



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, 2013**

February 2014
Report No. 14-021



A Report on

State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster for the Fiscal Year Ended August 31, 2013

SAO Report No. 14-021
February 2014

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 of federal programs in fiscal year 2013.

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 \$500,000 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 \$73,222,469 in federal funds during fiscal year 2013 and (2) other selected federal programs.

From September 1, 2012, through August 31, 2013, the State of Texas expended \$48.6 billion in federal funds. The State Auditor's Office audited compliance with requirements for the Student Financial Assistance Cluster at 18 higher education institutions. Those 18 higher education institutions spent \$2.2 billion in federal Student Financial Assistance Cluster funds during fiscal year 2013.

The Student Financial Assistance Cluster of Federal Programs

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 Loan Program.

This audit was conducted in accordance with Single Audit Act Amendments of 1996 and Office of Management and Budget Circular A-133.

For more information regarding this report, please contact James Timberlake, Audit Manager, or John Keel, State Auditor, at (512) 936-9500.

Auditors identified 42 findings for the Student Financial Assistance Cluster, including:

- Two findings classified as material weaknesses and material non-compliance.
- Two findings classified as material weaknesses and non-compliance.
- Thirty-two findings classified as significant deficiencies and non-compliance.
- Five findings classified as non-compliance.
- One finding classified as a significant deficiency.

(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 14 higher education institutions audited, auditors identified findings related to student eligibility for financial assistance. At Texas State Technical College - Waco and Texas State Technical College - West Texas, the issues related to eligibility were considered material weaknesses. Specific eligibility findings were as follows:

- Nine 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.

Higher Education Institutions Audited

- Lamar Institute of Technology.
- Lamar State College - Orange.
- Lamar University.
- Sam Houston State University.
- Texas A&M University.
- Texas A&M University - Commerce.
- Texas State Technical College - Harlingen.
- Texas State Technical College - Waco.
- Texas State Technical College - West Texas.
- Texas State University.
- Texas Tech University.
- Texas Tech University Health Sciences Center.
- University of Houston.
- 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 San Antonio.

Those higher education institutions were Lamar Institute of Technology, Lamar State College - Orange, Lamar University, Texas State Technical College - Harlingen, Texas Tech University, the Texas Tech University Health Sciences Center, the University of Houston, the University of Texas at Arlington, and the University of Texas at Austin.

- Texas State Technical College - Waco and Texas State Technical College - West Texas calculated all students' cost to attend those higher education institutions based on full-time enrollment, regardless of the number of course hours in which students actually enrolled. Determining students' cost to attend using full-time enrollment costs for students who attend less than full-time increases the risk of overawarding financial assistance.
- Six 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 Lamar University, Texas A&M University, Texas State Technical College - Waco, Texas Tech University, the University of Texas at Arlington, and the University of Texas at Austin.
- Four 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 Texas State Technical College - Harlingen, Texas State Technical College - Waco, Texas State Technical College - West Texas, and the Texas Tech University Health Sciences Center.

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

Fifteen 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 Lamar Institute of Technology, Lamar State College - Orange, Lamar University, Sam Houston State University, Texas A&M University, Texas State Technical College - Harlingen, Texas State Technical College - Waco, Texas State Technical College - West Texas, Texas Tech University, the Texas Tech University Health Sciences Center, the University of Houston - Victoria, the University of North Texas, the University of Texas at Arlington, the University of Texas at Austin, and the University of Texas San Antonio. Auditors classified the finding at the Lamar Institute of Technology as a material weakness and material non-compliance.

Four higher education institutions audited did not always comply with requirements related to returning unearned Student Financial Assistance Cluster funds to the federal government when students withdrew. Specifically:

The University of Texas at Arlington did not always correctly calculate the amount of Student Financial Assistance Cluster funds to be returned. For students who never attended, it also did not always return all Student Financial Assistance Cluster funds as required or notify the Secretary of the U.S. Department of Education. That finding was classified as a material weakness and material non-compliance.

Texas Tech University did not always return unearned Student Financial Assistance Cluster funds in a timely manner.

The University of Houston did not always make returns of Student Financial Assistance Cluster funds in the proper amount and in a timely manner.

The University of Texas at San Antonio did not always return unearned Student Financial Assistance Cluster funds in a timely manner, did not determine unofficial withdrawals dates in a timely manner, and did not notify one student that the student was required to return Pell Grant funds.

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

Seven 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 A&M University, Texas State University, Texas Tech University, the University of Houston, the University of North Texas, 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 at seven higher education institutions. Specifically, Lamar Institute of Technology, Lamar University, Texas State Technical College - Harlingen, Texas State Technical College - Waco, Texas State Technical College - West Texas, the University of Houston, and the University of Texas at Arlington did not adequately restrict access to student financial assistance systems.

Texas A&M University - Commerce, Texas State University, and the University of Texas at San Antonio did not consistently maintain adequate documentation for changes made to key information systems.

Auditors followed up on higher education institutions' corrective action plans for 39 audit findings from prior fiscal years related to the Student Financial Assistance Cluster.

Higher education institutions fully implemented corrective action plans for 16 (41 percent) of those 39 findings and partially implemented corrective action plans for 23 (59 percent) of those 39 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 18 higher education institutions audited. As discussed above, auditors identified issues related to information technology systems at 10 of those higher education institutions.

Summary of Objectives, Scope, and Methodology

With respect to the Student Financial Assistance Cluster, the objectives of the 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, 2012, through June 30, 2013, which is the federal financial assistance award year. The audit work included control and compliance tests at 18 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, 2013. 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 each 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.

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Independent Auditor's Report

*State of Texas Compliance with
Federal Requirements for the Student
Financial Assistance Cluster for the
Fiscal Year Ended
August 31, 2013*



John Keel, CPA
State Auditor

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 Rick Perry, Governor
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Joe Straus, 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, 2013. The State's major federal program at various higher education institutions are 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 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, 2013. 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, 2013. The State does not meet the OMB Circular A-133 requirements for a program-specific audit and the presentation of the Schedule of Federal 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.

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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
Lamar Institute of Technology	Special Tests and Provisions - Verification	2013-102
University of Texas at Arlington	Special Tests and Provisions - Return of Title IV Funds	2013-172

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, 2013.

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
Lamar Institute of Technology	Eligibility	2013-101
Lamar State College - Orange	Eligibility	2013-103
	Special Tests and Provisions - Verification	2013-104
Lamar University	Eligibility	2013-105
	Special Tests and Provisions - Verification	2013-106
Sam Houston State University	Eligibility	2013-121
	Special Tests and Provisions - Verification	2013-122
Texas A&M University	Eligibility	2013-138
	Special Tests and Provisions - Verification	2013-139
	Special Tests and Provisions - Enrollment Reporting	2013-140
Texas State Technical College - Harlingen	Eligibility	2013-142

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Verification	2013-143
Texas State Technical College - Waco	Eligibility	2013-144
	Special Tests and Provisions - Verification	2013-145
Texas State Technical College - West Texas	Eligibility	2013-146
	Special Tests and Provisions - Verification	2013-147
Texas State University	Special Tests and Provisions - Enrollment Reporting	2013-148
	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 Data Transmission and Reconciliation (Direct Loan)	
Texas Tech University	Eligibility	2013-149
	Special Tests and Provisions - Verification	2013-150
	Special Tests and Provisions - Return of Title IV Funds	2013-151
	Special Tests and Provisions - Enrollment Reporting	2013-152
Texas Tech University Health Sciences Center	Eligibility	2013-153
	Special Tests and Provisions - Verification	2013-154
University of Houston	Eligibility	2013-163
	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 - Disbursement To or On Behalf of Students	
	Special Tests and Provisions - Return of Title IV Funds	2013-164

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Enrollment Reporting	2013-165
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	2013-166
University of Houston - Victoria	Special Tests and Provisions - Verification	2013-167
University of North Texas	Special Tests and Provisions - Verification	2013-168
	Special Tests and Provisions - Enrollment Reporting	2013-169
University of Texas at Arlington	Eligibility	2013-170
	Activities Allowed or Unallowed	
	Cash Management	
	Period of Availability of Federal Funds Reporting	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Disbursement To or On Behalf of Students	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Verification	2013-171
	Special Tests and Provisions - Enrollment Reporting	2013-173
University of Texas at Austin	Eligibility	2013-174
	Special Tests and Provisions - Verification	2013-175
University of Texas at San Antonio	Eligibility	2013-188
	Activities Allowed or Unallowed	
	Cash Management	
	Period of Availability of Federal Funds Reporting	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Disbursement To or On Behalf of Students	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Verification	2013-189
	Special Tests and Provisions - Return of Title IV Funds	2013-190
	Special Tests and Provisions - Enrollment Reporting	2013-191

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
Lamar Institute of Technology	Special Tests and Provisions - Verification	2013-102
Texas State Technical College - Waco	Eligibility	2013-144
Texas State Technical College - West Texas	Eligibility	2013-146
University of Texas at Arlington	Special Tests and Provisions - Return of Title IV Funds	2013-172

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
Lamar Institute of Technology	Eligibility	2013-101
Lamar State College - Orange	Eligibility	2013-103
Lamar University	Eligibility	2013-105
	Special Tests and Provisions - Verification	2013-106
Sam Houston State University	Eligibility	2013-121
Texas A&M University	Eligibility	2013-138
	Special Tests and Provisions - Enrollment Reporting	2013-140
Texas A&M University - Commerce	Eligibility	2013-141
	Special Tests and Provisions - Verification	
Texas State Technical College- Harlingen	Eligibility	2013-142
	Special Tests and Provisions - Verification	2013-143
Texas State Technical College - Waco	Special Tests and Provisions - Verification	2013-145
Texas State Technical College - West Texas	Special Tests and Provisions - Verification	2013-147
Texas State University	Special Tests and Provisions - Enrollment Reporting	2013-148
	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 Data Transmission and Reconciliation (Direct Loan)	
Texas Tech University	Eligibility	2013-149
	Special Tests and Provisions - Verification	2013-150

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Return of Title IV Funds	2013-151
	Special Tests and Provisions - Enrollment Reporting	2013-152
Texas Tech University Health Sciences Center	Eligibility	2013-153
University of Houston	Eligibility	2013-163
	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 - Disbursement To or On Behalf of Students	
	Special Tests and Provisions - Return of Title IV Funds	2013-164
	Special Tests and Provisions - Enrollment Reporting	2013-165
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	2013-166
University of Houston - Victoria	Special Tests and Provisions - Verification	2013-167
University of North Texas	Special Tests and Provisions - Verification	2013-168
	Special Tests and Provisions - Enrollment Reporting	2013-169
University of Texas at Arlington	Eligibility	2013-170
	Activities Allowed or Unallowed Cash Management Period of Availability of Federal Funds Reporting	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Disbursement To or On Behalf of Students	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Verification	2013-171
	Special Tests and Provisions - Enrollment Reporting	2013-173
University of Texas at Austin	Eligibility	2013-174

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at San Antonio	Eligibility	2013-188
	Activities Allowed or Unallowed	
	Cash Management	
	Period of Availability of Federal Funds	
	Reporting	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Disbursement To or On Behalf of Students	
	Special and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Verification	2013-189
	Special Tests and Provisions - Return of Title IV Funds	2013-190
Special Tests and Provisions - Enrollment Reporting	2013-191	

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, 2013, is presented for purposes of additional analysis. This information is the responsibility of the State's management and has been subjected only to limited auditing 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, 2013*.

John Keel, CPA
State Auditor

February 21, 2014

**Schedule of Federal Program Expenditures for the Student Financial Assistance Cluster
For the State of Texas for the Year Ended August 31, 2013**

Schedule of Federal Program Expenditures	
Higher Education Institution Audited	Federal Program Direct Expenditures
Lamar Institute of Technology	\$ 8,844,306
Lamar State College - Orange	8,096,535
Lamar University	97,579,728
Sam Houston State University	125,918,650
Texas A&M University	194,105,604
Texas A&M University - Commerce	87,971,644
Texas State Technical College - Harlingen	18,221,489
Texas State Technical College - Waco	28,282,905
Texas State Technical College - West Texas	6,387,140
Texas State University	226,630,510
Texas Tech University	179,041,063
Texas Tech University Health Sciences Center	65,541,365
University of Houston	225,353,558
University of Houston - Victoria	26,385,263
University of North Texas	232,637,541
University of Texas at Arlington	208,605,158
University of Texas at Austin	323,888,848
University of Texas at San Antonio	185,187,344
Total Audited Student Financial Assistance Cluster Expenditures	\$2,248,678,651

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 *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2013*.

Note 2: Federal expenditures for the Student Financial Assistance Cluster at state entities not included in the scope of this audit totaled \$1,733,053,689 for fiscal year ended August 31, 2013.

Note 3: The Student Financial Assistance Cluster includes the following federal programs listed by the Catalog of Federal Domestic Assistance (CFDA) number.

The following programs are administered by the U.S. Department of Education:

- CFDA 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG).
- CFDA 84.033 Federal Work-Study Program (FWS).
- 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)).

The following programs are administered by the U.S. Department of Health and Human Services:

- 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, 2013*

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, 2013*.

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Cluster	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs: \$73,222,469

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, 2013*.

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).

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).

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 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.
- Establish individual administrative accounts for its internal and external administrators and ensure that those individuals use those accounts when accessing production database and servers.
- 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.

- Periodically review user access to its network, the Banner application, the Banner database, and the Banner servers, and document those reviews.
- Configure password settings for the Banner application and the Banner database in accordance with the Institute's password policy.

Management Response and Corrective Action Plan:

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.

Implementation Date: March 1, 2014

Responsible Person: Lisa Schroeder

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.

Implementation Date: March 1, 2014

Responsible Person: Lisa Schroeder

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).

Questioned Cost: \$ 0
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:

- Accurately verify all required FAFSA information for the students it selects for verification and correct students' applications when required.
- Strengthen the process it uses to monitor the quality of verifications.
- Establish individual administrative accounts for its internal and external administrators and ensure that those individuals use those accounts when accessing production database and servers.
- 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.
- Periodically review user access to its network, the Banner application, the Banner database, and the Banner servers, and document those reviews.
- Configure password settings for the Banner application and the Banner database in accordance with the Institute's password policy.

Management Response and Corrective Action Plan:

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.

Implementation Date: March 1, 2014

Responsible Person: Lisa Schroeder

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.

Implementation Date: March 1, 2014

Responsible Person: Lisa Schroeder

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 1087ll).

Questioned Cost: \$ 0

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.

