changes from the test environment into the production environment.

The University has change management procedures for its accounting system, SAP; however, its procedures for Banner have not been fully implemented. The University also does not maintain a formal change log for the Banner system. Without sufficient change management procedures, changes to the production system can be made without being adequately tested or documented. That increases the risk of unauthorized or improperly tested changes being implemented.

Corrective Action:

This finding was reissued as current year reference number 2014-125.

Texas Tech University

Reference No. 2013-149

Eligibility

(Prior Audit Issues 13-128, 12-134, and 11-134)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124151; CFDA 84.063, Federal Pell Grant Program, P063P122328; CFDA 84.268, Federal Direct Student Loans, P268K132328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132328; CFDA 84.033, Federal Work Study Program, P033A124151; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written:	2010
Status:	Implemented
U.S. Department of Education	

For 6 (10 percent) of 60 students tested, Texas Tech University (University) incorrectly calculated the students’ COA. Specifically:

- For four students, the University did not consistently apply loan fees when determining the students’ COA. The University manually adds loan fees to the COA for students who are awarded PLUS loans and manually removes the loan fees if students do not accept the award. The University did not add loan fees to the COA for one student who received a PLUS loan and incorrectly included loan fees in the COA for three students who did not receive PLUS loans. In addition, for one of those four students, the University made a manual error when adjusting the student’s books and supplies allowance.
- For two students, the University made manual errors when adjusting COA. The University incorrectly adjusted the transportation allowance for one student and incorrectly adjusted the books and supplies allowance for the other student.

There were no overawards for those six students; therefore, there were no questioned costs. However, inaccurately applying student COA budgets could result in an overaward or underaward of student financial assistance.

Pell Grant Awards

In selecting students for the federal Pell Grant Program, an institution must determine whether a student is eligible to receive a federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, Code of Federal Regulations (CFR), Section 690.6(a)). For each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)).

An otherwise eligible student who has a baccalaureate degree and is enrolled in a post-baccalaureate program is eligible to receive a federal Pell Grant for the period of time necessary to complete the program if (1) the post-baccalaureate program consists of courses that are required by a state for the student to receive a professional certification or licensing credential that is required for employment as a teacher in an elementary or secondary school in that state; (2) the post-baccalaureate program does not lead to a graduate degree; (3) the institution offering

the post-baccalaureate program does not also offer a baccalaureate degree in education; (4) the student is enrolled as at least a half-time student; and (5) the student is pursuing an initial teacher certification or licensing credential within a state (Title 34, CFR, Section 690.6(c)). In addition, an institution must treat a student who receives a federal Pell Grant under Title 34, CFR, Section 690.6(c), as an undergraduate student enrolled in an undergraduate program for Title IV purposes. (Title 34, CFR, Section 690.6(d)).

Based on a review of the entire population of Title IV assistance recipients, the University awarded Pell Grants to two ineligible students. The University disbursed \$1,163 in Pell Grant funds to an ineligible graduate student and \$1,041 in Pell Grant funds to an ineligible post-baccalaureate student. Those awards were the result of manual errors. Both students were initially classified as baccalaureate students, and the University initially packaged their assistance correctly. However, both students transitioned to different classifications during the assistance year that made them ineligible for Pell Grant awards. The University runs a report to identify students whose classification changes due to matriculation after it initially awards assistance. However, its review of that report is a manual process and, depending on when the University runs that report, that process may not identify all students whose assistance must be adjusted. When auditors brought the errors to the University's attention, the University corrected the errors, adjusted the students' awards, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Direct Subsidized Loan

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods and periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible only for Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

Based on a review of the entire population of Title IV aid recipients, the University awarded \$1,750 in subsidized direct loans to an ineligible graduate student. The student was initially classified as a second-degree-seeking student in the Fall semester and was admitted into graduate school for the Spring semester. The University awarded assistance to that student in the Fall semester and did not adjust that assistance based on the student's admission to graduate school. The University runs a report to identify students whose classification changes due to matriculation after it initially awards assistance. However, its review of that report is a manual process and, depending on when the University runs that report, that process may not identify all students whose assistance must be adjusted. When auditors brought the error to the University's attention, the University corrected the error, adjusted the student's award, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

Reference No. 2013-150

Special Tests and Provisions – Verification

(Prior Audit Issues 13-129, 12-136, 11-136, and 09-72)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award number – CFDA 84.063, Federal Pell Grant Program, P063P122328

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2008
 Status: Partially Implemented

 U.S. Department of Education

For 10 (17 percent) of 60 applications tested, Texas Tech University (University) did not accurately verify all required items on the FAFSA, which resulted in the University overawarding and underawarding Pell grants associated with award P063P122328. Specifically:

- For one student, the University obtained a parent income tax return for the incorrect year. Based on information the University provided, that error resulted in an underaward of \$1,800 in Pell grant assistance.
- For four students, the University did not accurately verify the household size. Based on information the University provided, those errors resulted in an underaward of \$400 in Pell grant assistance for one student and overawards of \$500 and \$300 in Pell grant assistance for two students. The fourth student received only a direct unsubsidized loan; therefore, there was no underaward or overaward for that student.
- For one student, the University did not accurately verify education credits. Based on information the University provided, the error resulted in an underaward of \$100 in Pell grant assistance.
- For two students, the University did not accurately verify the amount of U.S. income taxes paid by the parent or student. Based on information the University provided, those errors resulted in a \$100 overaward in Pell grant assistance for one student and an underaward of \$600 in Pell grant assistance for one student.
- For one student, the University did not accurately verify the AGI or amount of U.S. income taxes the student paid. Based on information the University provided, that error resulted in an underaward of \$250 in Pell Grant assistance.
- For one student, the University did not accurately verify the amount of U.S. income taxes the student paid or the education credits. Based on information the University provided, the errors resulted in an underaward of \$700 in Pell Grant assistance.

The errors discussed above occurred because of manual errors the University made in verification. When auditors brought the errors to the University’s attention, the University requested updated ISIRs and adjusted the students’ awards; therefore, there were no questioned costs.

Corrective Action:

This finding was reissued as current year reference number 2014-128.

Reference No. 2013-151

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issues 13-131, 12-137, 11-138, and 09-74)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant, P063P122328 and CFDA 84.268, Federal Direct Student Loans, P268K132328

Type of finding –Significant Deficiency and Non-Compliance

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, CFR, Section 668.22(a)).

Initial Year Written: 2008
Status: Implemented
U.S. Department of Education

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of more than 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours (Title 34, CFR, Section 668.22(e)(2)). Otherwise, the percentage earned by the student is equal to the percentage (60 percent or less) of the payment period or period of enrollment that was completed as of the student's withdrawal date (Title 34, CFR, Section 668.22(e)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, CFR, Section 668.22(j)(2)).

The institution must return those funds for which it is responsible as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, CFR, Section 668.21(b)).

For 2 (67 percent) of 3 students tested who never began attendance [or 2 (3 percent) of 60 total students tested], Texas Tech University (University) did not correctly perform return calculations when required.

Based on its policy, the University completes a return of Title IV calculation for each withdrawn student, regardless of the effective date of withdrawal, to determine whether a return is required. For the two students identified, the University determined that the students never attended during a term, and therefore should have returned 100 percent of Title IV funds; however, it did not complete a return of Title IV calculation for either student and did not return any Title IV funds for those students. After auditors brought those errors to its attention, the University corrected the errors and returned the Title IV funds. By not initially calculating a return for those students, the University returned the funds after the required time frame. The funds were returned 53 days and 228 days, respectively, after determining that the students never attended.

The University's manual process for performing return calculations increases the risk of errors and the risk that the University will not return the correct amount of unearned funds to the U.S. Department of Education.

Corrective Action:

Corrective action was taken.

Reference No. 2013-152

Special Tests and Provisions - Enrollment Reporting

(Prior Audit Issues 13-132, 12-138, 11-139, and 09-75)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124151; CFDA 84.063, Federal Pell Grant Program, P063P122328; CFDA 84.268, Federal Direct Student Loans, P268K132328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132328; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis, (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended, or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 685.309(b) and 682.610(c)).

Initial Year Written: 2008
Status: Partially Implemented
U.S. Department of Education

Texas Tech University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (NSLDS Enrollment Reporting Guide, Chapter 1).

Graduated Students

The *NSLDS Enrollment Reporting Guide* states that the effective date to be reported for graduated students is the date the students completed the course requirements (*NSLDS Enrollment Reporting Guide*, Appendix B).

For 17 (28 percent) of 60 student status changes tested, the University did not report the correct effective date for students who graduated in Fall 2012. Those errors occurred because of a manual error the University made when entering the last day of the Fall 2012 term in its financial aid system. The University input December 11, 2012, as the last day, rather than the actual last day of the Fall 2012 term, which was December 12, 2012. Because the University used the last day of the Fall 2012 term from its financial aid system to report graduation dates to NSLDS, the University did not report accurate dates for when the students completed the course requirements. The University potentially reported graduation dates for all Fall 2012 undergraduates and graduates incorrectly.

Enrollment Status Changes

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student's formal withdrawal, the student's last recorded date of attendance should be reported as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix B).

According to the University's unofficial withdrawal process, at the end of each term, the University runs a report to identify students who have all non-passing grades for the term and requests evidence of their last date of academic activity. For students who do not provide evidence of their last date of academic activity, the University directly reports the students as withdrawn as of the last day of the prior term to NSLDS. For students who do provide documentation of their last date of academic activity, the University uses the information to perform a return of Title IV financial assistance calculation; however, it does not report those students as withdrawn to NSLDS.