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.

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.
- Appropriately adjust Pell Grant awards for students who withdraw prior to the beginning of a semester.

Management Response and Corrective Action Plan:

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.

We have concentrated our efforts to recognize students, who have withdrawn prior to the beginning of each semester. The financial aid office checks the RPEDISB report to locate any students with an award on their account that have withdrawn from the semester before it begins.

Implementation Date: August 2013

Responsible Person: Kerry Olson

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 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

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

Recommendations:

The College should:

- Accurately verify all required FAFSA information for applicants selected for verification.
- Use the methodology prescribed in the *Application and Verification Guide* to calculate individual AGI and taxes paid for joint returns.

Management Response and Corrective Action Plan:

The importance of accurately verifying required information on all selected applicants has been stressed to each financial aid employee performing verification. In addition the Financial Aid Coordinator continues to review each file as verification corrections are received.

We are currently using the methodology prescribed in the Application and Verification Guide to perform these calculations.

Implementation Date: August 2013

Responsible Person: Kerry Olson

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).

Questioned Cost: \$ 0

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.

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.

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.

Recommendations:

The University should:

- Apply current COA budgets correctly for all budget groups.
- Provide loan recipients with the correct award amounts based on their eligibility.
- Establish individual administrative accounts for its internal and external administrators and ensure that those individuals use those accounts when accessing production database and servers.
- Follow its Administrative/Special Access Policy by documenting with the office of the CIO information regarding users who have access to required administrative accounts, or update that policy to align with the University's existing processes for those accounts.
- Periodically review user access to its network, the Banner application, the Banner database, and the Banner servers, and document those reviews.
- Configure password settings for its network, the Banner application, and the Banner database in accordance with the University's password policy.

Management Response and Corrective Action Plan:

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.

Implementation Date: October 2013

Responsible Persons: Chris Baur and Jill Rowley

In response to the graduate-level student who received a Subsidized loan disbursement (award number P268K132282), this student was erroneously awarded subsidized loans because the student was classified as a Post Baccalaureate (PB) student in the Fall 2012 and coded as such with our admissions office on January 18, 2013. On the same day that we submitted the loan origination to COD, the student subsequently changed classification for Spring 2013 to Graduate. There was no process in place to notify us that the students' classification changed to Graduate AFTER the subsidized loans were already originated in COD for the entire aid year.

Upon finding the error, we subsequently cancelled the subsidized loan, replaced the balance with an eligible state grant, and mailed a formal letter to the student. In order to stop this error from reoccurring, we have formulated a new report that will find Graduates that are enrolled in undergraduate and Post Baccalaureate packaging groups; this will ensure that their award, per semester, is correct. This report is saved in Argos and is run by the Associate Director.

Implementation Date: August 2013

Responsible Person: Chris Baur

General Controls

Recommendation: Establish individual administrative accounts for its internal and external administrators and ensure that those individuals use those accounts when accessing production database and servers.

Lamar University acknowledges and agrees with the finding.

Individual Server accounts were created for the referenced third party contract DBAs and the use of the shared generic administrator account to authenticate to the Banner production servers was discontinued.

Implementation Date: Implemented

Responsible Person: Dale Lack

Recommendation: Follow its Administrative/Special Access Policy by documenting with the office of the CIO information regarding users who have access to required administrative accounts, or update that policy to align with the University's existing processes for those accounts.

Lamar University acknowledges and agrees with the finding.

Formal documentation will be filed and maintained in the office of the CIO, to support the University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) requiring documentation and annual review of administrators (DBAs) with access to the two referenced Oracle administrative accounts. The documentation will reflect the purpose of the two referenced generic Oracle database accounts and those members of the Lamar University DBA team who have access to the passwords to those accounts.

Implementation Date: January 31, 2014

Responsible Person: Dale Lack

Recommendation: Periodically review user access to its network, the Banner application, the Banner database, and the Banner servers, and document those reviews.

Lamar University acknowledges and agrees with the finding.

a. Network: Lamar University network logons are governed by affiliations with the university. Lamar University acknowledges the findings and will establish review cycles for each of the identity types. The review process will include audit cycles for each identity type with the associated University data owners via the Application Security Committee.

Implementation Date: June 30, 2014

Responsible Person: Srinivas Varadaraj

b. *Banner Application:* Lamar University's Information Technology department is a member and sponsor of the University's long standing Application Security Committee, which is comprised of the ISO and members of his security team, IT leadership with responsibilities of the Banner ERP environment (Sr Director of Enterprise Services and Technical Applications Manager) and University data owners from the various disciplines across campus. (i.e. Finance, Accounts Receivable, Human Resources/Payroll, Student Records, Student Admissions, Financial Aid). The ISO and the Sr Director of Enterprise Services has engaged/charged this body to formalize the periodic review of user access to the Banner Application.

This body has designed, built and implemented a series of tools/reports to facilitate the periodic review of the entire Banner Application Security matrix. The initial formal overall periodic review was completed Q4 2013. This overall periodic review will be on an annual schedule going forward and the delta/change periodic reviews will be staggered on a semi-annual cycle going forward.

Implementation Date: April 2014

Responsible Person: Dale Lack

c. *Banner Database:* Lamar University IT leadership with responsibilities of the Banner ERP environment (Sr Director of Enterprise Services, Manager of DBA Services and Technical Applications Manager) has completed the initial formal periodic review of the Oracle accounts within the Banner ERP database at the end of Q3 2013. This periodic review will be on a semi-annual schedule going forward.

Implementation Date: Implemented

Responsible Person: Dale Lack

d. *Banner Servers:* Lamar University IT leadership with responsibilities of the Banner ERP environment (Sr Director of Enterprise Services, Director IT Computing Infrastructure, Manager of DBA Services and Technical Applications Manager) has completed the initial formal periodic review of the Banner server accounts within the Banner ERP environment at the end of Q3 2013. This periodic review will be on a semi-annual schedule going forward.

Implementation Date: Implemented

Responsible Person: Dale Lack

Recommendation: Configure password settings for us network, the Banner application, and the Banner database in accordance with the University's password policy.

a. *Configure password settings for its network in accordance with the University's password policy.*

Lamar University acknowledges the finding with the following clarifications. At the university, network password complexity enforcement is applied in two locations: 1) through its web portal available at (<https://passwordreset.lamar.edu>). This web-portal available to faculty, staff and students is compliant with publish password complexity requirements. 2) through its active-directory domain credentials store. This is a domain level setting, which is applicable when network users change their passwords via workstations attached to the domain. The setting for this is not compliant with the password policy. LU acknowledges this finding and will mitigate this issue via planning, testing the changes in the development domain.

Implementation Date: 60 days from 12th class day of 2013 spring semester (Jan 9th)

Responsible Person: Srinivas Varadaraj

b. *The Banner application, and the Banner database in accordance with the University's password policy.*

Lamar University acknowledges that the logons to its enterprise Banner applications are not compliant with the published university password policy. To remediate this finding, IT Services will research and implement technology and services that are compatible with Banner and integrate the application under the university's single credential

umbrella (Lamar Electronic Access [LEA]). This will allow the Banner application users to manage Banner password via the web portal (passwordroset.lamar.edu).

Implementation Date: August 31, 2014

Responsible Person: Dale Lack

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).

Questioned Cost: \$ 0
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.

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.
- Establish individual administrative accounts for its internal and external administrators and ensure that those individuals use those accounts when accessing production database and servers.

- Follow its Administrative/Special Access Policy by documenting with the office of the CIO information regarding users who have access to required administrative accounts, or update that policy to align with the University's existing processes for those accounts.
- Periodically review user access to its network, the Banner application, the Banner database, and the Banner servers, and document those reviews.
- Configure password settings for its network, the Banner application, and the Banner database in accordance with the University's password policy.

Management Response and Corrective Action Plan:

At present, we have retrained staff and emphasized the need to carefully review their work using the verification worksheets that are provided to assist with verification completion. We have implemented mandatory and regular industry training beginning in October 2013. Each employee has been given access to additional webinars as well as an in-person conference held in November 2013. In addition, we have implemented a 'double-check' system in which each verification file is verified and then re-verified by another party in the office. This will insure the errors are caught in a timely manner if they do occur due to human-fault during the manual process.

The student handbook and the financial aid website have been updated immediately to reflect deadlines for the verification process. Also, we have begun running an internal Banner process accessed thru RNFVRFY. The report finds discrepancies in data reported on the ISIR and data input by the processor. If corrections were not submitted, the record is flagged for manual correction.

Implementation Date: October 2013

Responsible Person: Abigail Dupuis

General Controls

Recommendation: Establish individual administrative accounts for its internal and external administrators and ensure that those individuals use those accounts when accessing production database and servers.

Lamar University acknowledges and agrees with the finding.

Individual Server accounts were created for the referenced third party contract DBAs and the use of the shared generic administrator account to authenticate to the Banner production servers was discontinued.

Implementation Date: Implemented

Responsible Person: Dale Lack

Recommendation: Follow its Administrative/Special Access Policy by documenting with the office of the CIO information regarding users who have access to required administrative accounts, or update that policy to align with the University's existing processes for those accounts.

Lamar University acknowledges and agrees with the finding.

Formal documentation will be filed and maintained in the office of the CIO, to support the University's Administrative/Special Access Policy (Policy 10.02.02, Section 4) requiring documentation and annual review of administrators (DBAs) with access to the two referenced Oracle administrative accounts. The documentation will reflect the purpose of the two referenced generic Oracle database accounts and those members of the Lamar University DBA team who have access to the passwords to those accounts.

Implementation Date: January 31, 2014

Responsible Person: Dale Lack

Recommendation: Periodically review user access to its network, the Banner application, the Banner database, and the Banner servers, and document those reviews.

Lamar University acknowledges and agrees with the finding.

a. Network: Lamar University network logons are governed by affiliations with the university. Lamar University acknowledges the findings and will establish review cycles for each of the identity types. The review process will include audit cycles for each identity type with the associated University data owners via the Application Security Committee.

Implementation Date: June 30, 2014

Responsible Person: Srinivas Varadaraj

b. Banner Application: Lamar University's Information Technology department is a member and sponsor of the University's long standing Application Security Committee, which is comprised of the ISO and members of his security team, IT leadership with responsibilities of the Banner ERP environment (Sr Director of Enterprise Services and Technical Applications Manager) and University data owners from the various disciplines across campus. (i.e. Finance, Accounts Receivable, Human Resources/Payroll, Student Records, Student Admissions, Financial Aid). The ISO and the Sr Director of Enterprise Services has engaged/charged this body to formalize the periodic review of user access to the Banner Application.

This body has designed, built and implemented a series of tools/reports to facilitate the periodic review of the entire Banner Application Security matrix. The initial formal overall periodic review was completed Q4 2013. This overall periodic review will be on an annual schedule going forward and the delta/change periodic reviews will be staggered on a semi-annual cycle going forward.

Implementation Date: April 2014

Responsible Person: Dale Lack

c. Banner Database: Lamar University IT leadership with responsibilities of the Banner ERP environment (Sr Director of Enterprise Services, Manager of DBA Services and Technical Applications Manager) has completed the initial formal periodic review of the Oracle accounts within the Banner ERP database at the end of Q3 2013. This periodic review will be on a semi-annual schedule going forward.

Implementation Date: Implemented

Responsible Person: Dale Luck

d. Banner Servers: Lamar University IT leadership with responsibilities of the Banner ERP environment (Sr Director of Enterprise Services, Director IT Computing Infrastructure, Manager of DBA Services and Technical Applications Manager) has completed the initial formal periodic review of the Banner server accounts within the Banner ERP environment at the end of Q3 2013. This periodic review will be on a semi-annual schedule going forward.

Implementation Date: Implemented

Responsible Person: Dale Lack

Recommendation: Configure password settings for us network, the Banner application, and the Banner database in accordance with the University's password policy.

a. Configure password settings for its network in accordance with the University's password policy.

Lamar University acknowledges the finding with the following clarifications. At the university, network password complexity enforcement is applied in two locations: 1) through its web portal available at (<https://passwordreset.lamar.edu>). This web-portal available to faculty, staff and students is compliant with publish password complexity requirements. 2) through its active-directory domain credentials store. This is a domain level setting, which is applicable when network users change their passwords via workstations attached to the domain.

The setting for this is not compliant with the password policy. LU acknowledges this finding and will mitigate this issue via planning, testing the changes in the development domain.

Implementation Date: 60 days from 12th class day of 2013 spring semester (Jan 9th)

Responsible Person: Srinivas Varadaraj

b. The Banner application, and the Banner database in accordance with the University's password policy.

Lamar University acknowledges that the logons to its enterprise Banner applications are not compliant with the published university password policy. To remediate this finding, IT Services will research and implement technology and services that are compatible with Banner and integrate the application under the university's single credential umbrella (Lamar Electronic Access [LEA]). This will allow the Banner application users to manage Banner password via the web portal (passwordroset.lamar.edu).

Implementation Date: August 31, 2014

Responsible Person: Dale Lack

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*).

Questioned Cost: \$ 0

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:

- Award federal Pell Grant funds to eligible part-time students based on the applicable Pell disbursement tables.
- Ensure that its SAP policy meets federal requirements for reasonableness.
- Revise its COA budgets to include a less-than-half-time enrollment category.

Management Response and Corrective Action Plan:

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.

*Implementation Dates: SAP-June 2013
 COA-August 2013*

Responsible Person: Lydia T. 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).

Questioned Cost: \$ 0

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.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Include in its written verification policies and procedures all elements required by Title 34, CFR, Section 668.53.

Management Response and Corrective Action Plan:

Sam Houston State University acknowledges and agrees with the finding. Manual review and entry of data for the verification process allows for human error. Therefore, we have implemented a quality assurance program review of completed verification.

Management has addressed the issue with the employee responsible for making the error for the student in question. While the auditors were on site, the student in question was reviewed, corrections were made, and additional funds were paid to student.

At present, we have re-trained staff, emphasizing the need to carefully review their work. We have implemented the quality assurance review as of November 2013.

Management acknowledges and agrees with the finding that written policy/procedures were lacking required verbiage. As of June 2013, a verification policy/procedure containing the required elements was implemented. Along with the policy/procedure being implemented, the financial aid website and all forms were updated to inform students of the ramifications of not completing the verification process.

*Implementation Dates: Quality Assurance - November 2013
 Policy/Procedure Update - June 2013
 Verification forms/website Update - July 2013*

Responsible Person: Lydia T. Hall

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).