For 6 (10 percent) of 60 student status changes tested, the University incorrectly reported the student's enrollment status change to NSLDS. All six students received all non-passing grades for a term. Specifically:

- For three students who provided evidence of their last date of academic activity, the University did not report the students as withdrawn. While the University performed return of Title IV assistance calculations for students who provided evidence of their last date of academic activity, the University did not report that group of students as withdrawn to NSLDS during the Fall 2012 and Spring 2013 terms. The University did not begin reporting students as withdrawn based on their last date of academic activity until the first session of the Summer 2013 term. The University was unable to quantify the number of students who unofficially withdrew in Fall 2012 or Spring 2013 who it did not report as withdrawn.
- For two students who provided evidence of their last date of academic activity, the University incorrectly reported the students' withdrawal dates. For one student whose last date of academic activity was October 29, 2012, the University incorrectly reported the student as withdrawn as of December 11, 2012, due to a manual error. The second student had a last date of academic activity of October 28, 2012 and was then suspended on December 20, 2012. The University incorrectly reported that student's suspension date rather than that student's last recorded date of attendance.
- One student received all non-passing grades in the Spring 2013 term and did not provide evidence of the last date of academic activity. The University used the last day of the Fall 2012 term from its financial aid system to determine the student's withdrawal date. Due to a manual error the University made when entering the last day of the Fall 2012 term in its financial aid system, the University incorrectly reported that student's withdrawal date as December 11, 2012, rather than the actual last day of the Fall 2012 term, which was December 12, 2012. According to information the University provided, the University incorrectly reported December 11, 2012, as the withdrawal date for 111 students who received all non-passing grades in the Spring 2013 term and did not provide evidence of their last date of academic activity.

Additionally, for 2 (3 percent) of 60 students tested, the University incorrectly reported the students as withdrawn. One student attended the first session of the Summer 2013 term and was then dropped from the second session of the Summer 2013 term on July 9, 2013, because of non-payment. The University incorrectly reported that student as withdrawn as of May 18, 2013. The second student graduated in Fall 2012; however, the University reported that student as withdrawn as of December 11, 2012. The University was unable to determine the cause of those errors.

Not reporting student status changes and effective dates accurately to NSLDS could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

Corrective Action:

This finding was reissued as current year reference number 2014-129.

Texas Tech University Health Sciences Center

Reference No. 2013-153

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A125175; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P123367; CFDA 84.268, Federal Direct Student Loans, P268K133367; CFDA 93.264 Nurse Faculty Loan Program (NFLP), E0AHP18874; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22265

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written:	2013
Status:	Implemented
U.S. Department of Education	

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

An aid administrator may use professional judgment on a case-by-case basis only to adjust a student’s COA or the data used to calculate the student’s EFC. That adjustment is valid only at the institution that makes the adjustment. The reason for the adjustment must be documented in the student’s file, and it must relate to the special circumstances that differentiate the student—not to conditions that exist for a whole class of students (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

For 9 (15 percent) of 60 students tested, the Texas Tech University Health Sciences Center (Health Sciences Center) inconsistently or incorrectly calculated COA. Specifically:

- For 1 of the 9 students, the Health Sciences Center did not update the student's COA when the student’s residency changed during the aid year. The student was a non-resident in Fall 2012 and gained residency before Spring 2013. The Health Sciences Center assigned the student the non-resident status COA budget for the entire aid year (the COA budget for students with non-resident status is higher than the COA budget for students with resident status).
- For 3 of the 9 students, the Health Sciences Center did not update the students’ individual COA budgets after it updated the COA budgets in its financial aid system. The three students were initially assigned nursing-traditional COA budgets. The Health Sciences Center subsequently updated the COA budget for the nursing-traditional program on May 10, 2012, prior to the students’ first term during the aid year, but that change was not applied to all students who had received the original budget. Of the population of 80 nursing-traditional students, 75 did not receive the COA budget update made on May 10, 2012.
- For 5 of the 9 students, the Health Sciences Center changed the students’ individual COA budgets to resolve unmet need that became negative. The Health Sciences Center was notified that the students received additional scholarships after federal assistance had been awarded, which caused the students unmet need to become

negative. Rather than adjust the students' other awards, the Health Sciences Center increased one or more of the components within the students' individual COAs based on professional judgment. However, the reason for applying the professional judgment was not documented. For two of those students, total assistance disbursed exceeded the student's COA. One student was overawarded \$376 in Direct Loan funds associated with award P268K133367. One student was overawarded \$220 in Direct Loan and Pell assistance associated with awards P063P123367 and P268K133367.

The errors discussed above occurred because (1) the Health Sciences Center does not have documented policies and procedures to determine a student's COA and (2) the Health Sciences Center's COA process depends heavily on manual processes and adjustments. The Health Sciences Center assigns students COA budgets based on their expected enrollment hours. However, there is no specific guidance outlining the expected enrollment hours per program.

Incorrectly or inconsistently calculating COA increases the risk that students may be overawarded or underawarded assistance, or they may not be awarded assistance consistently when compared to other students with a similar enrollment status.

Satisfactory Academic Progress

Institutions must establish a reasonable satisfactory academic progress (SAP) policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive Title IV assistance (Title 34, CFR, Section 668.34(a)). The SAP policy must include certain minimum requirements for evaluating a student's SAP. A student is eligible to receive Title IV, Higher Education Act (HEA) program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that meet the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress when the student is enrolled in a program of study of more than two academic years and, therefore, is eligible to receive Title IV, HEA program assistance after the second year, if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34(a)).

The Health Sciences Center's SAP policy includes all minimum federal requirements for an institution's SAP policy. According to the Health Sciences Center's SAP policy, the Office of Student Financial Aid evaluates a student's SAP before each payment period. Prior to each payment period, the Health Sciences Center runs a report from Banner and then manually reviews the report to determine whether students have met certain SAP requirements.

However, for the 2012-2013 award year, the Health Sciences Center did not have a process to determine whether students met the SAP policy requirement that students may not attempt more than 150 percent of the published hours required to complete their degree program. Not correctly identifying a student's SAP status increases the risk that the University could award Title IV assistance to students who are not eligible for that assistance. No SAP compliance errors were identified in audit testing.

Corrective Action:

Corrective action was taken.

Reference No. 2013-154

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P123367 and CFDA 84.268, Federal Direct Student Loans, P268K133367

Type of finding – Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013
Status: Implemented

U.S. Department of Education

For 2 (5 percent) of 40 students tested, the Texas Tech University Health Sciences Center (Health Sciences Center) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs as required. Specifically:

- For one student, the Health Sciences Center incorrectly identified the number of household members enrolled at least half-time in college. Based on the information the Health Sciences Center provided, that resulted in a \$2,000 overaward of a Pell Grant. After auditors brought this matter to the Health Sciences Center’s attention, the Health Sciences Center provided evidence that it corrected the overaward; therefore, there were no questioned costs associated with that error.
- For one student, the Health Sciences Center incorrectly identified that the student did not receive Supplemental Nutrition Assistance Program (SNAP) benefits when the supporting documentation indicated that the student had received SNAP benefits. After auditors brought this matter to the Health Sciences Center’s attention, the Health Sciences Center requested an updated ISIR for the student. Based on the information the Health Sciences Center provided, the error did not result in a change to the student’s EFC or awards.

Not properly verifying FAFSA information could result in the Health Sciences Center overawarding or underawarding federal student financial assistance.

Corrective Action:

Corrective action was taken.

Texas Woman's University

Reference No. 12-141

Special Tests and Provisions – Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 1011

Award numbers – CFDA 84.268 P268K112330, CFDA 84.038 Award Number Not Applicable, CFDA 84.379 P379T112330, CFDA 84.063 P063P102330, CFDA 84.007 P007A104153, CFDA 84.033 P033A104153, CFDA 84.375 P375A102330, CFDA 84.376 P376S102330, CFDA 93.364 E4CHP14958-02-00, CFDA 93.925 T08HP18611-01-00, and CFDA 93.407 TOAHP18334-01-00

Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a student's account at the institution with Direct Loan, Federal Perkins Loan, or Teacher Education Assistance for College and Higher Education (TEACH) Grant program funds, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the anticipated date and amount of the disbursement; (2) the student's right or parent's right to cancel all or a portion of that loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan or TEACH Grant proceeds returned to the Secretary of the U.S. Department of Education; and (3) the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2011
Status: Implemented

U.S. Department of Education
U.S. Department of Health and
Human Services

For 4 (7 percent) of 57 students tested who received Direct Loans, Perkins Loans, and TEACH Grants, Texas Woman's University (University) did not send disbursement notifications for Perkins Loan or TEACH Grant disbursements. The University asserts that it did not send disbursement notifications for Perkins Loans or TEACH Grants during the 2010-2011 award year due to a miscommunication between the Office of Student Financial Aid and the programmers responsible for the automated disbursement notification process. A total of 64 students received Perkins Loans and a total of 51 students received TEACH grants during the 2010-2011 award year.

For 3 (5.3 percent) of 57 students tested, the University did not retain documentation that it sent disbursement notifications to recipients of Direct Loans. The University asserts that a programming error in the automated disbursement notification process caused the University's financial assistance application to send incorrect disbursement notifications for all disbursements on May 28, 2010, and June 2, 2010. Specifically, the system sent duplicate copies of prior disbursement notifications, instead of notifications for the disbursements that occurred on those dates. The University asserts that it attempted to correct this issue by manually sending the correct disbursement notifications; however, it did not retain documentation of those notifications. The University disbursed Direct Loans to 404 students on these two dates.

Not receiving disbursement notifications promptly could impair students' and parents' ability to cancel their loans.

Corrective Action:

Corrective action was taken.