Questioned Cost: \$ 0
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.

Recommendations:

The University should:

- Award eligible amounts of IASG.

- Award Pell Grant funds only to students who are eligible to receive those funds.
- Properly implement controls to identify students with bachelor's degrees.

Management Response and Corrective Action Plan:

Iraq and Afghanistan Service Grant

Texas A&M Acknowledges and agrees with the finding. Manual entry of this particular grant resulted in a data entry error which provided a \$50.00 error in the amount of grant funds to be paid to this student. Due to sequestration and the reduction in the annual award for this grant, we could not increase the Iraq Afghanistan Grant to the amount the student was initially eligible for. We used institutional funds to award the student the \$50.00 that they were eligible for. This is a small program; we have historically had one or two recipients. The Central Processor has improved its ability to handle this program in an automated fashion and Banner has also improved the ability to handle the program. The Associate Director of processing will be responsible for handling this program in the future.

Implementation Date: August 19, 2013

Responsible Person: Heather Fountain

Post-baccalaureate Students Receiving Federal Pell Grants

Texas A&M acknowledges and agrees with the finding. We have a report titled Note Eligible Pell specifically to identify anyone with a degree who have received a degree as students often answer the Free Application for Federal Student Aid question number 28 incorrectly, which ask "will you have your first bachelor's degree before July 1, 20XX; thus Banner will award Pell as the student indicated they do not have a degree and their Expected Family Contribution is Pell Eligible. This report is to be worked weekly by a staff member and review of the finding identified that the report had not been worked in a timely manner to prevent Pell awards to two students who had bachelor's degree. We cancelled these awards on July 9, 2013 while the auditors were on site. The staff member responsible for this report has been retrained and communicated the importance of working all this report and any reports in a timely manner to prevent any future findings in this area.

Implementation Date: July 9, 2013

Responsible Person Delisa Falks

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

Questioned Cost: \$ 0

U.S. Department of Education

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).

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.

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:

Texas A&M University acknowledges and agrees with the finding. Manual review of entry of data for the verification process allows for human error, thus we have implemented a quality assurance review of all completed verification we found this process to eliminate many errors. We have retrained staff and requested careful review of all their work. In addition we have begun working with an outside vendor to complete our verification processing. We are reviewing items upon arrival in our office prior to sending to the outside vendor for processing. We will quality check the work of the outside vendor at 100% for the first six months. Based on review of their work for the first six months we will determine the frequency of quality checks needed. We believe the outside vendor will allow for a more focused effort on verification of files; in our peak processing time with limited staff the number of files to be reviewed and the timeliness increases errors as we work to process the files within a five to seven day window. We will also have the outside vendor conduct a review of all AY 13-14 verification files.

Implementation Date: November 21, 2013 (outside vendor began working our verification files)

Responsible Persons: Heather Fountain and Bridgette Ingram

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)).

Questioned Cost: \$ 0
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.

Recommendation:

The University should implement a process to help ensure that it accurately reports students who unofficially withdraw to NSLDS.

Management Response and Corrective Action Plan:

Texas A&M acknowledges and agrees with the finding. A new process has been put into place, at the end of a semester, if a student receives all failing grades, Scholarships & Financial Aid will contact the student's instructors to identify a "last date of academically related activity" for the student. If that date falls within the semester, the date is given to the Office of the Registrar for manual updating on the National Student Clearinghouse website and the NSLDS website. If the student is determined to have never attended during that semester, Scholarships & Financial Aid will provide this information to the Office of the Registrar for manual updating on the National Student Clearinghouse and NSLDS websites, thus Office of Registrar can report the last date of attendance for the last semester in which a student completed courses at the university. If the student is a first-time student at the university, the student will be reported as "never attended."

Implementation Date: June 2013

Responsible Persons: Cathy Littleton and Amy Suter

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)).

Questioned Cost: \$ 0
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:

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.

Implementation Date: November 2013

Responsible Person: Tim Murphy

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).

Questioned Cost: \$ 898
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.

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.

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:

- Calculate students' COA in accordance with its published COA schedule.
- Update its financial aid system with controls to prevent manual awards that exceed assistance limits.
- Calculate Pell COA and institutional COA uniformly to minimize the risk that students could be overawarded Pell Grant funds.
- Update its financial aid system to include transfer hours as both attempted and completed hours in its SAP calculations.
- 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:

COA

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.

Implementation Date: March 2014

Responsible Persons: Federico Peña, Jr. and Jaime Aguilar

Pell Grants

The College is working to assure that the Pell cost of attendance is calculating correctly and is uniformly applied to all student's to minimize the risk of overawarded and or under awarding the Pell Grant funds. The incorrect Pell was due to adjustments being made to the student's COA after the terms had ended, which caused the COA to be over inflated. Additional training has been implemented to address this issue to help prevent future reporting issues.

Implementation Date: March 2014

Responsible Persons: Federico Peña, Jr. and Jaime Aguilar

SAP

The College is working to assure that our SAP policy is in compliance with all federal requirements. A process will be created to assure that SAP is calculating on all students each term. Modification will be made to the College's automated SAP calculation process to include transfer credits that apply to the student's program. Our system will determine which students have reached the maximum time frame and who also did not comply with the GPA, the pace of completion or both. Although these processes were reviewed manually students still met the College's SAP requirements and were eligible to receive assistance. The College is in the process of updating the process to be automated.

Implementation Date: March 2014

Responsible Persons: Federico Peña, Jr. and Jaime Aguilar

General IT Controls

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.

Implementation Date: Immediately

Responsible Person: Richard Martin

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.

Implementation Date: March 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

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).

Questioned Cost: \$ 1,563
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.

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:

- Accurately verify all required FAFSA information for students it selects 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.

Management Response and Corrective Action Plan:

The college will ensure that student's records are accurately verified by providing training to financial aid staff members. The financial aid staff members who made the verification errors have been provided the necessary training to insure these errors do not happen and to prevent future reporting issues.

Additional training will be provided to accurately verify all required verifiable items from the student's ISIRs when needed and submit corrections on items that meet or exceed the threshold of \$25. Trainings will be scheduled throughout the year during staff meetings and during state, national and or federal conferences.

Implementation Date: January 2014

Responsible Persons: Federico Peña, Jr. and Tillie Flores

General IT Controls

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.

Implementation Date: Immediately

Responsible Person: Richard Martin

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.

Implementation Date: March 2014

Responsible Person: Richard Martin

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.

Implementation Date August 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

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).

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

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.

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.

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.

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:

- Determine each student's COA and financial need based on the student's expected or actual enrollment.
- Award students the correct amount of Pell Grants according to their enrollment status.
- Implement a process to ensure that awards that it manually enters into the financial aid system do not exceed annual aid limits.
- Award FSEOG assistance only to eligible students.
- Ensure that its SAP policy meets federal requirements and that its SAP process aligns with that policy.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities.
- 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:

Cost of Attendance

The college will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, a process will be run to adjust the cost of attendance based on the student's actual enrollment status. Awards will be adjusted as needed.

Implementation Date: November 2013

Responsible Person: Jackie Adler

Pell Grants

The incorrect Pell amount was due to a manual adjustment being made to the student's record. Additional training has been implemented to address this issue. A management report had been created to identify errors such as this, but the error was missed on the report. The report has been modified and is now being reviewed weekly by the Assistant Director of Financial Aid.

Implementation Date: October 2013

Responsible Person: Jackie Adler

Federal Supplemental Educational Opportunity Grants

The student in question had been eligible for a Pell grant at the time FSEOG was awarded but the Pell was cancelled because the student had reached Pell LEU status. A management report has now been created to identify errors such as this and will be reviewed weekly by the Assistant Director of Financial Aid.

Implementation Date: October 2013

Responsible Person: Jackie Adler

Satisfactory Academic Progress Policy

The college is working to assure that our SAP policy is in compliance with all federal requirements. A process will be created to assure that SAP is calculating on all students each term.

The SAP policy will be updated to indicate that transfer credits will count in both the attempted and completed credits. Rather than modifying the College's automated SAP calculation process to include transfer credits, a management report will be created to determine which students have reached the maximum time frame due to transfer hours and their SAP status will be updated accordingly.

Due to a programming error, our system was not including repeat courses in the maximum credit hours and cumulative pace of completion calculation. This has been corrected.

The SAP policy will be revised to address the new appeals procedures for students who reach the maximum time frame. Our system will also now determine which students have reached the maximum time frame and who also did not comply with the GPA, the pace of completion or both. Students in both of these categories will be required to file appeals. If the appeals are not approved, the student will be ineligible for further financial aid.

Implementation Date: April 2014

Responsible Person: Jackie Adler

General IT Controls

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.

Implementation Date: Immediately

Responsible Person: Richard Martin

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.

Implementation Date: March 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

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).

Questioned Cost: \$ 150

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.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities.
- 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:

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.

Implementation Date: November 2013

Responsible Person: Jackie Adler

General IT Controls

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.

Implementation Date: Immediately

Responsible Person: Richard Martin

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.

Implementation Date: March 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

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).

Questioned Cost: \$ 8,318
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.

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.

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:

- Ensure that each student's COA and financial need is based on the student's expected or actual enrollment.
- Use less-than-half-time COA budgets to accurately budget students and minimize the risk of overawarding financial assistance.
- Ensure that its SAP policy meets federal requirements and that its SAP process aligns with that policy.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities.
- 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:

Cost of Attendance

TSTC West Texas will calculate the initial cost of attendance and awards based on full-time enrollment. Each semester, a process to adjust the cost of attendance budget based on the student's actual enrollment status will be completed after the census date of the last module class. Awards will be adjusted as needed to minimize the risk of overawarding financial assistance. This process will be retroactive to the 2013 fall term and completed prior to the beginning of the 2014 spring term.

Although we were not previously adjusting COA budgets, Pell grants and certain other aid were prorated and disbursed based on actual enrollment for the term. The majority of our students have high amounts of unmet need which prevents most overaward issues associated with COA budgets. Additional controls in place include the manual review of reports to identify students with potential overawards by comparing actual award amounts to federally calculated amounts thus mitigating overawarding of financial assistance.

Implementation Date: December 2013

Responsible Person: Connie Chance

Satisfactory Academic Progress (SAP) Policy

The current TSTC West Texas SAP policy will be amended to ensure it meets federal requirements and that SAP processes align with the policy. Transfer credits will count in both the attempted and completed credits and new appeals procedures for students who reach the maximum time frame will be addressed.

Until the College's automated SAP calculation process can be changed to include transfer credits, a management report will be created to determine which students have reached the maximum time frame due to transfer hours, and their SAP status will be updated as needed.

We will review the automated SAP calculation process to ensure that all students are included. A report will be generated listing any students that have not been calculated. Each student will be addressed on an individual basis to determine the correct SAP status and the reason the student was not calculated in the original batch process.

Most of the SAP violations appear to be the result of classes taken by students at partner colleges. Because we no longer have these partnerships, these class types will not present an ongoing problem. Going forward, classes previously taken through partnerships will be handled as any other transfer credit.

For maximum time issues cited by the auditors, we will continue to identify these students through a system generated report. While we have always actively identified, reviewed, and made decisions on continued aid for these students, we did not actually require written appeals from the students because of the actions initiated by us. Students will now be required to sign a written appeal to help evidence our review of these situations, to reduce any misunderstanding and to align our processes with the written policy.

Financial aid staff are well versed in the applicable policies, rules, and regulations used for determining the SAP. We will meet with our programmers to identify potential differences to ensure programming logic fully aligns with the rules and regulations.

Implementation Date: April 2014

Responsible Person: Connie Chance

General IT Controls

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.

Implementation Date: August 2014

Responsible Person: Richard Martin

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.

Implementation Date: March 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

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).

Questioned Cost: \$ 567
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.

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:

- Accurately verify all required FAFSA information for the students selected for verification and correct the students' applications when required.
- Strengthen the process it uses to monitor the quality of verifications.
- Appropriately limit access to perform key functions for federal grants and loans based on job responsibilities.
- 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:

Verification

In order to strengthen the verification process, the college will provided additional verification training to financial aid staff members during monthly staff meetings and participation in related webinars. Staff members have been performing verification duties while answering a large volume of phone calls and assisting students which

contributed to the noted errors and oversights. The college will provide uninterrupted block hours for each staff member to improve accuracy.

We have submitted a request to the administration to outsource verification services of our files to ensure that each application was verified accurately and that the Colleague system was updated correctly. The Assistant Director of Financial Aid and/or her staff will verify a random sample of files for each term.

Implementation Date: April 2014

Responsible Person: Connie Chance

General IT Controls

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.

Implementation Date: August 2014

Responsible Person: Richard Martin

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.

Implementation Date: March 2014

Responsible Person: Richard Martin

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.

Implementation Date: August 2014

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)).

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

Recommendations:

The University should:

- Implement a process to help ensure that it accurately reports students who withdrew to NSLDS.
- Establish and enforce change management procedures for its key information systems, including eliminating programmers' access to migrate code changes that they make to the production environment.
- Maintain documentation of all change requests related to its systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management Response and Corrective Action Plan:

Enrollment Reporting

There were four students whose withdrawal date was originally misreported by one day each. The error was identified during Financial Aid and Scholarships' 100% quality control review of withdrawn students receiving Title IV aid. While the proper dates were entered into the university's system, the revised dates were not transmitted to NSLDS due to the updates occurring after the Registrar's scheduled enrollment reporting. To ensure such an oversight does not reoccur, Financial Aid and Scholarships has revised its quality control procedures to notify the Registrar's Office when such updates are made, and the Registrar's Office will then manually report the revised data to NSLDS.

Implementation Date: September 2013

Responsible Persons: Dr. Christopher D. Murr and Mr. Louis E. Jimenez

General Controls

1) The University did not have adequate segregation of duties in its change management processes.

The two individuals noted have this access because they are members of the SAP Basis Team and due to the system's limitations. While their current roles do not have any actual programming duties, we recognize that it could be possible for either of the "programmers" to make changes to critical information systems. To mitigate this risk, SAP has many built in controls to help track and identify all changes to the system and one of those controls is the SAP system change log. The SAP system change log is now being checked periodically each business day by the Basis Team Supervisor (who does not have the same access level as members) to ensure that all changes are appropriate.

Implementation Date: September 30, 2013

Responsible Person: Bill Rampy

2) Additionally, the University did not consistently maintain adequate documentation of changes made to key information systems.

The audit was performed for the period July 1, 2012 to May 30, 2013. Our current Change Management process for Banner was implemented on April 8, 2013; therefore, we were in the transition from implementation to production during this time frame. The current process provides a change log, peer review and approvals based on chain of command before changes are moved into the production environment. All change log and approval documentation is now maintained on a shared drive for access by the change control committee.

Implementation Date: January 31, 2014

Responsible Person: Bill Rampy

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).

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

Recommendations:

The University should:

- Consistently apply loan fees when determining COA for students who receive PLUS loans.
- Apply COA adjustments correctly and consistently to all students.
- Award Pell Grant and Federal Direct Subsidized Loan assistance only to eligible students.

Management Response and Corrective Action Plan:

The process for consistently applying loan fees when determining COA for students was reviewed and adjusted to include specific budget components for loan fees with set values. We are in the process of developing adhoc reporting for this area for continued compliance.

The process for applying COA adjustments correctly and consistently to all students was reviewed. Implementation of the following professional budget components was initiated fall 2014:

- *TFPJ Tuition/Fees-Based on actual enrollment*
- *BSPJ Books/Supplies-Based on enrollment to match budget estimates*

- *MISC Personal/MISC-Based on enrollment to match budget estimates*
- *RBPJ Room/Board-On Campus Housing requires no comment*

Created two additional ad hoc reports to monitor and identify students who are not eligible for Pell Grant and Federal Direct Subsidized Loans due to matriculation changes during the academic year. The object of the first report is to identify students with a graduate class level but budgeted as an undergraduate. The object of the second report is to identify students with an undergraduate class level who receives awards and their class code is graduate. Reports are scheduled and are delivered every two weeks throughout the aid year. Reports began running 11-19-2013.

Implementation Date: August 2013 – December 2013

Responsible Persons: Paul Blake and Shannon Followill

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).

Questioned Cost: \$ 0

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.

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 will implement additional samples for internal monthly review by student financial aid management and verification specialists of completed verification to ensure all required FAFSA information for applicants selected for verification is done accurately.

We expect to begin outsourcing verification in spring 2014. This practice will allow for current student financial aid staff verification specialists to focus on quality control and report resolution for verified students.

Implementation Date: Implementation of outsourced verification is expected to begin approximately February 2014. In the meantime, we have already implemented a review of additional samples.

Responsible Person: Shannon Followill

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

Questioned Cost: \$0

U.S. Department of Education

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)).

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.

Recommendations:

The University should:

- Complete a return of Title IV calculation worksheet for all applicable students to help ensure that it returns funds as required.
- Return Title IV funds within required time frames.

Management Response and Corrective Action Plan:

We have educated the Return of Title IV advisor on the importance of completing a return of Title IV calculation worksheet for all applicable students to help ensure funds are returned as required.

We have implemented an additional step in our monthly internal review by financial aid management for unofficial withdrawals and the corresponding documentation retained to ensure compliance. This internal review will begin in January 2014 and continue at the end of each term in conjunction with administration of unofficial withdrawal processing.

We have implemented an additional process beginning with summer 2013 requiring faculty to enter the last date of academic activity for any student whose final course grade is "F".

Implementation Dates: August 2013 and January 2014

Responsible Persons: Paul Blake and Shannon Followill

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)).

Questioned Cost: \$ 0
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.

Recommendations:

The University should:

- Enter the term dates it uses to report student graduation dates and determine the last date of attendance for students who unofficially withdraw correctly into its financial aid system.
- Report all students who officially or unofficially withdraw to NSLDS consistently and accurately.

Management Response and Corrective Action Plan:

We have implemented an additional check to ensure term dates are entered correctly into the system from the academic calendar.

We have implemented a new policy and procedure to report students who are unofficially withdrawn by Texas Tech to NSLDS for financial aid purposes consistently and accurately. For unofficial withdrawals, we have educated the Return of Title IV advisor on the process and procedure.

For students who officially withdraw, we will continue monitoring and compliance policies and procedures already set in place as well as adding an additional staff member in the review of dates process.

Implementation Dates: June 2013 and November 2013

Responsible Persons: Bobbie Brown and Shannon Followill

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).

<p>Questioned Cost: \$596</p> <p>U.S. Department of Education</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 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.

Recommendations:

The Health Sciences Center should:

- Develop written procedures for determining COA.
- Minimize manual intervention in the COA process to help ensure that it assigns students correct and consistent COA budgets.
- Document its reasons for using professional judgment when making adjustments to a student's COA.
- Develop and implement processes to determine whether students meet all SAP policy requirements prior to the disbursement of assistance.

Management Response and Corrective Action Plan:

The Registrar's Office has provided additional training to staff members regarding the impact of making changes to student's records in Banner and the importance of proper notification when changes are made, e.g. residency.

In addition, the Registrar's Office is developing an automated notification system via Microsoft SharePoint to automate the notification process when changes are made to student records.

Implementation Date: July 1, 2014

Responsible Persons: Tamara Lane and Marcus Wilson

Additional training has been provided to all staff members regarding the importance of the COA, the consistent application of the COA and the necessity for proper documentation when updating the established COA or adjusting an individual student's COA.

Access to the Banner tables and forms that control budgeting is being restricted to management level positions. This includes RBRCOMP and RBAABUD.

Beginning with the 2014-15 award year (January 1, 2014); the HSC will utilize Banner's Algorithmic Budgeting process. This will provide a significant level of automation for assigning budget components as well as providing for the consistent application of changes and adjustments related to enrollment levels which in prior years, have been manual operations. During this implementation, policies and procedures are being established regarding the creation of standard COA budgets and limitations on when changes are made to these standards.

Implementation Dates: September 1, 2013 - September 1, 2014

Responsible Persons: Marcus Wilson, Sherri Henry and Fabian Vasquez

The application of Professional Judgment requires its use to be documented appropriately. Additional training has been provided to all staff members which includes the importance of proper documentation regarding any changes to a student's record as well as the requirements and limitations of professional judgment. All five student's records have been corrected with the appropriate notations and all over payments have been resolved.

Implementation Date: July 1, 2013

Responsible Persons: Marcus Wilson and Mia Myers

Reports have been created in Cognos that provide the data necessary to monitor the 150% requirement for SAP.

Currently, the HSC is implementing the Banner system component DegreeWorks. This system will allow a high level of automation regarding the calculation and tracking of many degree and enrollment related data points, including those related to all components of the financial aid SAP requirements.

Implementation Date: July 1, 2014

Responsible Persons: Marcus Wilson and Tamara Lane

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).

Questioned Cost: \$ 0
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.

Recommendation:

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

Management Response and Corrective Action Plan:

To increase quality control a secondary review performed by another staff member has been implemented for files selected for verification effective July 1, 2013.

The HSC will begin outsourcing the verification process for the 2014-15 award year. This change allows the current staff to perform quality control and provide additional efficiencies including increased accuracy and decreased turnaround time as well as enhanced customer services.

Implementation Date: Projected go-live February 10, 2014

Responsible Person: *Marcus Wilson*

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 1087l).

Questioned Cost: \$ 517
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.

Recommendations:

The University should:

- Calculate each student's COA based on the student's actual enrollment status.
- Apply current COA budgets correctly and consistently to all students.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.

Management Response and Corrective Action Plan:

We have determined why the computer system did not correctly adjust the COA for students' enrolled less-than full-time. We have modified the system to help ensure that the COA for these students is adjusted based on their actual enrollment status. We have also reviewed the awarding access and the over-ride access for all employees and will continue this practice on a quarterly basis. We have adjusted the security access on all employees to help ensure that the appropriate access is given based on job responsibilities.

Implementation Date: November 2013

Responsible Persons: Sal Loria, Scott Moore, and Lety Gallegos

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)).

Questioned Cost: \$ 2,594
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.

Recommendations:

The University should:

- Ensure that for unofficial withdrawals, its determination of the withdrawal date is accurate and the correct amount of Title IV funds is returned when necessary.
- Ensure that for unofficial withdrawals, it determines the withdrawal date within 30 days after the end of the term.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.

Management Response and Corrective Action Plan:

We have implemented procedures to help ensure the determination of the withdrawal date is accurate and that the correct amount of Title IV funds is returned for all unofficial withdrawals. We have also implemented procedures to help ensure that we identify the correct withdrawal date for unofficial withdrawals within the required 30-day time frame after we become aware of the students' non-attendance. We have also reviewed the awarding access and the over-ride access for all employees and will continue this practice on a quarterly basis. We have adjusted the security access on all employees to help ensure that the appropriate access is given based on job responsibilities.

Implementation Date: November 2013

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

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)).

Questioned Cost: \$ 0
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.

Recommendation:

The University should:

- Submit the correct effective dates and student status changes to NSLDS for students who are considered to be unofficial withdrawals.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.

Management Response and Corrective Action Plan

We are implementing new procedures to help ensure that the Records and Registration data reported to the Student Loan Clearing house and then to NSLDS, contains the correct effective dates and student status changes for unofficial withdrawals. We have also reviewed the awarding access and the over-ride access for all employees and will continue this practice on a quarterly basis. We have adjusted the security access on all employees to help ensure that the appropriate access is given based on job responsibilities.

Implementation Date: December 2013

Responsible Persons: Scott Moore, Candida Dubose, Debbie Henry, and Lety Gallegos

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).

Questioned Cost: \$ 0

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.

Recommendations:

The University should:

- Submit Direct Loan disbursement reports to the COD System within the required 30-day time frame.
- Perform reconciliations in a timely manner.
- Report actual disbursement dates and amounts to the COD System.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.

Management Response and Corrective Action Plan:

We have implemented procedures to help ensure that all loan disbursement reports are submitted to the COD System within the required 30-day time frame. We have also implemented procedures to perform reconciliation in a timely manner and to report actual disbursements dates and amounts to the COD System. We have also reviewed the awarding access and the over-ride access for all employees and will continue this practice on a quarterly basis. We have adjusted the security access on all employees to help ensure that the appropriate access is given based on job responsibilities.

Implementation Date: October 2013

Responsible Persons: Sal Loria, Scott Moore, and Lear Hickman

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).

Questioned Cost: \$ 0
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:

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.

Implementation Date: July 2013

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).

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

Recommendation:

The University should correct the batch process in its financial aid system so that it submits changes in education credit amounts to the U.S. Department of Education and adjusts applicants’ financial aid packages accordingly.

Management Response and Corrective Action Plan:

Management made changes to the batch process in EIS which allow education credit changes to be reported. All students affected were corrected.

Implementation Date: July 2013

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

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)).

Questioned Cost: \$ 0
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.

Recommendation:

The University should implement a formal process to accurately report status changes and effective dates for unofficially withdrawn students to NSLDS.

Management Response and Corrective Action Plan:

Management is attentive to the U.S. Department of Education requirements associated with Student Status Changes resulting from unofficial withdrawals.

Management has implemented business controls to ensure accurate and timely reporting to the National Student Clearinghouse and the National Student Loan Data System for this population of students.

Implementation Date: June 2013

Responsible Person: Bryan Heard

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).

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

Recommendations:

The University should:

- 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.
- Disburse Pell Grants, FSEOG awards, and subsidized Direct Loans only to eligible undergraduate students.

- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.
- Establish and implement a policy for use of administrative and special access accounts.
- 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, and servers and ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Cost of Attendance

- For three students, the University used the incorrect budget to calculate COA.

The University has numerous budgets to account for varying costs across programs. Manual intervention is required when students change programs after awards have been made; this finding is a result of human error. The error did not result in an overaward to the students. Staff training related to this error will be conducted by Karen Krause, Executive Director, on December 13, 2013.

- 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.

The books within the less than full-time budgets for select programs were incorrectly set up in the financial aid management system. The error did not result in an overaward to the students. This error was corrected by Karen Krause, Executive Director in October, 2013.

- 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 professional judgment in the students file, as required.

This finding is a result of human error with regards to professional judgment procedures. The error did not result in an overaward to the student. Staff training related to this error will be conducted by Tanya Vittitow, Associate Director, on December 13, 2013.

The University is in the process of revising our policies and procedures to identify a point in time in which actual enrollment data can be utilized to adjust the COA budgets prior to disbursement.

Implementation Date: May 1, 2014

Responsible Persons: Karen Krause and Beth Reid

Federal Pell Grant and Federal Supplemental Educational Opportunity Grant Awards

This finding is a result of human error. Staff training related to this error will be conducted.

Implementation Date: December 13, 2013

Responsible Persons: Karen Krause and Tanya Vittitow

Federal Direct Student Loans

A regulatory change on July 1, 2012, required cancellation of all previously awarded and undisbursed subsidized Direct Loans to graduate students be canceled and no future awards be made. A report was created and manually worked to cancel all previous undisbursed awards; human error resulted in the finding. The auditors reviewed 100 percent of the graduate disbursements for the audit period therefore; no future findings should be related to the implementation of this regulatory change.

Implementation Date: August 1, 2013

Responsible Person: Karen Krause

General Controls

The University is in the process of reviewing our policies and procedures to maintain appropriate access controls over user accounts.

Implementation Date: May 1, 2014

Responsible Person: Mike Ten Eyck

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).

Questioned Cost: \$ 0
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.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.
- Establish and implement a policy for use of administrative and special access accounts.
- 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, and servers and ensure that user access is appropriate.

Management Response and Corrective Action Plan:

- *For 1 student the University did not accurately verify the number of household members enrolled in college or the amount of education credits.*

Manual calculations and updates are inherent in the verification procedures; this finding is a result of human error. The error did not result in a change to the students' EFC or award amounts. This error was corrected by Jason Young, Associate Director, in July, 2013.

- *For 1 student, the University did not accurately verify the amount of income earned by the student.*

Manual calculations and updates are inherent in the verification procedures; this finding is a result of human error. The error did not result in a change to the students' EFC or award amounts. This error was corrected by Jason Young, Associate Director, in July, 2013.

The University continues to provide annual and ongoing verification training to staff members.

Implementation Date: December 11, 2013

Responsible Person: Jason Young

General Controls

The University is in the process of reviewing our policies and procedures to maintain appropriate access controls over user accounts.

Implementation Date: May 1, 2014

Responsible Person: Mike Ten Eyck

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)).

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) 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 overadjustment 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.

Recommendations:

The University should:

- Calculate returns of Title IV funds correctly.
- Strengthen controls to help ensure that it accurately determines the payment period or period of enrollment for all students enrolled in its programs.
- Establish and implement a sufficient review process to help ensure that it calculates and processes returns of Title IV funds in a timely manner.
- Return Title IV funds within the required time frames.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.
- Establish and implement a policy for use of administrative and special access accounts.
- 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, and servers and ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Return of Title IV Calculations

The University growth in partnership programs (100 percent of related finding) that have varying beginning dates, ending dates and lengths require additional manual review that standard term students do not. The finding is a result of human error. The review of our policies and procedures to ensure accuracy are ongoing.