University of Houston

Reference No. 2013-163

Eligibility

Activities Allowed or Unallowed

Cash Management

Period of Availability of Federal Funds

Reporting

Special Tests and Provisions - Separate Funds

Special Tests and Provisions - Verification

Special Tests and Provisions – Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124166; CFDA 84.033, Federal Work-Study Program, P033A124166; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P122333; CFDA 84.268, Federal Direct Student Loans, P268K132333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132333

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance Budgets

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board for a student attending the institution on at least a half-time basis (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2013
Status: Implemented

U.S. Department of Education

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, Code of Federal Regulations, Section 668.2).

The University of Houston (University) established different COA budgets for students based on class level (undergraduate or graduate); degree program; in-state or out-of-state residency; living status (on campus, off campus, or at home); and enrollment (full-time, half-time, three-quarter-time, or less-than-half-time). It is the University’s policy to budget students for both the Fall and Spring semesters prior to the start of the Fall semester. At the census date of each semester, the University updates each student's budget based on actual enrollment

For 13 (22 percent) of 60 students tested, the University incorrectly calculated student COA budgets. Specifically:

- For 9 students who were enrolled less-than-half-time for one semester, the University’s COA calculation erroneously included a room and board budget component. According to the University, it uses a formula in its financial aid system to calculate COA budget components. The formula verifies enrollment status when determining which budgets to apply; however, for all less-than-half-time students, the formula did not consider enrollment, therefore, those students were erroneously given a room and board component. That error resulted in the students who were tested having overstated budgets ranging from \$1,500 to \$3,550. Those students were not overawarded financial assistance; however, incorrect COA calculations could result in an overaward.

- For 4 students, the University did not update the students' COA at the census date to reflect actual enrollment. Those students' budgets reflected anticipated enrollment, which resulted in the students having overstated budgets ranging from \$3,025 to \$9,337. The University does not consistently apply its process for updating COAs for students who are anticipated to attend both Fall and Spring semesters full-time but actually attend either semester less than full-time. That error resulted in one student receiving a \$517 overaward associated with CFDA 84.268, Federal Direct Student Loans, P268K132333.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - verification, and special tests and provisions - disbursements to or on behalf of students, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not maintain appropriate user access controls to its financial aid application, PeopleSoft. Specifically:

- Four customer service temporary employees had access to award packaging processes that was not necessary for their job responsibilities. The employment of one of those individuals was terminated in October 2012, but the University had not revoked that individual's access at the time of the audit.
- One customer service employee was given override access to assist with special projects; however, the University did not remove that access when the employee changed jobs within the University and the access was no longer necessary.
- Twenty-four employees, including managers and staff in the Scholarships and Financial Aid Department, have award override access. That access allows users to change parameters to existing awards. The number of people with that type of access was excessive.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 2013-164

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 13-146, 12-152, 11-153, 10-97, and 09-86)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124166; CFDA 84.033, Federal Work-Study Program, P033A124166; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P122333; CFDA 84.268, Federal Direct Student Loans, P268K132333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132333

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance the student earned as of the student’s withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). If the total amount of Title IV assistance the student earned is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)).

Initial Year Written: 2008
Status: Implemented
U.S. Department of Education

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, CFR, Section 668.22(j)(2)).

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return, and it must determine which funds were disbursed directly to a student. For funds that were disbursed directly to the student, the institution must notify the lender or the Secretary of the U.S. Department of Education that the student did not begin attendance so that the Secretary can issue a final demand letter (Title 34, CFR, Section 668.21). The institution must return those Title IV funds as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, CFR, Section 668.21(b)).

For 1 (2 percent) of 60 students tested, the University of Houston (University) did not correctly perform return calculations, as required. The University calculated that the student earned more than 60 percent of that student’s financial assistance funds and, therefore, was not required to return any assistance. However, auditors determined that the student earned 40.5 percent of that student’s financial assistance funds and, therefore, should have returned Title IV assistance. The error resulted in a questioned cost of \$2,594 associated with CFDA 84.268, Federal Direct Student Loans, P268K132333.

Additionally, for 1 (2 percent) of 60 students tested, the University did not determine the withdrawal dates within the required 30-day time frame. The University’s determination date was 56 days after the end of the Fall term.

When the University does not identify unofficial withdrawals within the required time frame, that increases the risk that it will not return unearned funds to the U.S. Department of Education in a timely manner.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not maintain appropriate user access controls to its financial aid application, PeopleSoft. Specifically:

- Four customer service temporary employees had access to award packaging processes that was not necessary for their job responsibilities. The employment of one of those individuals was terminated in October 2012, but the University had not revoked that individual's access at the time of the audit.
- One customer service employee was given override access to assist with special projects; however, the University did not remove that access when the employee changed jobs within the University and the access was no longer necessary.
- Twenty-four employees, including managers and staff in the Scholarships and Financial Aid Department, have award override access. That access allows users to change parameters to existing awards. The number of people with that type of access was excessive.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 2013-165

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 13-147, 12-153, 11-154, 10-98, 09-87, 08-74, and 07-58)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124166; CFDA 84.033, Federal Work-Study Program, P033A124166; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Federal Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P122333; CFDA 84.268, Federal Direct Student Loans, P268K132333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132333

Type of finding – Significant Deficiency and Non-Compliance

Enrollment Reporting

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c)).

Initial Year Written: 2006 Status: Partially Implemented U.S. Department of Education

After grades are posted each term, the University of Houston (University) runs a query to identify students that had no passing grades during the term to identify students that may be considered unofficial withdrawals. The University sends a Proof of Course Completion Form (PCCF) to the students identified in the query for the students to provide evidence of attendance during the term. Students who do not return the form within the required time frame are considered to be unofficially withdrawn students who never attended during the term, and 100 percent of the student financial assistance funds awarded to them should be returned. For students who have withdrawn, the University uses the National Student Loan Data System (NSLDS) Web site to report students' enrollment status and effective date.

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student's formal withdrawal, the student's last recorded date of attendance should be reported as the status change date. Even if the University cannot determine the exact date of withdrawal, the University is still required to report the student as withdrawn (Title 34, Code of Federal Regulations, Sections 685.309 (b) and 682.610 (c)). In addition, the effective date for a student who has never attended should be the date that the institution certifies the student's "never attended" status, as reported to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix B).

For 4 (7 percent) of 60 student status changes tested, the University did not report the enrollment change to NSLDS accurately. Specifically:

- For one student who unofficially withdrew in the Spring 2013 term, the University incorrectly reported the student's enrollment status as half-time. The student received all non-passing grades in the Spring term and did not provide evidence of attendance during that term. The University reported the effective date of the student's half-time status, but it should have reported the effective date of the student's withdrawal.
- For three students who unofficially withdrew in the Fall 2012 term and subsequently did not attend in Spring 2013, the University reported incorrect withdrawal dates to NSLDS. All three students earned all non-passing grades in the Fall term and did not provide evidence of attendance during that term. The University incorrectly reported the final day of the Fall term as the withdrawal date for those students.

For each student described above, when the University determined that the student did not attend during a term, it appropriately returned the student's federal assistance for the Fall 2012 or Spring 2013 terms, as required, but it did not correctly report or update the student's enrollment status to NSLDS.

Not reporting student status changes accurately and within the required time frame could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not maintain appropriate user access controls to its financial aid application, PeopleSoft. Specifically:

- Four customer service temporary employees had access to award packaging processes that was not necessary for their job responsibilities. The employment of one of those individuals was terminated in October 2012, but the University had not revoked that individual's access at the time of the audit.
- One customer service employee was given override access to assist with special projects; however, the University did not remove that access when the employee changed jobs within the University and the access was no longer necessary.
- Twenty-four employees, including managers and staff in the Scholarships and Financial Aid Department, have award override access. That access allows users to change parameters to existing awards. The number of people with that type of access was excessive.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number 2014-140.

Reference No. 2013-166

Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)

(Prior Audit Issues 13-148, 12-154, and 11-155)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award number –CFDA 84.268, Federal Direct Student Loans, P268K132333

Type of finding – Significant Deficiency and Non-Compliance

Borrower Data Transmission

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 30 days of disbursement (*Office of Management and Budget No. 1845-0021*). Each month, the COD System provides institutions with a School Account Statement (SAS) data file, which consists of cash summary, cash detail, and (optional at the request of the school) loan detail records. The institution is required to reconcile those files to its financial records. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 303; and *Direct Loans School Guide*, Chapter 6, Reconciliation).

Initial Year Written: 2010 Status: Implemented U.S. Department of Education

When the University of Houston (University) is scheduled to disburse a Direct Loan, the disbursement is automatically processed in the University's financial aid system (PeopleSoft) and automatically reported to the COD System. However, in some cases, a student may have a hold in PeopleSoft that would prevent a loan from automatically disbursing. The University may review the student's account and manually override the hold in PeopleSoft to disburse the funds. When that occurs, the disbursement is not automatically reported to the COD System and the University must manually report the disbursement to the COD System. The University has a monthly reconciliation process to identify any unreported disbursements and report them to the COD System.

For 4 (2 percent) of 197 disbursements tested, the University did not report to the COD System correctly or in a timely manner. Those 4 disbursements were associated with 3 of 60 students tested. Specifically:

- For three disbursements to two students, the University incorrectly reported either a disbursement date or disbursement amount. Additionally, it reported two of those disbursements more than 30 days after disbursement.
- For the fourth disbursement, the University reported the disbursement to the COD System more than 30 days after the disbursement. However, the disbursement date and amount it reported to the COD System were correct.