Implementation Date: December 3, 2013

Responsible Persons: Lea Anne Sikora and Tanya Vittitow

Unofficial Withdrawals

The University does not have a mechanism in place to document that a student began attendance and therefore is eligible for their Title IV assistance for the audit period; we utilized non-passing grade reports to identify this population. A report was created and manually worked to identify students that were ineligible to receive Title IV assistance (100 percent of related finding); the finding is a result of human error. A review of our Institutional policies and procedures to ensure the University has a mechanism in place to document when or if a student began attendance is in process.

Implementation Date: May 1, 2014

Responsible Persons: Karen Krause and Tanya Vittitow

Timeliness of Returns

The University does not have a mechanism in place to document that a student began attendance and therefore is eligible for their Title IV assistance for the audit period. Non-passing grade reports are utilized to identify students and permit them to provide documentation of an academically related activity. Human error is responsible for the late returns and unofficial withdrawal date determinations. A review of our Institutional policies and procedures to ensure the University has a mechanism in place to document when or if a student began attendance is in process.

Implementation Date: May 1, 2014

Responsible Persons: Karen Krause and Tanya Vittitow

General Controls

The University is in the process of reviewing our policies and procedures to maintain appropriate access controls over user accounts.

Implementation Date: May 1, 2014

Responsible Person: Mike Ten Eyck

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)).

Questioned Cost: \$ 0
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.

Recommendations:

The University should:

- Implement a process to ensure that financial aid staff and records and registration staff coordinate on enrollment reporting.
- Accurately report student status changes to NSLDS.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.
- Establish and implement a policy for use of administrative and special access accounts.
- 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, and servers and ensure that user access is appropriate.

Management Response and Corrective Action Plan:

Enrollment Reporting

The University continues to provide annual and ongoing NSLDS enrollment reporting training to staff members. The University's Office of Financial Aid and the University's Office of Records and Registration are in the process of reviewing our Institutional policies and procedures to ensure we are compliant with NSLDS enrollment reporting guidelines.

Implementation Date: May 1, 2014

Responsible Persons: Tanya Vittitow and Shannon Williams

General Controls

The University is in the process of reviewing our policies and procedures to maintain appropriate access controls over user accounts.

Implementation Date: May 1, 2014

Responsible Person: Mike Ten Eyck

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).

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 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.

Recommendations:

The University should:

- Apply current COA budgets correctly and consistently to all students.
- Appropriately adjust student awards when students receive late awards to help ensure that need-based aid does not exceed a student's need.
- Update student records in a timely manner to reflect changes in students' classifications.
- Document reasons for using professional judgment when making adjustments to a student's COA budget.
- Provide loan recipients the correct awards based on their eligibility.
- Award students the correct FSEOG amount according to FSEOG annual limits.

Management Response and Corrective Action Plan:

Cost of Attendance & Federal Direct Student Loans

The University concurs with the finding.

OSFS reviewed the COA for the files that were incorrectly calculated: enrollment, major change/double major, professional judgment, and classification (Undergraduate or Graduate). In most cases, the University did not make over-awards or under-awards to the students whose COA was calculated incorrectly/inconsistently.

OSFS has already implemented a program to monitor a student’s major, hours enrolled, and classification. (The control was implemented September 12, 2013 for the 2013-14 year.) The program runs after the census date as part of the COA recalculation process. It checks a student’s file for the actual hours enrolled, the tuition paid by the student, the major, and the classification. The student’s file is updated to reflect the most current information as of the census date. In addition, the program reviews the student’s file for aid eligibility – need-based versus non-need-based aid and undergraduate versus graduate. If the file is incorrectly awarded, the system flags the file for counselors to review and revise accordingly.

OSFS management addressed the issue of documenting professional judgment decisions correctly, specifically for budget adjustments, during training of the COA recalculation process in mid-September 2013 for all the counseling staff.

Implementation Date: September 2013

Responsible Person: Gloria De Leon

Federal Supplemental Educational Opportunity Grant (FSEOG)

The University concurs with the finding.

OSFS reviewed the files with the incorrect FSEOG amounts and found the errors were made by a counselor rather than the automated financial aid processing system.

OSFS management has already begun review of the modifications needed to be made to the financial aid processing system to eliminate the ability to manually award FSEOG incorrectly. The intended course of action is to implement automatic audits to the awarding page. These audits will alert staff of the correct minimum and maximum Federal annual FSEOG limits and will prevent them from incorrectly awarding FSEOG.

Implementation Date: July 2014

Responsible Person: Gloria De Leon

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

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

(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).

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.

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:

The University concurs with the finding.

The Office of Student Financial Services (OSFS) reviewed the files that were incorrectly verified and found that the errors made were the result of human errors during the verification process. The errors were made to different items and not just in one category. At the time, we did not request an updated ISIR.

In an effort to reduce the errors, OSFS has written clearer language in the office verification guidelines given staff to assist in reviewing files accurately; and we will request updated ISIRs as required. Additionally, we have reviewed options to implement a secondary auditing system within the office to determine what provides successful results. A more comprehensive overview of forms has been conducted and corrections have been made to make for clearer communication between the Office of Student Financial Services and students along with their families.

For the 2012-2013, OSFS participated in a pilot program with a vendor to process verification files. We conducted a 100% re-verification of those files and found no errors. Based on the success of the pilot program, we are now outsourcing all Federal verification. OSFS re-verifies a sample of these files for quality control purposes.

A recent reorganization of the Office of Student Financial Services has assigned verification to individuals with specific specialization in the process. With the advanced training and applied knowledge to the Federal, State, and institutional policies for verification, we will be more adept. This will enable our office to catch any inconsistencies that arise from various sources.

OSFS envisions that these efforts will lead to accurately reviewed files which will therefore reduce the risk of over-awarded and under-awarded students.

Implementation Date: September 2013

Responsible Person: Gloria De Leon

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).

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

Recommendation:

The University should:

- Enter all COA budgets accurately into its financial aid system.
- Sufficiently document changes to key systems to support testing results and authorization of changes.
- Ensure that only authorized personnel migrate changes to the production environment.

Management Response and Corrective Action Plan:

To ensure appropriate QC of cost of attendance set up for the new year, review documents will be submitted to the compliance team in total, including all appropriate budget groups. For each review, a certification form will be completed by the review team and certified by the Director/AVP. A limited number of managers will have access to update RBRCOMP. Once the QC is complete, if any updates are made to the Banner budgets or cost of attendance spreadsheets, a re-certification will be required.

Implementation Date: May 31, 2014

Responsible Person: Lisa Blazer

The 2 specific change requests identified were for applying 2 Banner Financial Aid patches that were done as part of the larger Banner 8.5.4 upgrade performed in February 2013. These patches were listed as part of the Banner 8.5.4 upgrade checklist that itemized all the modules and patches that were applied. The DBA's completed this checklist during the upgrade process. The Banner Core Users Group provided verbal approval at the go/no go meeting for the Banner upgrade that included these 2 patches. However, no individual emails were sent out to obtain individual approval for these 2 specific patches.

Therefore, we have implemented the following procedures to ensure we maintain sufficient supporting documentation for changes to Banner that support testing results and authorization of changes:

- *Sending out individual emails for Banner Financial Aid patches when they are part of a Banner Financial Aid upgrade, and*
- *Obtaining separate emails from the Banner Core Users Group approving the individual patches that are part of the Banner upgrade and/or maintaining minutes from the Banner Core Users Group meetings indicating approval of the individual patches.*

Only authorized personnel migrate changes to the production environment. Only DBA's continue to have the ability to perform Banner code migration to Production after they receive a confirmation email from the ADS Team Leads. Once complete, this email is documented in the task request.

Implementation Date: November 4, 2013

Responsible Person: Jayashree Iyengar

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).

Questioned Cost: \$ 0
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.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Obtain adequate support for all FAFSA information that it is required to verify.
- Sufficiently document changes to key systems to support testing results and authorization of changes.
- Ensure that only authorized personnel migrate changes to the production environment.

Management Response and Corrective Action Plan:

UTSA will continue to perform the established quality control review process to identify possible errors. The university will obtain adequate support for all FAFSA information for those students selected for the Quality Assurance Program (QAP) verification process to include updated verification forms.

Implementation Date: February 28, 2014

Responsible Person: Lisa Blazer

The 2 specific change requests identified were for applying 2 Banner Financial Aid patches that were done as part of the larger Banner 8.5.4 upgrade performed in February 2013. These patches were listed as part of the Banner 8.5.4 upgrade checklist that itemized all the modules and patches that were applied. The DBA's completed this checklist during the upgrade process. The Banner Core Users Group provided verbal approval at the go/no go meeting for the Banner upgrade that included these 2 patches. However, no individual emails were sent out to obtain individual approval for these 2 specific patches.

Therefore, we have implemented the following procedures to ensure we maintain sufficient supporting documentation for changes to Banner that support testing results and authorization of changes:

- *Sending out individual emails for Banner Financial Aid patches when they are part of a Banner Financial Aid upgrade, and*
- *Obtaining separate emails from the Banner Core Users Group approving the individual patches that are part of the Banner upgrade and/or maintaining minutes from the Banner Core Users Group meetings indicating approval of the individual patches.*

Only authorized personnel migrate changes to the production environment. Only DBA's continue to have the ability to perform Banner code migration to Production after they receive a confirmation email from the ADS Team Leads. Once complete, this email is documented in the task request.

Implementation Date: November 4, 2013

Responsible Person: Jayashree Iyengar

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)).

Questioned Cost: \$ 0
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.

Recommendations:

The University should:

- Return Title IV funds within 45 days of determining that students withdrew.
- Determine unofficial withdrawal dates within 30 days of the end of a period.
- Correct its unofficial withdrawals query and strengthen its monitoring controls to help ensure that it accurately identifies all unofficial withdrawals.
- Sufficiently document changes to key systems to support testing results and authorization of changes.
- Ensure that only authorized personnel migrate changes to the production environment.

Management Response and Corrective Action Plan:

The process schedule for Return of Title IV will be set and adhered to. Going forward, if responses from university officials regarding students' attendance are not received timely, the funds will be returned within the 45 days of determination of withdrawal date. We have enhanced the SQL query report to ensure we identify all unofficial withdrawals within 30 days.

Implementation Date: May 31, 2014

Responsible Person: Lisa Blazer

The 2 specific change requests identified were for applying 2 Banner Financial Aid patches that were done as part of the larger Banner 8.5.4 upgrade performed in February 2013. These patches were listed as part of the Banner 8.5.4 upgrade checklist that itemized all the modules and patches that were applied. The DBA's completed this checklist during the upgrade process. The Banner Core Users Group provided verbal approval at the go/no go meeting for the Banner upgrade that included these 2 patches. However, no individual emails were sent out to obtain individual approval for these 2 specific patches.

Therefore, we have implemented the following procedures to ensure we maintain sufficient supporting documentation for changes to Banner that support testing results and authorization of changes:

- Sending out individual emails for Banner Financial Aid patches when they are part of a Banner Financial Aid upgrade, and
- Obtaining separate emails from the Banner Core Users Group approving the individual patches that are part of the Banner upgrade and/or maintaining minutes from the Banner Core Users Group meetings indicating approval of the individual patches.

Only authorized personnel migrate changes to the production environment. Only DBA's continue to have the ability to perform Banner code migration to Production after they receive a confirmation email from the ADS Team Leads. Once complete, this email is documented in the task request.

Implementation Date: November 4, 2013

Responsible Person: Jayashree Iyengar

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)).

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 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.

Recommendations:

The University should:

- Develop and implement written procedures for reporting the effective date of withdrawal for students who unofficially withdraw from the University without completing a term.
- Develop and implement written procedures for reviewing student records rejected by NSC to ensure that it reports all status changes to NSLDS.
- Sufficiently document changes to key systems to support testing results and authorization of changes.
- Ensure that only authorized personnel migrate changes to the production environment.

Management Response and Corrective Action Plan:

For unofficially withdrawn students for whom R2T4 has to be processed, the university will manually update their enrollment status in NSLDS.

Implementation Date: May 31, 2014

Responsible Person: Lisa Blazer

Effective with the Fall 2013 semester and beginning with the first report for Early Registration, we have been working with the students listed on the Rejected Records list. Procedures have been established to clear rejects and are outlined in the Registrar's policies and procedures for National Student Clearinghouse reporting. At the request of Financial Aid, we will also begin to keep a spreadsheet to show the rejects that have been corrected and provide documentation and confirmation to Financial Aid.

Implementation Date: February 28, 2014

Responsible Person: Joe DeCristoforo

The 2 specific change requests identified were for applying 2 Banner Financial Aid patches that were done as part of the larger Banner 8.5.4 upgrade performed in February 2013. These patches were listed as part of the Banner 8.5.4 upgrade checklist that itemized all the modules and patches that were applied. The DBA's completed this checklist during the upgrade process. The Banner Core Users Group provided verbal approval at the go/no go meeting for the Banner upgrade that included these 2 patches. However, no individual emails were sent out to obtain individual approval for these 2 specific patches.

Therefore, we have implemented the following procedures to ensure we maintain sufficient supporting documentation for changes to Banner that support testing results and authorization of changes:

- Sending out individual emails for Banner Financial Aid patches when they are part of a Banner Financial Aid upgrade, and*
- Obtaining separate emails from the Banner Core Users Group approving the individual patches that are part of the Banner upgrade and/or maintaining minutes from the Banner Core Users Group meetings indicating approval of the individual patches.*

Only authorized personnel migrate changes to the production environment. Only DBA's continue to have the ability to perform Banner code migration to Production after they receive a confirmation email from the ADS Team Leads. Once complete, this email is documented in the task request.

Implementation Date: November 4, 2013

Responsible Person: Jayashree Iyengar

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 2012 Schedule of Findings and Questioned Costs.
- Each finding in the 2012 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, 2013) 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 1087II).

Initial Year Written: 2011
Status: Partially Implemented

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

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 repackaging 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.

Implementation Date: January 15, 2014

Responsible Person: Rick Lasly

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, work projects completed, 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 (Title 34, CFR, Section 668.16(e)).

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) (b)).

An institution may find that a student is making satisfactory progress even though the student does not satisfy the requirements related to quantitative and qualitative factors if the institution determines that the student's failure to meet those requirements is based upon the death of a relative of the student, an injury or illness of the student, or other special circumstances (Title 34, CFR, Section 668.16(e)). An institution's SAP policy must include specific procedures under which a student may appeal a determination that the student is not meeting SAP (Title 34, CFR, Section 668.16).

The University's SAP policy requires students to maintain a minimum grade point average based on their classification. Specifically, undergraduate students who have earned between 0 and 29 credit hours are required to maintain a GPA of 1.35; undergraduate students who have earned between 30 and 59 credit hours are required to maintain a GPA of 1.6; undergraduate students who have earned between 60 and 89 credit hours are required to maintain a grade point average of 1.8; and undergraduate students who have earned more than 90 credit hours are required to maintain a GPA of 1.9. Students at the University are required to have a cumulative GPA of 2.0 to graduate. Graduate students are required to have a GPA of 3.0. The University also has established limits on the maximum number of attempted hours students can earn toward their program of study, and it requires students to successfully complete 67 percent of their cumulative attempted hours (or 62 percent for students with fewer than 30 earned hours).

While the University has a process to receive and consider SAP appeals, its internal controls were not sufficient to ensure compliance with SAP requirements. Although the University maintained evidence that it had approved appeals for students in auditors' sample, it did not document its rationale for approving SAP appeals that a significant portion of its student population filed. Six (13.6 percent) of 44 students tested were not meeting the University's SAP requirements, and the University approved appeals for all six students. However, the University was not able to provide a rationale for its approval of those six students' appeals. Based on its documentation, the University determined that 1,566 students were not eligible for federal financial assistance during the 2010-2011 school year because they did not comply with its SAP policy. Of those 1,566 students, 530 appealed the University's determination that they were not eligible to receive financial assistance. The University denied only 2 (0.38 percent) of those 530 appeals.

The University's SAP policy states that an appeals committee reviews appeals to SAP determinations. However the SAP policy does not provide specific information on the methodology the University uses to evaluate appeals. Additionally, the University was not able to provide documented policies or procedures that detail the factors employees should consider in determining whether a student met the criteria required by Title 34, CFR, Section 668.16.

Not establishing and following specific procedures to evaluate students' compliance with its SAP policy increases the risk that the University could award Title IV assistance to students who may not be 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, Subpart C, Section 300 (b)).

The University did not consistently maintain high-profile user accounts at the network, server, and application level. Specifically:

- Five high-profile user accounts on the network that were no longer needed were still active.
- Twelve individuals shared a generic high-profile user account, which does not allow for user accountability.
- One student worker had excessive access to awarding and packaging student financial assistance.
- Four former contractor staff had excessive, privileged access to the application and database servers. Additionally, one individual had excessive access to the database server.

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 also did not maintain documented evidence of authorization, testing, and approval for changes to its systems. As a result, auditors were unable to determine whether system changes were authorized, tested, and approved prior to migration to the production environment.

Corrective Action:

Corrective action was taken.

Reference No. 12-105

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

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, CFDA 84.063 P063P112258, and CFDA 93.264 E10HP13020-01-00

Type of finding – Significant Deficiency and Non-Compliance

Common Origination and Disbursement System Reporting

Institutions submit Pell and Direct Loan origination records and disbursement records to the Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. The disbursement date and amount 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 (Office of Management and Budget Circular A-133 Compliance Supplement, March 2011, Part 5, Student Financial Assistance Cluster, III.N.3, page 5-3-34).

Initial Year Written: 2011 Status: Implemented U.S. Department of Education U.S. Department of Health and Human Services
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For 6 (9.2 percent) of 65 students tested at Angelo State University (University), the disbursement date the University reported to the COD System did not match the actual disbursement date in the University's financial aid application, Banner. For those six students, the actual disbursement dates ranged between 1 and 143 days different from the dates the University reported to the COD System. University management asserted that a change in the COD System record format caused the University to submit incorrect disbursement dates to the COD System during the award year. However, the University did not resubmit disbursement records to the COD System to correct that issue. As a result, users of the COD System information did not have accurate information regarding Pell Grant and Direct Loan disbursements for some of the University's disbursements.

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 high-profile user accounts at the network, server, and application level. Specifically:

- Five high-profile user accounts on the network that were no longer needed were still active.
- Twelve individuals shared a generic high-profile user account, which does not allow for user accountability.
- One student worker had excessive access to awarding and packaging student financial assistance.
- Four former contractor staff had excessive, privileged access to the application and database servers. Additionally, one individual had excessive access to the database server.

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 also did not maintain documented evidence of authorization, testing, and approval for changes to its systems. As a result, auditors were unable to determine whether system changes were authorized, tested, and approved prior to migration to the production environment.

Corrective Action:

Corrective action was taken.

Lamar Institute of Technology

Reference No. 11-101

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2009 to June 30, 2010

Award numbers – CFDA 84.007 P007A098695, CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P095265, CFDA 84.375 P375A095265, CFDA 84.033 P033A098695, and CFDA 84.268 P268K105265

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 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 1087I).

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 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, Sections 673.5, 673.6, 682.603, and 685.301).

Lamar Institute of Technology (Institute) calculated COA incorrectly for 8 (13 percent) of 60 students tested. The Institute packages student assistance based on information contained in a student’s Free Application for Federal Student Aid (FAFSA) and subsequently updates the student’s COA and financial assistance disbursements based on actual attendance. However, the Institute did not consistently update the COA in its financial aid system. This increases the risk of overawarding funds or disbursing awards to ineligible students; however, although none of these eight students received an overaward.

Additionally, the Institute awarded 1 (2 percent) of 60 students tested an amount of assistance that exceeded the student’s documented COA by \$151. The Institute could not provide an explanation for the overaward.

Corrective Action:

This finding was reissued as current year reference number: 2013-101.

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)).

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.

Initial Year Written: 2009
Status: Partially Implemented

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

Recommendation:

The University should review COA budget component amounts prior to packaging of student financial assistance to prevent errors in COA calculations.

Management Response and Corrective Action Plan 2009:

We agree with this finding. In order to prevent further occurrences, a report will be created to monitor yearly and semester loan fees to determine compliance. This report will then be reviewed by financial aid staff on a weekly basis.

Management Response and Corrective Action Plan 2010:

Management agrees with this audit recommendation and will review its Cost of Attendance (COA) process and develop a procedure that will prevent errors in COA calculations. This procedure will ensure a student's change status change is updated properly and will reflect the current status of students' satisfactory academic progress policy appeals.

Management Response and Corrective Action Plan 2011:

Financial Aid Management has generated system modifications that will control the cost of attendance from being adjusted manually.

Management Response and Corrective Action Plan 2012:

Management appreciates the efforts of the State Auditor's Office to identify issues needing improvement and cite steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

Financial Aid management has revised the process for awarding Federal Supplemental Educational Opportunity Grant (FSEOG) awards. This process consists of the following elements: a flag has been set in the BANNER System to flag students who have not received the Pell Grant, which indicates the students are not eligible, for the FSEOG. The Financial Aid Program Analyst will run the Awarded FSEOG No Pell Report bi-weekly and provide it to the Reconciliation department, which will show any exceptions. The report will be reviewed by the Reconciliation Department and any inconsistencies will be resolved. This will include removing the FSEOG from the account. In addition, the Reconciliation Specialist will perform monthly reconciliation of all accounts.

Management Response and Corrective Action Plan 2013:

The Office of Student Financial Aid and Scholarships management has developed a COA spreadsheet that will be used to properly allocate the components of the COA to ensure accuracy of budget assignments for awarding financial assistance. The COA spreadsheet will be reviewed each academic year prior to awarding financial assistance and used as documentation to support COA allocations;

Implementation Date: March 31, 2014

Responsible Person: Joy D. Thomas

Awards of Pell Grants

The Federal Pell Grant Program awards grants to help financially needy students meet the cost of their post-secondary education (Title 34, Code of Federal Regulations, Section 690.1). In selecting among 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, 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, Code of Federal Regulations, Section 609.75 (a)(2)). In selecting eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10(a)).

Based on a review of the full population of student financial aid recipients, the University awarded FSEOG to three students who did not receive Pell Grants. These three students were eligible for Pell Grants, but incorrect changes to their student classification data in the University's financial aid system had removed their Pell Grant eligibility in error. The students' classification status was undergraduate when initially awarded, but the students' classification status changed to graduate and Pell funds were removed from the students' funding. When auditors brought this to the University's attention, the University corrected the three students' award packages so they would receive the Pell Grants to which they were eligible. The amount of the new Pell funds awarded totaled \$4,238.

Corrective Action:

Corrective action was taken.

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.

Recommendation:

The University should improve controls over the manual process used to update the financial aid system to reflect the current status of students' satisfactory academic progress policy appeals.

Management Response and Corrective Action Plan 2009:

We agree with this finding. In order to prevent further occurrences, a report will be created to monitor whether aid has been disbursed to students that do not meet the Satisfactory Academic Progress Policy. This report will then be reviewed by financial aid staff on a weekly basis.

Management Response and Corrective Action Plan 2010:

Management agrees with this audit recommendation and will review its Cost of Attendance (COA) process and develop a procedure that will prevent errors in COA calculations. This procedure will ensure a student's change status change is updated properly and will reflect the current status of students' satisfactory academic progress policy appeals.

Management Response and Corrective Action Plan 2011:

Financial Aid management has developed a Satisfactory Academic Committee that will monitor whether aid has been disbursed to students that do not meet the Satisfactory Academic Progress Policy. This committee will meet weekly or as needed.

Management Response and Corrective Action Plan 2012:

Management appreciates the efforts of the State Auditor's Office to identify issues needing improvement and cite steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

Financial Aid management has revised the process for awarding Federal Supplemental Educational Opportunity Grant (FSEOG) awards. This process consists of the following elements: a flag has been set in the BANNER System to flag students who have not received the Pell Grant, which indicates the students are not eligible, for the FSEOG. The Financial Aid Program Analyst will run the Awarded FSEOG No Pell Report bi-weekly and provide it to the Reconciliation department, which will show any exceptions. The report will be reviewed by the Reconciliation Department and any inconsistencies will be resolved. This will include removing the FSEOG from the account. In addition, the Reconciliation Specialist will perform monthly reconciliation of all accounts.

Management Response and Corrective Action Plan 2013:

The Office of Student Financial Aid and Scholarships management has established a Satisfactory Academic Progress (SAP) appeals committee and will establish controls to monitor manual updates of SAP appeal decisions in Banner. In addition, documentation will be maintained to verify and support manual updates in addition to the corresponding SAP appeal decision in Banner on the RHACOMM and RRAAREQ screens.

Implementation Date: March 31, 2014

Responsible Person: Joy D. Thomas

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 108711).

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.

Recommendation:

The University should improve controls over manual calculations of COA.

Management Response and Corrective Action Plan 2009:

A program will be developed to accurately review budget components prior to packaging. A report will be generated to ensure that students are given the proper budgets and counselor updates are correct. This report will then be reviewed by financial aid staff on a weekly basis and certified by the Assistant Provost or one of the Associate Directors.

Management Response and Corrective Action Plan 2010:

Management agrees with this audit recommendation and will review its Cost of Attendance (COA) process and develop a procedure that will prevent errors in COA calculations. This procedure will ensure a student's change status change is updated properly and will reflect the current status of students' satisfactory academic progress policy appeals.

Management Response and Corrective Action Plan 2011:

Financial Aid Management has generated system modifications that will control the cost of attendance from being adjusted manually.

Management Response and Corrective Action Plan 2012:

Management appreciates the efforts of the State Auditor's Office to identify issues needing improvement and cite steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

Financial Aid management has revised the process for awarding Federal Supplemental Educational Opportunity Grant (FSEOG) awards. This process consists of the following elements: a flag has been set in the BANNER System to flag students who have not received the Pell Grant, which indicates the students are not eligible, for the FSEOG. The Financial Aid Program Analyst will run the Awarded FSEOG No Pell Report bi-weekly and provide it to the Reconciliation department, which will show any exceptions. The report will be reviewed by the Reconciliation Department and any inconsistencies will be resolved. This will include removing the FSEOG from the account. In addition, the Reconciliation Specialist will perform monthly reconciliation of all accounts.

Management Response and Corrective Action Plan 2013:

The Office of Student Financial Aid and Scholarships management will monitor the manual assignments of Summer COA's bi-weekly to ensure each component is allocated equally for all students. In addition, system modifications have been developed that will only allow the director or associate directors the authority to make manual component adjustments to student COA's. If manual adjustments are made to specific components, supporting documentation will be required. Further, departmental procedures will be developed to reflect this process.

Implementation Date: March 31, 2014

Responsible Person: Joy D. Thomas

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.

Recommendations:

The University should:

- Maintain controls to ensure that it sends disbursement notification notices within 30 days before or after crediting a student's account with a Direct Loan.

- Improve its oversight of the Pell reporting process to ensure that student information that Banner does not retrieve during the process for reporting to the COD System is captured and reported to the COD System in a timely manner.

Management Response and Corrective Action Plan 2009:

Though management respectfully acknowledges we did not send fall Disbursement Notification Letters in the required 30 days, we have already corrected this issue. Prior to December 2008, the process for generating the letters was completely manual. Management determined the aforementioned process as neither efficient nor effective. An AppWorx consultant was hired to reengineer and automate the Disbursement Notification Letter process. Beginning spring 2009, disbursement data was derived from Banner using AppWorx and e-letters distributed to students via Form Fusion.

Management acknowledges that one (1) individual was not reported to COD and was later manually corrected. In order to prevent this situation from occurring again, a federal Pell Reconciliation List will be requested at the beginning of each week via the Common Origination and Disbursement (COD) System. This list will be imported into Banner. Using an existing Banner report, the Pell Reconciliation List (Disbursement Data) will be compared to existing federal Pell disbursements in Banner. Exceptions will be reviewed and corrected.

Management Response and Corrective Action Plan 2010:

Management agrees with this audit recommendation and has revised the process and modified the Notification Letter. Additional time is required to ensure the process is functioning as intended.

Management Response and Corrective Action Plan 2011:

Financial Aid management is in the process of changing the process of distributing Disbursement Notification Letters to students via Form Fusion. The process will be revised and will work through the Banner System in the fall semester.

Financial Aid management Financial Aid Management has generated system modifications that will control the cost of attendance from being adjusted manually.