All affected disbursements described above had holds in the University's financial aid system that prevented the disbursements from being included in the automated reporting process to the COD System. The University's monthly reconciliation process identified the unreported disbursements and the University manually reported them to the COD System. However, the University incorrectly reported information due to manual errors or did not always perform the reconciliation process in a timely manner to enable it to report the disbursements within the required time frame.

As a result of the errors described above, the U.S. Department of Education did not receive timely or accurate Direct Loan disbursement data for some disbursements during the award year. The University has corrected the errors and reported the correct dates and amounts to the COD System.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not maintain appropriate user access controls to its financial aid application, PeopleSoft.
Specifically:

- Four customer service temporary employees had access to award packaging processes that was not necessary for their job responsibilities. The employment of one of those individuals was terminated in October 2012, but the University had not revoked that individual's access at the time of the audit.
- One customer service employee was given override access to assist with special projects; however, the University did not remove that access when the employee changed jobs within the University and the access was no longer necessary.
- Twenty-four employees, including managers and staff in the Scholarships and Financial Aid Department, have award override access. That access allows users to change parameters to existing awards. The number of people with that type of access was excessive.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

University of Houston - Downtown

Reference No. 11-158

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2009 through June 30, 2010

Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A094118, CFDA 84.033 P033A094118, CFDA 84.063 P063P20092306, CFDA 84.375 P375A20092306, and CFDA 84.376 P376S20092306

Type of finding – Significant Deficiency

Cost of Attendance

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student’s cost of attendance (COA) minus the expected family contribution (EFC). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2010
Status: Partially Implemented
U.S. Department of Education

The University of Houston – Downtown's (University) written COA budget does not detail adjustments necessary to determine tuition and fees for part-time students in the Fall and Spring semesters. Furthermore, the University was not able to provide documentation of how it calculated adjustments it made in PowerFAIDS to part-time students’ tuition and fees during packaging of student financial assistance. According to University personnel, the part-time budget adjustments within PowerFAIDS were based on tuition and fees from the 2008-2009 award year because information on 2009-2010 tuition and fees was not available at the time the University programmed PowerFAIDS. Because support for tuition and fees adjustments was not available and the written budget did not provide sufficient detail for part-time students, University personnel cannot be assured that PowerFAIDS budget adjustments for part-time students accurately reflect tuition and fees normally assessed part-time students.

Corrective Action:

This finding was reissued as current year reference number 2014-144.

University of Houston - Victoria

Reference No. 2013-167

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P123632; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124901; and CFDA 84.268, Federal Direct Student Loans, P268K133632

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013
Status: Partially Implemented

U.S. Department of Education

For 10 (17 percent) of 60 applicants tested, the University of Houston - Victoria (University) did not retain supporting documentation for some of the information required to be verified or did not accurately verify certain required items on the FAFSA. Specifically:

- For three applicants, the University did not accurately verify the applicants’ AGI or education credit; therefore, it did not subsequently update its records and request updated ISIRs as required. Based on the information the University provided, that resulted in a \$125 overaward of a Federal Pell Grant for one applicant and a \$900 Federal Pell Grant overaward for another applicant (both overawards were associated with award number P063P123632). After auditors brought those issues to the University’s attention, the University provided evidence that it corrected the overawards; therefore, there are no questioned costs associated with those errors.
- For seven applicants, the University could not provide supporting documentation for some of the information it was required to verify; therefore, auditors could not determine whether the FAFSA amounts the applicants reported were correct. For those applicants, the University did not retain support for one or more of the following amounts: AGI, Supplemental Nutrition Assistance Program benefits, child support paid, IRA deductions, and education credits.

The above errors occurred because of manual errors the University made in verification. Not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Recommendations:

The University should:

- Develop and implement controls to accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Retain supporting documentation for all required verification items.

Management Response and Corrective Action Plan 2013:

Manual review and entry of data for the verification process allows for human error so we have modified our procedures by dividing the verification process into steps that will ensure each student selected for verification is reviewed by two financial aid specialists. One specialist will complete the verification process. The other specialist will review all verifications processed for accuracy. In addition, the corrected Institutional Student Information Records (ISIRs) that were reprocessed will be reviewed to ensure all verification components were updated accurately.

The two specialists have attended and continue to attend Verification webinars to keep up-to-date with the regulations and required verification components. In addition, the support staff has been educated on the importance of scanning and retaining all pages (front and back side) of the verification documentation. Only full-time staff will be allowed to review scanned documents for record retention in order to comply with record keeping and electronic storage requirements.

Management Response and Corrective Action Plan 2014:

Manual review and entry of data for the verification process allows for human error so we will continue our procedure by dividing the verification process into steps that will ensure each student selected for verification is reviewed by two financial aid specialists. One specialist will complete the verification process. The other specialist will review all verifications processed for accuracy. In addition, the corrected Institutional Student Information Records (ISIRs) that were reprocessed will be reviewed to ensure all verification components were updated accurately.

In 2013-14, we had two separate forms required for submission students selected for a V4 verification review. In 2014-15, the V4 Verification Worksheet form was revised to include all components required for review which will help insure that the verification process is accurate.

Implementation Date: December 2014

Responsible Person: Carolyn Mallory

University of North Texas

Reference No. 2013-168

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122293; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124085; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132293; CFDA 84.033, Federal Work-Study Program, P033A124085; CFDA 84.268, Federal Direct Student Loans, P268K132293; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

For 5 (8 percent) of 60 students tested, the University of North Texas (University) did not submit corrections for changes in education credit amounts to the U.S. Department of Education as required; however, the University accurately verified all required information. As a result, the University underawarded 3 of those 5 students a total of \$1,225 in federal Pell Grants associated with award number P063P122293. Those errors occurred because of a batch processing error in the University's financial aid system, which caused the University not to report any changes in education credit amounts. The University asserted that the batch processing error affected an additional 528 students.

Not submitting required corrections to the U.S. Department of Education could result in the University overawarding or underawarding student federal financial assistance.

Corrective Action:

This finding was reissued as current year reference number 2014-147.

Reference No. 2013-169

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122293; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124085; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132293; CFDA 84.268, Federal Direct Student Loans, P268K132293; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c)).

Initial Year Written:	2013
Status:	Implemented

U.S. Department of Education

The University of North Texas (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

Additionally, for unofficial withdrawals, the institution should report the effective withdrawal date as the last recorded date of attendance, which is the last date of participation in an academically-related activity, or in the absence of evidence of such activity, the midpoint of the term (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

For 13 (22 percent) of 60 students tested, the University did not accurately report the students' enrollment status to NSLDS. Specifically:

- Four of those students unofficially withdrew during the Fall semester, but the University reported to NSLDS that those students were enrolled full or half-time for the entire semester.
- For nine of those students, the University correctly reported them as withdrawn, but it did not report the correct effective dates of the status changes to NSLDS. The University reported the effective withdrawal dates as either the first or last day of the semester, instead of the last recorded date of attendance or the midpoint of the semester.

All 13 students unofficially withdrew from the University in the Fall semester and did not return for the Spring semester. The errors occurred because the University does not have a formal process to ensure that it properly reports to NSLDS status changes and effective dates of withdrawal for unofficially withdrawn students who do not return the following semester. After the University became aware of those errors, it reported the correct status changes and effective dates to NSLDS. However, not reporting student status changes and effective dates accurately to NSLDS could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

Corrective Action:

Corrective action was taken.

University of Texas at Arlington

Reference No. 2013-170

Eligibility

Activities Allowed or Unallowed

Cash Management

Period of Availability of Federal Funds

Reporting

Special Tests and Provisions - Separate Funds

Special Tests and Provisions - Disbursements To or On Behalf of Students

Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)

(Prior Audit Issues 13-154 and 12-156)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122335; CFDA 84.268, Federal Direct Student Loans, P268K132335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132335; CFDA 84.033, Federal Work-Study Program, P033A124172; CFDA 93.264, Nurse Faculty Loan Program (NFLP), 1E01HP24671-01-00; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2011 Status: Partially Implemented U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2, 673.5, and 685.301).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower’s cost of attendance, the borrower’s maximum borrowing limit, or the borrower’s unmet financial need (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

Institutions are allowed to use professional judgment to adjust COA on a case-by-case basis to allow for special circumstances (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*). However, such adjustments must be documented in the student’s file.

The University of Texas at Arlington (University) establishes different COA budgets for students based on class level (undergraduate or graduate), degree program, in-state or out-of-state residency, living status (on campus, off campus, or at home), and term enrollment (full-time, half-time, or three-quarter time). Prior to an award year, the University requests that students submit their anticipated enrollment to the financial aid office if they plan to enroll less than full-time. The University's student budgets default to full-time enrollment if the student does not respond to a request for anticipated enrollment. The University's default to full-time results in a failure to adjust the budget for actual anticipated enrollment; therefore, by not adjusting a student's COA budget for actual enrollment, the University increases the risk of awarding assistance in excess of the student's financial need or COA budget.

Auditors calculated student COA budgets based on both the University's process and based on the students' actual enrollment. For 2 (3 percent) of the 60 students tested, the COA budgets based on actual enrollment were less than the COA budgets based on the University's process and, as a result, the University overawarded assistance to those students. Specifically, for 1 student, total assistance disbursements exceeded the student's COA budgets based on actual enrollment, which resulted in an overaward of \$85. The other student received need-based assistance disbursements that exceeded the student's calculated need by \$398. The University budgeted both of those students as full-time; however, the students' actual enrollment was less than full-time for one or more terms during the award year. For the terms in which those students did not attend full-time, the students still had COA budgets and assistance awards based on full-time enrollment. After auditors brought the issues to the University's attention, the University adjusted the student awards; therefore, there were no questioned costs.