Management Response and Corrective Action Plan 2012:

Management appreciates the efforts of the State Auditor's Office to identify issues needing improvement and cite steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

Notification of disbursement: In general, there are two types of notifications a school must provide: (1) a general notification to all students receiving FSA funds; and (2) a notice when loan funds are credited to a student's account. The financial aid office provides a general notification of award funds via email which directs the students to a secure website to view their award detail summary (PantherTracks). The University will send notifications to the students at the time the funds are applied to the student account.

The Financial Aid Program Analyst will run the School Account Statement Report (SAS) monthly and the Loan Overview Report weekly and provide it to the Reconciliation and Loan department, which will show all disbursements and rejections. Both reports will be reviewed by the Reconciliation and Loan Department and any rejections will be identified and resolved. In addition, the Reconciliation Specialist will perform monthly reconciliation of all accounts.

2013 Update:

The University did not send any disbursement notification letters to students receiving Direct Loans for the 2012-2013 award year. For COD System reporting, the University did not always report Pell disbursement records to the COD System within the required timeframe.

Management Response and Corrective Action Plan 2013:

1. *The Office of Student Financial Aid and Scholarships in conjunction with the Office of Information Technology has implemented a process to ensure that timely notifications are sent at the time funds are applied to the student's account; and,*

2. *The Office of Student Financial Aid and Scholarships has developed a process that will ensure award data is identified and corrected. The Financial Aid Program Analyst is currently running the School Account Statement Report (SAS) monthly and the Direct Loan & Pell Grant and acknowledgement files are imported into Banner daily. These reports will be provided to the Reconciliation and Loan Departments, which will show all disbursements and rejections. In addition, both reports will be reviewed by the Reconciliation and Loan Departments and any rejections will be identified and resolved. In addition, the Reconciliation Supervisor will perform monthly reconciliation of all accounts.*

Implementation Date: March 31, 2014

Responsible Person: Joy D. Thomas

Sam Houston State University

Reference No. 10-44

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

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 Award Number Not Applicable, 84.007 P007A084110, 84.033 P033A084110, 84.038 Award Number Not Applicable, 84.063 P063P082301, 84.376 P3765082301, and 84.379 P379T092301

Type of finding -Significant Deficiency and Non-Compliance

Pell 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 (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)).

Initial Year Written: 2009

Status: Implemented

U.S. Department of Education

The University's financial aid system automatically reports Pell disbursements to the COD system. However, the financial aid system reports the estimated disbursement amount and the estimated disbursement date. The estimated disbursement date used to report to the COD System is defined separately from, and is unrelated to, the date the financial aid system is scheduled to actually disburse Pell awards. The financial aid system does not update the disbursement information in the COD System when the actual disbursement is made. As a result, the University reported incorrect disbursement dates to the COD System for all 18 students tested.

Corrective Action:

Corrective action was taken.

Stephen F. Austin State University

Reference No. 12-120

Eligibility

Student Financial Assistance Cluster

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

Award numbers – CFDA 84.007 P007A104129, CFDA 84.033 P033A104129, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P102315, CFDA 84.268 P268K112315, CFDA 84.375 P375A102315, CFDA 84.376 P376S102315, and CFDA 84.379 P379T112315

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 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.” 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: 2011
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, Sections 673.5, 673.6, 668.2, and 690.2).

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, Code of Federal Regulations, Section 668.2).

Stephen F. Austin 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, the University overstated COA for 2 (3 percent) of 60 students tested. Those two students were enrolled less than full-time, but the University based their COA on full-time COA budgets, resulting in an overstated COA. Using a full-time COA budget to estimate the COA for students who attend less-than-full-time increases the risk of awarding financial assistance that exceeds financial need.

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

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: Partially 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.

Recommendation:

The University should improve controls over its calculation and review of SAP determinations.

Management Response and Corrective Action Plan 2010:

In an effort to improve controls over the calculation and review of SAP compliance, the SAP checklist and folder completion checklist will be separated. The SAP checklist form will be completed after spring grades become available for current TAMIU students in accordance with the TAMIU SAP Policy. For new and transfer students,

the form will be completed after the student has been admitted to the institution and a FAFSA becomes available. The new form will differentiate between returning TAMIU students, new, and/or transfer students. It will also include TAMIU Overall GPA, Transfer Overall GPA, and Overall GPA to be used to verify GPA requirements, calculation of 75% required hours used to calculate deficit hours, calculation of transferable degree hours used to calculate maxed out hours, and an audit section used by the administrators during the review/audit of SAP determinations.

Management Response and Corrective Action Plan 2011:

The SAP checklist and folder completion checklist were separated to improve controls over the calculation and review of SAP compliance. The SAP checklist form is completed after grades become available for current TAMIU students in accordance with the TAMIU SAP Policy. For new and transfer students, the form is completed after the student has been admitted to the institution and a FAFSA becomes available

Management Response and Corrective Action Plan 2012:

Effective February 2011, the SAP checklist was separated from the folder checklist, and the form was completed after final grades were posted in Banner (our student information system). For new and transfer students, the form was completed after the FAFSA application was received and the student was admitted to institution. Effective fall 2011, we implemented automated SAP rules, using the SAP Policy effective July 1, 2011. The automated SAP process is run at the end of each semester after final grades are posted in Banner. The first automated run was done at the end of the fall 2011 semester. The 2011-2012 academic year was the first complete year reviewed with automated SAP rules.

2013 Update:

As of the Fall 2011 term, the University has implemented an automated SAP calculation process and no longer relies on manual reviews for SAP determinations. However, the automated SAP process did not always calculate SAP statuses in accordance with the University's SAP policy. Auditors identified one student who should have failed the pace of completion requirement; however, the student's SAP status did not reflect that. Auditors did not identify any students who were ineligible to receive financial assistance for not meeting SAP requirements.

Management Response and Corrective Action Plan 2013:

As previously noted, effective fall 2011, automated SAP rules were implemented using the SAP Policy effective July 1, 2011. Since this implementation, the SAP rules were revised in August, 2012, and these SAP rules were in effect for the sample selected for this follow up. In this revision, the calculation for the pace of completion was clarified, but the revision was not made in the automated SAP rule until the SAP process was run at the end of Fall 2012, resulting in the finding.

It should be noted that the single student discovered was put on suspension for gpa requirements of the SAP and was therefore ineligible for financial aid irrespective of the pace of completion error.

Implementation Date: November 2012

Responsible Persons: Laura Elizondo, Melanie Martinez, and Isabel Woods

Texas A&M University

Reference No. 13-122

Special Tests and Provisions – Verification

(Prior Audit Issue 12-124)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P115286; CFDA 84.038, Federal Perkins Loan, Award Number Not Applicable; CFDA 84.268, Federal Direct Student Loans, P268K125286; CFDA 84.007, Federal Supplemental Education Opportunity Grants, P007A114136; CFDA 84.033, Federal Work-Study Program, P033A114136; CFDA 84.379, Teacher Education Assistance For College and Higher Education Grants, P379T125286; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A115286

Type of finding – Significant Deficiency and Non-Compliance

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education to 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; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student’s eligibility results in a total difference of more than \$400 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student’s new information to determine whether an adjustment to Title IV assistance is required (Title 34, CFR, Section 668.59).

Initial Year Written: 2011 Status: Partially 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 and implement a quality improvement approach to federal student assistance program administration and delivery. The QAP provides participating institutions with an alternative management approach to develop verification that fits their population (2011-2012 *Application and Verification Guide*, page AVG-80). 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 3 (5 percent) of 60 students tested, the University did not accurately verify all required items on the FAFSA, and it subsequently did not update University records and request updated Institutional Student Information Records (ISIR) when required. Specifically:

- For 1 (2 percent) of 60 students tested, the University incorrectly identified the number of household members enrolled at least half-time in college as 2 when the supporting documentation indicated that only 1 household member was enrolled at least half-time. Because the University did not accurately verify the information, it did not request an updated ISIR or adjust the student’s assistance as required. Based on information the University provided, this resulted in a \$6,978 overaward of subsidized Direct Loans. After auditors brought this matter to the University’s attention, the University provided evidence that it corrected this overaward; therefore, there were no questioned costs associated with this error.
- For 1 (2 percent) of 52 students tested for whom the University was required to verify parent income taxes paid, the University incorrectly verified the parent income taxes paid as \$0 when the supporting documentation indicated that amount was \$1,258. Because the University did not accurately verify the information, it did not request an updated ISIR or adjust the student’s assistance as required. However, based on information the University provided, this error did not result in an underaward or overaward because it did not affect the student’s estimated family contribution.

- For 1 (2 percent) of 58 students tested who received untaxed income, the University incorrectly verified the student's Making Work Pay tax credit as \$0 when supporting documentation indicated that amount was \$78. However, because that amount was less than \$400, the University was not required to request an updated ISIR.

The above errors occurred when University personnel manually verified student verification information. The University does not have an adequate process to monitor verification. Without an adequate process to detect non-compliance and take appropriate and timely action to address issues, the University risks not updating its records, not requesting updated ISIRs when required, and overawarding or underawarding financial assistance.

Correction Action:

This finding will be reissued as current year reference number: 2013-139.

Reference No. 13-123

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K125286

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 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)).

Initial Year Written: 2012 Status: Partially 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 University does not have an adequate process to report status changes to NSLDS for students who withdraw. The University inadvertently excluded students who withdrew from the automated process it used to report status changes to NSC during the 2011-2012 award year, and it was unaware of this issue until auditors brought it to management's attention. As a result, the University was dependent on NSC to identify students who the University previously reported on roster files but did not report on its current roster file. (When a student withdrew and the University no longer reported the student's enrollment information to NSC, NSC notified the University of that issue through an error report.) To resolve the discrepancies on the error report, the University manually resolved the issues and reported the withdrawal status and date to NSC. However, relying on NSC's error report to identify students who withdraw increases the risk that the University may not report all withdrawn students.

Additionally, for 1 (2 percent) of 61 student status changes tested, the University did not report the change to NSLDS accurately. The student officially withdrew from the University on March 21, 2012, and the University processed the withdrawal on March 23, 2012. When the University manually reported the student's withdrawal date

(after receiving an error report from NSC) it incorrectly entered the date on which it processed the withdrawal, rather than the effective withdrawal 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.

Corrective Action:

This finding was reissued as current year reference number: 2013-140.

Reference No. 13-124

Special Tests and Provisions – Student Loan Repayments

(Prior Audit Issues 12-126, 11-124, 10-56, and 09-53)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

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

Type of finding – Significant Deficiency and Non-Compliance

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. The institution shall inform the borrower about the total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan (Title 34, Code of Federal Regulations, Section 674.42(c)).

Initial Year Written: 2008
Status: Implemented

U.S. Department of Education

If the institution, or the firm it engages, pursues collection activity for up to 12 months and does not succeed in converting the account to regular repayment status, or the borrower does not qualify for deferment, postponement, or cancellation of the loan, the institution shall either litigate or make a second effort to collect. If the institution first attempted to collect using its own personnel, it shall refer the account to a collection firm (Title 34, Code of Federal Regulations, Sections 674.45(c)).

Texas A&M University (University) did not perform all required contact and collection procedures for defaulted borrowers in a consistent and timely manner. Specifically:

- For 2 (6 percent) of 33 defaulted borrowers tested, the University did not send the required third grace period notice. The University uses the third grace period notice as its 30-day billing notice; as a result, those two students also did not receive the required billing notice. Those errors resulted from a timing error in the University's query to identify students who require grace period notices, and they occurred because the students entered repayment status on the same date on which the University ran its query. Borrowers who do not receive grace period notices may not understand the requirements and obligations for the funds they received. Borrowers who do not receive billing notices may be unaware of payment requirements.
- For 1 (3 percent) of 31 defaulted borrowers tested, the University did not make a second attempt in a timely manner to collect 12 months after the student missed a payment. The University's collection staff is responsible for tracking accounts from the point when they are more than 60 days past due through the date that the University turned over the accounts to an external collection agency. The University asserted that its collection staff did not monitor this account because of staffing issues related to its tracking process. Not turning over accounts to collections in a timely manner delays the effort to establish an acceptable repayment plan with the borrower.

Corrective Action:

Corrective action was taken.

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

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 1087II).

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 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, Sections 673.5, 673.6, and 682.603).

Texas Southern University (University) incorrectly calculated the COA for 3 (7.5 percent) of 40 students tested. For all three students, the COA assigned to the student by the financial aid system, Banner, did not match the COA in the internal document the University used to calculate Fall semester only, Spring semester only, and Summer semester budgets.

- For one student, the COA in Banner was \$3,084 less than the COA on the University’s internal budget sheet. This resulted in a potential underaward of \$3,084.
- For one student, the COA in Banner was \$113 more than the COA on the University’s internal budget sheet. This resulted in a potential overaward of \$113.
- For one student, the COA in Banner was \$98 more than the COA on the University’s internal budget sheet. This resulted in a potential overaward of \$98.

While the budget differences could have resulted in both underawards and overawards, these three students were not overawarded assistance.

In addition to the three incorrect COA budgets, auditors identified several other budgets in Banner that did not agree with (1) the budgets the University reported to the Texas Higher Education Coordinating Board and (2) the internal budget spreadsheet the University used to calculate Fall semester only, Spring semester, only, and Summer budgets. For example, the budgets in Banner for undergraduate students who are Texas residents, living off campus, and attending the University in either the Fall semester only or Spring semester only were \$2,909 less than the budgets on the University’s internal budget spreadsheet. As a result, students in this category were potentially underawarded

financial assistance funds. During the 2009-2010 award year, a total of 282 students were in this budget category. During the same award year, the University disbursed a total of \$119,306,579 in federal 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, Subpart C, Section 300 (b)).

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.

Implementation Date: March 2014

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.

Implementation Date: March 2014

Responsible Person: Kathy Booker

Texas State University

Reference No. 13-125

Cash Management

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loan Program, P268K120387

Type of finding – Significant Deficiency and Non-Compliance

The U.S. Department of Education provides financial assistance funds to institutions under the advance, just-in-time, reimbursement, or cash monitoring payment methods. The advance payment method permits institutions to draw down financial assistance funds prior to disbursing funds to eligible students and parents. The institution’s request for funds must not exceed the amount immediately needed to disburse funds to students or parents. The institution must make the disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds (Title 34, Code of Federal Regulations (CFR), Section 668.162). A disbursement of funds occurs on the date an institution credits a student’s account or pays a student or parent directly with either student financial assistance funds or its own funds (Title 34, CFR, Section 668.164). Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the U.S. Department of Education. If an institution maintains excess cash for more than seven calendar days, the Secretary of the U.S. Department of Education may take actions such as requiring the institution to reimburse the Secretary for the costs incurred, or providing funds to the institution under the reimbursement payment method or the cash monitoring payment method (Title 34, CFR, Section 668.166).