In addition, for 7 (12 percent) of 60 students tested, the University incorrectly calculated student COA budgets. Specifically:

- For three students, the University used the incorrect budget to calculate COA. Those students required manual adjustments to their budgets and, in making those adjustments, the University used incorrect budgets. The budgets were understated by amounts ranging from \$150 to \$2,288.
- For three students, the University inconsistently adjusted COA budget components. The students were initially budgeted at anticipated full-time enrollment but were enrolled less than full-time. The University adjusted the student's budget amount for books to reflect actual enrollment, but it did not adjust the tuition and fees component. Therefore, the students' tuition and fees components were overstated by amounts ranging from \$1,316 to \$1,418. According to the University, it adjusted its automated system's settings so that the amount for books would reflect actual enrollment; however, it did not apply that adjustment to tuition and fees.
- One student's COA calculation included an amount for books that was higher than the budget amount. The University asserted the amount for books was based on professional judgment; however, it did not include support for the professional judgment in the student's file, as required.

None of the seven students discussed above was overawarded assistance; however, incorrect COA calculations could result in underawards or overawards of financial assistance.

Federal Pell Grant and Federal Supplemental Educational Opportunity Grant Awards

In selecting students for the federal Pell Grant Program, an institution must determine whether a student is eligible to receive a federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, CFR, Section 690.6(a)). For each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)).

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG to federal Pell Grant recipients who have the lowest EFC first. If an institution has FSEOG funds remaining after giving FSEOG awards to all Pell Grant recipients, the institution can then award the remaining FSEOG funds to eligible undergraduate students with the lowest EFCs who did not receive Pell Grants (Title 34, CFR, Section 676.10).

The University disbursed \$8,919 in Pell Grants to 4 post-baccalaureate students who had previously obtained an undergraduate degree. One of those students also received an FSEOG award of \$500. According to the University, those errors occurred because the University's financial aid system packages student assistance based on annual enrollment, and it does not automatically identify students whose enrollment levels change in an academic

year. The University packaged those students' assistance prior to when the students earned their first baccalaureate degrees, but the students received Pell Grant disbursements after becoming post-baccalaureates. The University did not have a control to identify Pell Grant and FSEOG recipients who had previously earned a baccalaureate degree. After auditors brought this issue to its attention, the University provided evidence that it corrected the errors; therefore, there were no questioned costs.

Federal Direct Student Loans

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods/periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are only eligible for Unsubsidized Direct Loans or Direct PLUS loans.

The University disbursed a total of \$4,474 in subsidized Direct Loans to two graduate students after July 1, 2012. According to the University, those errors occurred because the University's financial aid system packages student assistance based on annual enrollment, and it does not automatically identify students whose enrollment levels change in an academic year. The University packaged those students' assistance when the students were undergraduates, but the students received the subsidized Direct Loans after becoming graduate students. After auditors brought this issue to its attention, the University provided evidence that it corrected the errors; therefore, there were no questioned costs.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - borrower data transmission and reconciliation (Direct Loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. Specifically, employees had inappropriate access to awarding and packaging student financial assistance, and one employee maintained access to develop and migrate code after that employee's job duties changed. After auditors brought this matter to the University's attention, the University removed the inappropriate access for one employee who could both develop code and migrate code to the production environment. Additionally, the University did not have policies regarding administrative and special account access. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University conducts periodic reviews of the database accounts and reviews accounts upon employee changes and/or terminations; however, it does not consistently document those reviews. The University also did not consistently conduct periodic user access reviews on application, server, or network accounts. Additionally, the University did not have policies requiring periodic reviews of user access. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Corrective Action:

This finding was reissued as current year reference number 2014-148.

Reference No. 2013-171

Special Tests and Provisions - Verification

(Prior Audit Issues 13-155 and 12-158)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers– CFDA 84.063, Federal Pell Grant Program, P063P122335; CFDA 84.007, Federal Supplemental Education Opportunity Grants, P007A124172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132335; CFDA 84.033, Federal Work Study Program, P033A124172; CFDA 84.268, Federal Direct Student Loans, P268K132335; and CFDA 93.264, Nurse Faculty Loan Program (NFLP), 1E01HP24671-01-00

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register* Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2011
Status: Partially Implemented
U.S. Department of Education

For 2 (3 percent) of 60 students tested, the University of Texas at Arlington (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request an updated ISIR as required. Specifically:

- For 1 student, the University did not accurately verify the number of household members enrolled in college or the amount of educational credits.
- For 1 student, the University did not accurately verify the amount of income earned by the student. At the time of verification, the University did not obtain a W-2 from the student to properly verify the amount of income that the student listed on the verification worksheet.

According to the University, these errors were due to manual errors made during the verification process. When auditors brought the errors to its attention, the University obtained missing documentation, corrected the information, and requested updated ISIRs. The updated information did not result in a change to the students’ EFCs or award amounts; therefore, there were no questioned costs. However, not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. Specifically, employees had inappropriate access to awarding and packaging student financial assistance, and one employee maintained access to develop and migrate code after that employee’s job duties changed. After auditors brought this matter to the University’s attention, the University removed the inappropriate access for one employee who could both develop code and migrate code to the production environment. Additionally, the University did not have policies regarding administrative and special account access. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University conducts periodic reviews of the database accounts and reviews accounts upon employee changes and/or terminations; however, it does not consistently document those reviews. The University also did not consistently conduct periodic user access reviews on application, server, or network accounts. Additionally, the University did not have policies requiring periodic reviews of user access. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Corrective Action:

This finding was reissued as current year reference number 2014-149.

Reference No. 2013-172

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 13-156, 12-160, and 10-112)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122335; CFDA 84.007, Federal Supplemental Education Opportunity Grants, P007A124172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132335; CFDA 84.033, Federal Work Study Program, P033A124172; CFDA 84.268, Federal Direct Student Loans, P268K132335; and CFDA 93.264, Nurse Faculty Loan Program (NFLP), 1E01HP24671-01-00

Type of finding – Material Weakness and Material Non-Compliance

Return of Title IV Calculations

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student’s withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution’s determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, CFR, Section 668.22(a)(4)).

Initial Year Written: 2009
Status: Partially Implemented
U.S. Department of Education

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(e)).

The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (Title 34, CFR, Section 668.22(f)(2)(i)).

The University of Texas at Arlington (University) has not established adequate controls to ensure that it correctly calculates return amounts. For 10 (24 percent) of 42 students tested who required a return, the University did not correctly calculate the number of days the students attended and, therefore, did not correctly calculate the amount of Title IV assistance to be returned. The students were enrolled through a

partnership program that had sessions with varying beginning and ending dates and varying lengths. Because of that, the University manually calculated the number of days attended and total number of days in these sessions; however, it incorrectly performed that calculation for those 10 students. Those students received a total of \$58,192 in federal financial assistance for the sessions in question. As a result of the incorrect calculations, 6 students earned a total of \$244 less in assistance than the University initially calculated and 4 students earned a total of \$2,971 more in assistance than the University initially calculated.

After the auditors brought the errors to the University's attention, the University worked to adjust the grants and loans associated with those students, taking into consideration the change in the return calculation and the amount of assistance the University needed to return or award to the students. Based on the results of the adjustments the University calculated, the University completed an over adjustment of \$256.

By manually entering some student information into the return of Title IV calculator in its financial aid system, instead of relying on automated controls in that system, the University increases the risk of errors in return calculations and the risk that it will not return the correct amount of Title IV assistance to the U.S. Department of Education.

Unofficial Withdrawals

If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV funds that were credited to the student's account at the institution (Title 34, CFR, 668.21(a)). The Secretary of the U.S. Department of Education considers that a student has not begun attendance in a payment period or period of enrollment if the institution is unable to document the student's attendance at any class during the payment period or period of enrollment (Title 34, CFR, 668.21(c)).

If a student did not begin the official withdraw process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the institution becomes aware that the student ceased attendance (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). If a student is determined to have withdrawn from an institution, the student is no longer considered to be enrolled and in attendance. Therefore, the student is no longer eligible for an in-school status or in-school deferment, and the institution must report the student as withdrawn (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

After grades are posted each semester, the University runs a query to identify students that had all non-passing grades during the semester and sends the students a request for proof that they attended during the semester. Students who return proof that they attended are given a withdrawal date, and the University determines whether a return of Title IV funds is required. However, if a student does not return proof of attendance, the University does not consider the student to be withdrawn and never attended for the purpose of returning Title IV assistance.

For 6 (33 percent) of 18 students tested who never attended, the University did not return all Title IV funds or notify the Secretary of the U.S. Department of Education. All six students received all non-passing grades and did not provide evidence of attendance for the semester; however, the University did not return any unearned Title IV assistance. The University did not return a total of \$18,417 in Direct Loans and Pell Grants. After auditors brought the errors to the University's attention, the University returned the amount of unearned aid; therefore, there were no questioned costs.

Those errors occurred because the University's process to ensure that it completes returns for students with all non-passing grades did not identify those students; therefore, it did not determine whether a return of Title IV funds was required. Because the University did not consider those students to be unofficially withdrawn, it did not report them as withdrawn to the Secretary of the U.S. Department of Education for enrollment reporting purposes.

For one additional student tested who never attended, the student was able to provide evidence of attendance; therefore, the University was not required to return any Title IV funds for that student. However, the University did not determine that the student had earned all of the student's Title IV funds until auditors brought this matter to its attention.

Timeliness of Returns

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, CFR, Section 668.22(j)(2)). In addition, returns of Title IV funds must be initiated to the U.S. Department of Education as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (Title 34, CFR, Sections 668.22(j)).

For 3 (7 percent) of 42 students tested for whom the University was required to return funds, it did not return those funds within 45 days of determining those students' withdrawal dates. The University took between 128 and 265 days after determining the students had withdrawn to return the funds.

For 13 (72 percent) of 18 students tested who never attended during a semester, the University did not determine the students' withdrawal dates within 30 days of the end of the semester. The University took between 40 and 216 days after determining the students had never attended to return the funds. For 10 of those 13 students, the University did not have evidence of returns until after auditors brought this matter to its attention.

The University's process for identifying students who have unofficially withdrawn does not ensure that it makes withdrawal determinations and completes the returns within the required time frames. Late identification of withdrawals increases the risk that the University will not return unearned funds to the U.S. Department of Education in a timely manner.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. Specifically, employees had inappropriate access to awarding and packaging student financial assistance, and one employee maintained access to develop and migrate code after that employee's job duties changed. After auditors brought this matter to the University's attention, the University removed the inappropriate access for one employee who could both develop code and migrate code to the production environment. Additionally, the University did not have policies regarding administrative and special account access. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University conducts periodic reviews of the database accounts and reviews accounts upon employee changes and/or terminations; however, it does not consistently document those reviews. The University also did not consistently conduct periodic user access reviews on application, server, or network accounts. Additionally, the University did not have policies requiring periodic reviews of user access. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Corrective Action:

This finding was reissued as current year reference number 2014-151.

Reference No. 2013-173

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122335; CFDA 84.268, Federal Direct Student Loans, P268K132335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T132335; CFDA 84.033, Federal Work-Study Program, P033A124172; CFDA 93.264, Nurse Faculty Loan Program (NFLP), 1E01HP24671-01-00; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Enrollment Reporting

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c)).

Initial Year Written: 2013
Status: Partially Implemented
U.S. Department of Education

The University of Texas at Arlington (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a formal withdrawal, the last recorded date of attendance should be reported as the status change date. In addition, the effective date for a student who has never attended should be the date that the institution certifies the student's "never attended" status, as reported to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix B).

For 7 (12 percent) of 60 student status changes tested, the University did not report the change to NSLDS accurately. Specifically:

- For two students who did not successfully obtain credit for any of their courses and, therefore, unofficially withdrew during the Fall 2012 semester, the University incorrectly reported the students' enrollment status as half-time and less than half-time, respectively. The University had evidence that those students had attended class through September 20, 2012, and October 8, 2012.
- For one student who officially withdrew from the University during the Spring 2013 semester, the University reported an incorrect withdrawal date to NSLDS. The student withdrew on January 16, 2013, but the University reported the date of withdrawal as January 30, 2013. That error was caused by a technical error in the University's enrollment management system that reported the census date as the date of withdrawal, rather than the actual withdrawal date.
- For four students who unofficially withdrew from the University during the Fall 2012 or Summer 2012 semesters, the University reported incorrect withdrawal dates to the NSLDS. The University reported the last class day of the semester as the withdrawal dates when it should have reported the students' last recorded dates of attendance. Three of the students received all non-passing grades and did not provide evidence of attendance during the semester. For the remaining student, the University received evidence that the student had attended classes through November 5, 2012.

The errors related to unofficially withdrawn students occurred because the process for determining student enrollment status is inconsistent between the University's Office of Financial Aid and the University's Office of Records and Registration. At the end of each semester, the Office of Financial Aid verifies changes in student enrollment statuses for students who do not complete the semester for eligibility purposes, and all funds for those students are returned. However, the Office of Records and Registration does not update NSLDS based on determinations that the Office of Financial Aid makes.

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not consistently maintain appropriate access controls over user accounts to ensure proper segregation of duties. Specifically, employees had inappropriate access to awarding and packaging student financial assistance, and one employee maintained access to develop and migrate code after that employee's job duties changed. After auditors brought this matter to the University's attention, the University removed the inappropriate access for one employee who could both develop code and migrate code to the production environment. Additionally, the University did not have policies regarding administrative and special account access. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The University conducts periodic reviews of the database accounts and reviews accounts upon employee changes and/or terminations; however, it does not consistently document those reviews. The University also did not consistently conduct periodic user access reviews on application, server, or network accounts. Additionally, the University did not have policies requiring periodic reviews of user access. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems going undetected.

Corrective Action:

This finding was reissued as current year reference number 2014-152.

University of Texas at Austin

Reference No. 2013-174

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122336; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124173; CFDA 84.033, Federal Work Study Program, P033A124173; CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable; and CFDA 84.268, Federal Direct Student Loans, P268K132336

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2013
Status: Implemented

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

An aid administrator may use professional judgment on a case-by-case basis only to adjust a student's COA or the data used to calculate the student's EFC. That adjustment is valid only at the institution that makes the adjustment. The reason for the adjustment must be documented in the student's file, and it must relate to the special circumstances that differentiate the student and not to conditions that exist for a whole class of students (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

The University of Texas at Austin (University) established different COA budgets for students based on class level (undergraduate, graduate, law); degree program; and the number of hours enrolled.

For 5 (8 percent) of 60 students tested, the University inconsistently or incorrectly calculated the students' COA. Specifically:

- For 1 student, the University based the COA on full-time enrollment when the student was enrolled in 9 hours. The University asserted that occurred due to human error.
- For 2 students, the University assigned the incorrect COA. One student changed his major after the University assigned the COA, but the University did not appropriately adjust his COA to reflect the change. The other student was a double major, and the University assigned his COA using the incorrect degree program according to its policy.
- For 1 student, the University increased one of the COA components based on professional judgment, but it did not document its rationale for applying professional judgment.
- For 1 student, the University assigned the COA based on the incorrect number of enrolled hours.

The University did not make overawards or underawards to the five students discussed above; however, incorrectly or inconsistently calculating COA increases the risk of an underaward or overaward of student financial assistance.

Additionally, for 1 (2 percent) of 60 students tested, the University overawarded the student \$1,961 in need-based assistance associated with award number P268K132336. According to the University, it did not reduce the student's subsidized loan amount when the student received a non-federal award after the University had packaged that student's assistance. After auditors brought the issue to the University's attention, it corrected the amount of need-based aid; therefore, there were no questioned costs.

Federal Direct Student Loans

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods and periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible only for Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) loans.

The University awarded one graduate student a total of \$4,146 in Subsidized Direct Loans associated with award number P268K132336 for the Fall 2012 and Spring 2013 semesters for which the student was not eligible. The University asserted that the student was a continuing student who received his baccalaureate in Spring 2012, but the registrar's office did not update its records to reflect that the student was a graduate student until the Fall 2012. At the time the University packaged and awarded that student's assistance, the Office of Student Financial Services checked the registrar's office's records which still showed the student as an undergraduate. Not properly updating student records to reflect a change in classification could result in the University awarding federal assistance to an ineligible student.

After auditors brought the issue to the University's attention, it corrected the amount of need-based aid; therefore, there were no questioned costs.

Federal Supplemental Educational Opportunity Grant

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG to federal Pell Grant recipients who have the lowest EFC first. If an institution has FSEOG funds remaining after giving FSEOG awards to all Pell Grant recipients, the institution can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Pell Grants (Title 34, CFR, Section 676.10). The FSEOG annual limit per student is \$4,000.

Based on a review of the full population of federal student financial assistance recipients, the University awarded a total of \$2,111 to 2 FSEOG recipients in excess of the annual limits. Those overawards were associated with award number P007A124173. The University asserted that this was due to human error resulting from a counselor manually increasing the FSEOG amount due to increased student need. That resulted in one student being overawarded \$1,536, and another student being overawarded \$575. After auditors brought the issue to the University's attention, it corrected the amount of need-based aid; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

Reference No. 2013-175

Special Tests and Provisions - Verification

(Prior Audit Issue 13-158)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122336; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124173; and CFDA 84.268, Federal Direct Student Loans, P268K132336

Type of finding – Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written:	2012
Status:	Implemented
U.S. Department of Education	

The University of Texas at Austin (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop a quality improvement approach to their administration of the financial student assistance programs. The QAP provides participating institutions the ability to design a verification program that fits their population (2012-2013 *Application and Verification Guide*, page AVG-84). As a part of quality improvement for the verification process, the University’s policy requires verifying key elements identified by the Department of Education along with net assets, tax forms and wages.

For 3 (8 percent) of 40 students tested, the University did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request an updated ISIR as required. Specifically:

- For one student, the University did not accurately verify the number of household members in postsecondary educational institutions. As a result the University did not request an updated ISIR for the student at the time of verification. That resulted in a Pell underaward of \$1,600 associated with award P063P122336.
- For two students, the University did not accurately verify tax deferred pensions. In both cases, the University did not report tax deferred pensions that the students reported on the verification forms. Those errors resulted in a Pell overaward of \$300 associated with award P063P122336.

According to University personnel, those errors were due to manual errors made during the verification process.

After auditors brought the errors to the University’s attention, the University provided evidence that it submitted corrections to the U.S. Department of Education and adjusted the awards to eliminate the underaward and overaward; therefore, there are no questioned costs associated with the errors. However, not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Corrective Action:

Corrective action was taken.

University of Texas at El Paso

Reference No. 13-164

Eligibility

Special Tests and Provisions - Disbursements To or On Behalf of Students

(Prior Audit Issues 11-171 and 11-170)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112338; CFDA 84.268, Federal Direct Student Loans, P268K122338; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122338; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114176; CFDA 84.033, Federal Work-Study Program, P033A114176; CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22396-01-00; CFDA 93.264, Nurse Faculty Loan Program, E01HP112947-02-00; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

A student is eligible to receive Title IV Higher Education Act Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory academic progress that meet the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should specify the grade point average (GPA) that a student must achieve at each evaluation or, if GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm. The SAP policy also should specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the program’s maximum time frame (Title 34, CFR, Section 668.34).

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education
U.S. Department of Health and Human Services

The University of Texas at El Paso’s (University) policy requires that a student must maintain at least a 2.00 GPA if pursuing an undergraduate degree and a 3.00 GPA if pursuing a graduate degree. Additionally, students receiving financial aid cannot attempt more than 150 percent of the published length of the eligible degree program as measured by credit hours. A student also must make “measurable progress,” which is determined by the cumulative completion of at least 75 percent of all attempted hours toward the student’s eligible degree plan in an academic year.

For 1 (2 percent) of 45 students for whom the University was required to review compliance with its SAP policy, the University did not evaluate whether the student was making satisfactory academic progress to receive financial assistance. As a result, the University awarded that student \$15,917 in Direct Loans, associated with award P268K122338, when the student was not eligible to receive that assistance. That occurred because the University dismissed the student on financial aid probation from the University following the Spring 2011 term. When the student enrolled in Spring 2012, the University did not review the student’s SAP status prior to awarding financial assistance.

After auditors brought this matter to its attention, the University provided evidence that it had corrected those awards.

Corrective Action:

Corrective action was taken.

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s COA minus the EFC (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying

the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087II).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, CFR, Sections 668.2 and 673.5).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

For 3 (5 percent) of 60 students tested, the University incorrectly calculated COA because it incorrectly classified the students in its financial assistance system, Banner. For two of those students, the University incorrectly assigned the students an in-state COA budget when the students indicated that they were not Texas residents. For the remaining student, the University incorrectly calculated COA because it classified the student as an undergraduate student when the student was a graduate student. Those errors resulted from manual COA adjustments to students’ status that the University made in its financial aid system. The three students were not overawarded assistance; however, calculating incorrect COA amounts increases the risk that students could be awarded assistance in excess of their financial need.

Corrective Action:

Corrective action was taken.

Other Compliance Requirement

Although the general control weakness described below affects all student financial assistance awards administered by the University and applies to special tests and provisions – disbursements to or on behalf of students, auditors identified no compliance issues regarding that compliance requirement.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University has not implemented adequate logical access controls to its Banner student financial assistance application and associated database, its operating system, and its network. This increases the risk of unauthorized system access and could result in compromise or loss of data.

Additionally, **the University did not have sufficient segregation of duties in its change management processes.** Specifically, one programmer had access to change application code and migrate it to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial assistance.

Recommendation:

The University should strengthen logical access controls to prevent unauthorized system access and better safeguard critical data.

Management Response and Corrective Action Plan 2012:

Password standards have been developed and approved by the Chief Information Security Officer. The deployment of those standards will begin after the 1st of the year to allow for timely notification to all customers.

Management Response and Corrective Action Plan 2013:

A password standard has been configured and deployed in the production environment. A Banner Password Standard policy has been published and approved by our Chief Information Security Officer.

Management Response and Corrective Action Plan 2014:

UTEP has accepted the risk for not having the passwords expire yearly. Compensating controls have been put in place to prevent weak passwords and track accesses to UTEP systems. Passwords are run through a decryption process looking for weak passwords. Any passwords that are found to be weak are reset and the user must choose a new password.

UTEP also monitors activity on system looking for suspicious activity. An example of this is logins from foreign locations. If an account shows possibility of being used by an unauthorized user, the account is disabled and password reset. The user must then contact the information security office to have their account reactivated.

Password settings for the DBA's have been updated and adjustments to the administrative accounts on the Banner Database server have been made. These settings are currently being run through the change management process and will start in the DEV environment and will work their way testing along the way to ensure there are no issues.

Implementation Date: In progress

Responsible Person: Luis Hernandez

University of Texas at San Antonio

Reference No. 2013-188

Eligibility

Activities Allowed or Unallowed

Cash Management

Period of Availability of Federal Funds

Reporting

Special Tests and Provisions - Separate Funds

Special Tests and Provisions - Disbursements To or On Behalf of Students

Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124169; CFDA 84.033, Federal Work-Study Program, P033A124169; CFDA 84.063, Federal Pell Grant Program, P063P123294; CFDA 84.268, Federal Direct Student Loans, P268K133294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T133294; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance Budgets

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2013
Status: Implemented
U.S. Department of Education

The University of Texas at San Antonio (University) establishes COA budgets prior to the start of the each award year. Staff manually enter the budgets into the University’s financial aid system and then the University’s compliance team performs a quality control review to ensure that the budgets were entered accurately. After a student is assigned a budget group, the system will load the proper budget components stored for that student’s assigned budget group.

For 8 (1 percent) of the University’s 818 COA budget combinations, the University entered the budgets into its financial aid system incorrectly. Those errors occurred because the University made changes to some of the budget line items, but it did not update the applicable COA budgets in its financial aid system. The University did not detect those errors during its quality control review process. As a result of those errors, the University assigned 13 students incorrect budgets. The differences between the correct budgets and the incorrect budgets ranged from \$105 to \$2,171. None of the students affected by the incorrect budgets was overawarded assistance. However, not applying correct COA budgets could result in an overaward or underaward of student financial assistance.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - borrower data transmission and reconciliation (Direct Loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not have sufficient change management controls in place for its student financial aid system, Banner. For 2 (67 percent) of 3 changes tested, the University did not provide sufficient documentation supporting that (1) it properly tested and authorized the changes prior to migrating the changes into the production environment or (2) authorized personnel migrated the changes to the production environment. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Corrective Action:

Corrective action was taken.

Reference No. 2013-189

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124169; CFDA 84.033, Federal Work-Study Program, P033A124169; CFDA 84.063, Federal Pell Grant Program, P063P123294; CFDA 84.268, Federal Direct Student Loans, P268K133294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T133294; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013 Status: Implemented U.S. Department of Education

The University of Texas at San Antonio (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop a quality improvement approach to their administration of the financial student assistance programs. The QAP provides participating institutions the ability to design a verification program that fits their population (2012-2013 *Application and Verification Guide*, page AVG-84).

The University did not accurately verify all required information in student financial assistance applications and did not always correct student ISIR information when required. Specifically:

- For 1 (2 percent) of 60 students tested, the University did not correct the student's application to reflect the correct adjusted gross income. That resulted in a \$50 Pell Grant underaward for that student.
- For 1 (2 percent) of 60 students tested, the University did not ensure that the number of household members reported on the student's application was adequately supported. There was no effect on federal assistance awarded to this student.

Both errors resulted from manual errors that occurred during the verification process. Although the University has an established quality control review process, that process did not identify the errors. Not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not have sufficient change management controls in place for its student financial aid system, Banner. For 2 (67 percent) of 3 changes tested, the University did not provide sufficient documentation supporting that (1) it properly tested and authorized the changes prior to migrating the changes into the production environment or (2) authorized personnel migrated the changes to the production environment. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Corrective Action:

Corrective action was taken.

Reference No. 2013-190

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124169; CFDA 84.033, Federal Work-Study Program, P033A124169; CFDA 84.063, Federal Pell Grant Program, P063P123294; CFDA 84.268, Federal Direct Student Loans, P268K133294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T133294; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Timeliness of Returns and Withdrawal Date Determinations

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, Code of Federal Regulations (CFR), Section 668.22(j)(2)). In addition, returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (Title 34, CFR, Section 668.22(j)).

Initial Year Written: 2013 Status: Implemented U.S. Department of Education

Within 30 days of the date that an institution determines that a student has withdrawn, it must send a notice to the student if that student owes a grant overpayment as a result of the student's withdrawal from the institution in order to recover the overpayment (Title 34, CFR, Section 668.22(h)(4)(ii)).

A student who owes an overpayment under this section remains eligible for Title IV assistance through and beyond the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment if the student (1) repays the overpayment in full to the institution, (2) enters into a repayment agreement with the institution in accordance with repayment arrangements satisfactory to the institution, or (3) signs a repayment agreement with the Secretary of the U.S. Department of Education (Title 34, CFR, Section 668.22(h)(4)(i)). If the student does not meet those requirements or fails to meet the terms of the repayment agreement with the institution or with the Secretary of the U.S. Department of Education, that student is not eligible for Title IV assistance (Title 34, CFR, Section 668.22(h)(4)(iv)).

An institution must refer to the Secretary of the U.S. Department of Education, in accordance with procedures required by the Secretary of the U.S. Department of Education, an overpayment of Title IV, Higher Education Act grant funds owed by a student as a result of the student's withdrawal from the institution if (1) the student does not repay the overpayment in full to the institution, or enter a repayment agreement with the institution or the Secretary of the U.S. Department of Education within the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment, (2) at any time the student fails to meet the terms of the student's repayment agreement with the institution, or (3) the student chooses to enter into a repayment agreement with the Secretary of the U.S. Department of Education (Title 34, CFR, Section 668.22(h)(4)(iv)).

The University of Texas at San Antonio (University) did not always determine student withdrawal dates in a timely manner or make the required returns of federal financial assistance within the required time frames. Specifically:

- For 1 (4 percent) of 25 students tested for whom the University was required to return funds, it did not return those funds within 45 days of determining the student's withdrawal date. The University returned the required funds 47 calendar days after it determined that the student withdrew.
- For 2 (22 percent) of 9 students tested who unofficially withdrew, the University did not determine the students' withdrawal dates within 30 days of the end of the semester. For those two students, the University determined their Fall term withdrawal dates 36 calendar days after the end of that term.
- For 1 student who had a grant overpayment, the University did not return funds within 45 days or notify the student that the student was required to return \$36 in Pell Grant funds associated with award P063P123294. The University also did not report a grant overpayment to the U.S. Department of Education within 30 days as required.

The errors occurred because the University did not complete manual processing of Title IV returns in time to meet requirements. Not determining withdrawal dates in a timely manner or making returns after the required time frame reduces the information available to the U.S. Department of Education for its program management.

Unofficial Withdrawals Query

The University's query to identify students who unofficially withdrew during the 2012-2013 award year incorrectly excluded some students who may have unofficially withdrawn during that year. That occurred because the query included students who only received grades of "F" or "IN" (incomplete); as a result, the query excluded students with combinations of grades that could indicate that they unofficially withdrew. For example, the University's query did not identify students who dropped some courses and received "Fs" in other courses.

Based on information the University provided, the University did not initially determine whether it needed to return funds for 570 students who may have unofficially withdrawn during the 2012-2013 award year. After auditors brought that issue to the University's attention, the University reviewed those additional students to determine whether it was required to return Title IV funds. The University asserted that its review resulted in the return of \$181,659 for 269 of those students.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not have sufficient change management controls in place for its student financial aid system, Banner. For 2 (67 percent) of 3 changes tested, the University did not provide sufficient documentation supporting that (1) it properly tested and authorized the changes prior to migrating the changes into the production environment or (2) authorized personnel migrated the changes to the production environment. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Corrective Action:

Corrective action was taken.

Reference No. 2013-191

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124169; CFDA 84.033, Federal Work-Study Program, P033A124169; CFDA 84.063, Federal Pell Grant Program, P063P123294; CFDA 84.268, Federal Direct Student Loans, P268K133294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T133294; and CFDA 84.038, Federal Perkins Loan Program – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Enrollment Reporting

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c)).

Initial Year Written: 2013 Status: Partially Implemented U.S. Department of Education

The University of Texas at San Antonio (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.8).

The *NSLDS Enrollment Reporting Guide* states that, in the absence of a student's formal withdrawal, the student's last recorded date of attendance should be reported as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix B).

For 2 (3 percent) of 60 students tested, the University did not accurately report the effective dates of the students' withdrawal to NSLDS. The University identified both students as unofficial withdrawals for Fall 2012, and it identified a last date of attendance for both students; however, the University reported the final day of the Fall 2012 term as the effective date of the change. That occurred because the University does not have a process to (1) retrieve the last date of attendance it determines when it makes a return of Title IV funds calculation and (2) use that date when it reports students who unofficially withdraw to NSC.

Additionally, automated controls are not operating effectively to help ensure that enrollment files and degree verifications the University submits to NSC are complete. For example, when the University uploaded one enrollment file to NSC, NSC did not receive information for 56 students because of conflicting information in one data field. That occurred because the University does not have an established process to review all student records rejected by NSC to ensure that status changes are reported to NSLDS, as required. Those 56 students could have received Title IV assistance that would have required the University to update NSLDS with the students' enrollment status.

Inaccurate or incomplete submission of information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University did not have sufficient change management controls in place for its student financial aid system, Banner. For 2 (67 percent) of 3 changes tested, the University did not provide sufficient documentation supporting that (1) it properly tested and authorized the changes prior to migrating the changes into the production environment or (2) authorized personnel migrated the changes to the production environment. Lack of sufficient change management processes increases the risk of unauthorized programming changes being made to critical information systems.

Corrective Action:

This finding was reissued as current year reference number 2014-168.

Appendix

Objectives, Scope, and Methodology

Objectives

With respect to the Student Financial Assistance Cluster, the objectives of this audit were to (1) obtain an understanding of internal controls over compliance, assess control risk of noncompliance, and perform tests of those controls unless controls were deemed to be ineffective and (2) provide an opinion on whether the State complied with the provisions of laws, regulations, and contracts or grants that have a direct and material effect on the Student Financial Assistance Cluster.

Scope

The audit scope covered federal funds that the State spent for the Student Financial Assistance Cluster from July 1, 2013, through June 30, 2014, which is the federal financial assistance award year. The audit work included control and compliance tests at 16 higher education institutions across the state.

Methodology

The audit methodology included developing an understanding of controls over each compliance area that was direct and material to the Student Financial Assistance Cluster at each higher education institution audited.

Auditors selected non-statistical samples for tests of compliance and controls for each direct and material compliance area identified based on the American Institute of Certified Public Accountants' audit guide entitled *Government Auditing Standards and Circular A-133 Audits* dated February 1, 2014. In determining the sample sizes for control and compliance test work, auditors assessed risk levels for inherent risk of noncompliance, control risk of noncompliance, risk of material noncompliance, detection risk, and audit risk of noncompliance by compliance requirement. Auditors selected samples primarily through random selection designed to be representative of the population. In those cases, results may be extrapolated to the population, but the accuracy of the extrapolation cannot be measured. In some cases, auditors used professional judgment to select additional items for compliance testing. Those sample items generally are not representative of the population and, therefore, it would not be appropriate to extrapolate those results to the population.

Auditors conducted tests of compliance and of the controls identified for each direct and material compliance area and performed analytical procedures when appropriate.

Auditors assessed the reliability of data that each audited higher education institution provided and determined that the data was sufficiently reliable for the purpose of expressing an opinion on compliance with the provisions of laws, regulations, and contracts or grants that have a direct and material effect on the Student Financial Assistance Cluster.

Information collected and reviewed included the following:

- Higher education institution financial assistance, eligibility, disbursement, cash management, reporting, return of federal funds, student enrollment information, and loan repayment data.
- Federal award letter notifications.
- Student cost of attendance budgets.
- National Student Loan Data System records.
- Common Origination and Disbursement System records.
- Transactional support related to expenditures and revenues.
- Policies and procedures related to student financial assistance.
- Higher education institution-generated reports and data used to support reports, revenues, and other compliance areas.
- Information system support related to general controls over information systems that affect the control structure related to federal compliance.

Procedures and tests conducted included the following:

- Analytical procedures performed on expenditure data to identify instances of non-compliance.
- Compliance testing for samples of transactions for each direct and material compliance area.
- Tests of design and effectiveness of key controls and tests of design of controls to assess the sufficiency of each higher education institution's control structure.
- Tests of design and effectiveness of general controls over information systems that support the control structure related to federal compliance.

Criteria used included the following:

- The Code of Federal Regulations.
- U.S. Office of Management and Budget Circular A-133.

- Higher education institution policies and procedures.
- U.S. Department of Education *Federal Student Aid Handbook*.
- National Student Loan Data System *Enrollment Reporting Guide*.

Project Information

Audit fieldwork was conducted from June 2014 through November 2014. Except as discussed above in the Independent Auditor’s Report, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The following members of the State Auditor’s staff performed the audit:

- Jennifer Brantley, MS, CPA (Project Manager)
- Parsons Dent Townsend, CGAP, CICA (Assistant Project Manager)
- Kelsey A. Arnold, MEd (Student Financial Assistance Coordinator)
- Karen S. Mullen, CGAP (Prior Year Finding Coordinator)
- Serra Tamur, MPAff, CISA, CIA (Information Technology Coordinator)
- Shaun Alvis
- Isaac Barajas
- Ileana Barboza, MBA, CGAP
- John Barnhart
- Nathan Beavers
- Ryan Marshall Belcik, MBA
- Pamela A. Bradley, CPA
- Amy M. Cheesman, CFE
- Jeffrey D. Criminger
- Michelle Lea DeFrance, CPA
- Andi Focht-Williams, MACT

- Rebecca Franklin, CISA, CGAP, CFE, CICA
- Naima Hafeez
- Jerod Heine, MBA
- Norman G. Holz II, CPA
- Anna Howe
- Ashlee C. Jones, MAcy, CFE, CGAP, CICA
- Robert G. Kiker, CGAP
- Scott Labbe, CPA
- Tessa Mlynar, CFE
- Kathy-Ann Moe
- Matthew M. Owens, CFE
- Fred Ramirez, MAcy
- Valentine A. Reddic, MBA
- Fabienne Robin, MBA
- Sherry Sewell, CGAP
- Joseph Smith, Jr., MBA, MSPS
- Lilia C. Srubar, CPA
- Steven M. Summers, CPA, CISA, CFE
- Martin Torres
- Sarah Vela
- Scott Weingarten, CGAP
- Tammie Wells, MBA
- Tony White, CFE
- Charles Wilson, MPAff
- Julia Youssefnia, CPA
- Brenda Zamarripa, CGAP

- Kristin Alexander, MBA, CFE, CIA (Quality Control Reviewer)
- Michael Apperley, CPA (Quality Control Reviewer)
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- Dana Musgrave, MBA (Quality Control Reviewer)
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- James Timberlake, CIA (Audit Manager)

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Joe Straus III, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable John Otto, House Appropriations Committee
The Honorable Dennis Bonnen, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Boards, Chancellors, and Presidents of the Following Higher Education Institutions

Angelo State University
Lamar Institute of Technology
Lamar State College - Orange
Lamar University
Prairie View A&M University
Sam Houston State University
Texas A&M International University
Texas A&M University
Texas A&M University - Commerce
Texas A&M University - Kingsville
Texas A&M University - Texarkana
Texas Southern University
Texas State Technical College - Harlingen
Texas State Technical College - Marshall
Texas State Technical College - Waco
Texas State Technical College - West Texas
Texas State University
Texas Tech University
Texas Tech University Health Sciences Center
Texas Woman's University
University of Houston
University of Houston - Downtown
University of Houston - Victoria
University of North Texas
The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at El Paso
The University of Texas of the Permian Basin
The University of Texas at San Antonio
West Texas A&M University



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.state.tx.us.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.