Initial Year Written: 2012
Status: Implemented
U.S. Department of Education

For the Direct Loan program, in August 2011 Texas State University– San Marcos (University) based its draw amounts on an inaccurate financial aid disbursement report. The University created that report after it implemented its new student financial aid system, Banner. The report was inaccurate because it included duplicate disbursement transactions; as a result, the University initially overdraw a total of \$20,906,236 in Direct Loan funds on the draws that occurred during August 2011.

The University identified this issue at the end of August 2011 when it verified the cumulative disbursements amount against its general ledger expenditures, and it immediately returned the excess funds to the U.S. Department of Education. On December 12, 2011, the University also calculated and remitted to the U.S. Department of Education \$3,772 in interest earned.

In September 2011, the University implemented a new Direct Loan draw calculation process and began basing its Direct Loan draw amount on a new student financial aid activity report that it reconciles to a general ledger transaction summary report before completing a draw. Auditors tested Direct Loan cash draws that the University made after it implemented the new process and did not identify any compliance issues with those Direct Loan cash draws tested.

Corrective Action:

Corrective action was taken.

Reference No. 13-126

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P110387; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114122; CFDA 84.033, Federal Work-Study Program, P033A114122; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T120387; CFDA 84.268, Federal Direct Student Loans, P268K120387; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22580

Type of finding – Significant Deficiency and Non-Compliance

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)).

Initial Year Written: 2012

Status: Implemented

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

Based on a review of the full population of federal student financial assistance recipients, Texas State University – San Marcos (University) awarded \$47,786 in Pell Grant funds to 13 post-baccalaureate students who were not eligible for that assistance. That occurred because 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 a bachelor’s degree. Additionally, the University did not have a control to identify students who had received a baccalaureate degree and a Pell Grant.

After auditors brought this matter to the University’s attention, the University provided evidence that it corrected the above Pell awards.

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 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)).

According to the University’s satisfactory academic progress (SAP) policy, its Financial Aid and Scholarships Department will review the progress of each financial aid recipient for SAP at the end of each academic year. A student who does not meet the SAP guidelines and who is not already on financial aid probation will be placed on financial aid probation. Students on financial aid probation are eligible to continue receiving financial aid and will be evaluated at the end of the next academic year of attendance. Students can receive one financial aid probationary period during their undergraduate- or certification-seeking career; after that period, their financial aid will be suspended until they meet SAP guidelines or the University grants an appeal exemption.

For 1 (2 percent) of 60 students tested, the University did not evaluate whether the student was making satisfactory academic progress to receive financial aid. The student did not meet the University’s SAP guidelines and should have been placed on financial aid probation as required by the University’s policy. Although the University did not place the student on financial aid probation as required, the student was still eligible for assistance. The error occurred prior to the University’s transition to a new student financial aid system; as a result, the University was unable to determine the cause of the error.

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

Corrective Action:

Corrective action was taken.

Reference No. 13-127

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114122; CFDA 84.063, Federal Pell Grant Program, P063P110387; CFDA 84.033, Federal Work Study Program, P033A114122; CFDA 84.268, Federal Direct Student Loans, P268K120387; 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T120387; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22580

Type of finding – Significant Deficiency and Non-Compliance

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education to 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; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student's eligibility results in a total difference of more than \$400 from the student's original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student's new information to determine whether an adjustment to Title IV assistance is required (34 CFR Section 668.59).

Initial Year Written: 2012
Status: Implemented
U.S. Department of Education

Additionally, on March 31, 2012, the U.S. Department of Education clarified in the *2011-2012 Application and Verification Guide* section of its *Federal Student Aid Handbook*, that the Making Work Pay tax credit should be included in verification as a component of other untaxed income (*2011-2012 Application and Verification Guide*, page AVG-19).

For 25 (47 percent) of 53 students tested who received untaxed income, Texas State University – San Marcos (University) did not verify the Making Work Pay tax credit when it verified the information on the students' FAFSAs. Of those 25 students, 12 students had errors on their FAFSAs that exceeded \$400; as a result, the University should have requested a new Institutional Student Information Record (ISIR) for those students. For all of those 12 students, the University did not verify the \$800 Making Work Pay tax credit that had been reported on the students' or parents' income tax returns. Those errors occurred because the University did not adequately communicate the clarified requirement to its personnel in charge of verification; as a result, it took several months for the University to consistently apply that guidance. Additionally, the University's policies and procedures did not specifically address the inclusion and verification of the Making Work Pay tax credit as part of untaxed income. Based on information the University provided, these errors resulted in a total overaward of \$463 in Pell funds associated with award P063P110387.

For 1 of the 12 students discussed above, the University also incorrectly verified the student's unemployment compensation, resulting in an underaward for that student. That occurred because the University incorrectly included unemployment compensation of \$6,899 as other untaxed income when that amount had already been reported as

taxable income. Based on information the University provided, this error resulted in an underaward of \$475 in Pell funds associated with P063P110387.

Not correctly verifying all required income components and not requesting and receiving a new ISIR for students who have changes exceeding \$400 resulting from verification could result in the University awarding incorrect amounts of Title IV assistance to students.

Corrective Action:

Corrective action was taken.

Texas Tech University

Reference No. 13-128

Eligibility

(Prior Audit Issues 12-134 and 11-134)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A114151; CFDA 84.033, Federal Work-Study Program, P033A114151; CFDA 84.063, Federal Pell Grant Program, P063P112328; CFDA 84.268, Federal Direct Student Loans, P268K122328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

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, 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 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).

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 Tech University (University) has established full-time budgets in its financial aid system, and it prorates those budgets for students enrolled less than full-time. Specifically, the University prorates the tuition and fees expenses and books and supplies expenses to 75 percent of the full-time amount for students with three-quarter-time enrollment and to 50 percent of the full-time amount for students with half-time enrollment. For students enrolled less than half-time, the University prorates those COA components to 25 percent of the full-time amount and removes miscellaneous personal expenses.

For 12 (20 percent) of 60 students tested, the University inconsistently or incorrectly calculated COA. Those errors occurred as a result of (1) the manner in which the University prorated COA for students enrolled less than full-time or (2) manual errors the University made when adjusting COA. One of those students received assistance that exceeded the student’s cost of attendance, resulting in an overaward of \$307 in Direct Loans associated with award P268K122328. Incorrectly or inconsistently calculating COA increases the risk that students may be overawarded or underawarded assistance, or may not be awarded assistance consistently when compared to other students with a similar enrollment status.

In addition, for 1 (2 percent) of 60 students tested, the University did not adjust the award amount for the student after it appropriately adjusted the student’s COA. The University prorated that student’s COA to reflect

the student's enrollment status as required by its policy; however, when it made that adjustment, the University did not adjust the student's award. This resulted in an overaward of \$1,257 in Direct Loans associated with award P268K122328.

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 (2011-2012 *Federal Student Aid Handbook*, Volume 3, Chapter 3). 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 2 (6 percent) of 35 students who received Pell Grants tested, the University awarded the students an amount that was less than the amount the students were eligible to receive. Specifically:

- For one student, the University underawarded the student \$1,387 in Pell Grant assistance because it did not update its records to include hours that the student enrolled in through a consortium agreement.
- For the other student, the University underawarded the student \$50 in Pell Grant assistance because it did not adjust the student's Pell Grant award using the correct EFC after it verified the student's Free Application for Federal Student Aid (FAFSA).

Post-baccalaureate and Graduate Students Receiving Pell Grants

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)).

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)).

The University awarded five post-baccalaureate students \$16,625 in Pell grants associated with award P063P112328 for which they were not eligible because they had already received the first baccalaureate degree. That occurred because the University's financial aid system relied on self-reported information from the students' ISIRs, which indicated that the students had not yet received a bachelor's degree. Those students graduated after submitting their FAFSAs but prior to the disbursement of aid for the Fall or Spring terms; however, the University did not have a control to identify students who had received a baccalaureate degree and a Pell Grant.

Additionally, the University's policy is to award Pell Grants to students who are classified as special graduates and who are enrolled in the University's teacher certification program, which the University considers to be an eligible post-baccalaureate program under the provisions discussed above. During the 2011-2012 award year, the University awarded 63 students who had earned their baccalaureate degree and were pursuing a teacher certification a total of \$199,003 in Pell Grants. Thirteen of those students were also seeking a graduate degree or graduate certification and may not have been strictly enrolled in teacher certification courses during the terms for which they received Pell Grants. Additionally, the University awarded 1 of those 13 students \$14,770 in Direct Loans, which exceeded the maximum amount available to an undergraduate student (the University is required to treat those students as undergraduate students for the purposes of awarding Title IV

assistance). The University's process is to classify those students as special graduates (regardless of whether they are also enrolled in a graduate program not related to teacher certification requirements). However, the University has not established adequate controls to ensure that those students do not receive Pell grants for terms in which they are not strictly pursuing a teacher certification.

As a result of the issues described above, the University may have awarded Pell Grants to students who were not eligible for that assistance.

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 University awarded \$17,128 in FSEOG assistance to 10 students who did not receive a Pell Grant during the 2011-2012 award year; it also did not award FSEOG assistance to all other Pell Grant recipients before awarding FSEOG assistance to non-Pell Grant recipients. The University initially determined that those 10 students were eligible for Pell Grants. However, those students became ineligible for Pell Grants after the University verified their FAFSAs prior to disbursing Fall 2011 assistance. The University's financial aid system removed the Pell Grant assistance from those students' awards as a result of the verification, but the University did not manually remove the FSEOG awards at that time. As a result, at the time the University disbursed FSEOG assistance to those students they were not eligible for that assistance.

Satisfactory Academic Progress

Institutions must establish a reasonable satisfactory academic progress 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 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 University's policy is to evaluate satisfactory academic progress (SAP) for all students at the end of each period of enrollment. The University's policy is to place students in a warning status for one term when they do not comply with its SAP policy. If the student does not comply with the SAP policy for a second term, the student should be placed in a suspension status and is ineligible to receive Title IV assistance until the student submits an appeal and the University approves the appeal, or until the student regains eligibility by complying with the University's SAP policy. However, in practice, it's the University's process to place the student in a warning status for two terms prior to suspending the student's eligibility for Title IV assistance. The University's process is not consistent with its policy for determining compliance with its established SAP standards, which increases the risk that the University could allow students to receive assistance for one term longer than specified by its policy.

Based on the process the University used to calculate SAP during the 2011-2012 award year, for 26 (43 percent) of 60 students tested, the University did not determine the student's compliance with its SAP standards for one or more terms or made errors in determining compliance. Specifically:

- For eight students, the University assigned an inappropriate SAP status. For those students, the University either did not send SAP warnings or sent warnings after the students met SAP. That occurred because of errors in the automated processes the University used to determine compliance with its SAP standards. For example, that process did not correctly determine compliance for prior terms based on the completion requirements that were in effect for those terms.

- For 16 students, the University did not determine SAP status for one or more terms in the award year. The University asserted that errors in its automated SAP determination process caused that issue.
- For two students enrolled in the University’s law program, the University did not determine compliance with its SAP policy during the 2011-2012 award year. That occurred because the University did not determine SAP compliance for students enrolled in its law program during the award year. During the 2011-2012 award year, the University disbursed Title IV assistance to 487 students enrolled in its law program.

As a result of the SAP issues discussed above, the University awarded financial assistance to one student who was not eligible for that assistance. That student received \$9,201 in Direct Loans associated with award P268K122328 when the student should have been suspended from receiving that assistance. Not correctly assigning SAP status increases the risk that the University could award Title IV assistance to students who are not eligible for that assistance.

Corrective Action:

This finding was reissued as current year reference number: 2013-149.

Reference No. 13-129

Special Tests and Provisions - Verification

(Prior Audit Issues 12-136, 11-136, and 09-72)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Education Opportunity Grants, P007A114151; CFDA 84.033, Federal Work-Study Program, P033A114151; CFDA 84.063, Federal Pell Grant Program, P063P112328; CFDA 84.268, Federal Direct Student Loans, P268K122328; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122328

Type of finding – Significant Deficiency and Non-Compliance

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education to 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; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student’s eligibility results in a total difference of more than \$400 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student’s new information to determine whether an adjustment to Title IV assistance is required (Title 34, CFR, Section 668.59).

Initial Year Written: 2008
Status: Partially Implemented
U.S. Department of Education

Additionally, on March 31, 2011, the U.S. Department of Education clarified in the *2011-2012 Application and Verification Guide* section of its *Federal Student Aid Handbook*, that the Making Work Pay tax credit should be included in verification as a component of other untaxed income (*2011-2012 Application and Verification Guide*, page AVG-19).

For 6 (10 percent) of 60 student verifications tested, Texas Tech University (University) did not retain supporting documentation for all verified amounts. Additionally, the University did not accurately verify all required items on the Institutional Student Information Records (ISIR). Specifically:

- For two student verifications, the University made manual errors to AGI or tax paid amounts in its financial aid system. For those two students, the University also did not accurately verify other untaxed income (see the issue

involving the Making Work Pay tax credit discussed below). Based on information the University provided, those errors resulted in an overaward of \$1,125 in Pell grants associated with award P063P112328.

- For four student verifications, the University could not provide evidence of supporting documentation for all verified amounts, including AGI, taxes paid, and untaxed income. For those students, the University obtained the wrong year tax return, did not retain all pages of the tax return that it used for verification, or could not support that it had obtained a tax return. When auditors brought this issue to management's attention, it subsequently obtained support for all four student verifications. Based on information the University provided, these errors did not result in adjustments to the students' ISIRs or awards.

The above errors occurred because of manual errors the University made in verification. Additionally, the University did not perform supervisory or peer review of completed verifications to help ensure the accuracy of those verifications.

In addition, for 51 (88 percent) of 58 students who received untaxed income, the University did not accurately verify the Making Work Pay tax credit when it verified the information on the students' FAFSAs. Of those 51 students, 26 had errors on their FAFSAs that exceeded \$400; as a result, the University should have requested new ISIRs for those students. According to the University, those errors occurred because it did not become aware of the requirement to include the Making Work Pay credit as untaxed income until November 2011. The exclusion of untaxed income from the ISIRs could affect the students' expected family contribution and increases the risk that students could be overawarded Title IV assistance. Additionally, for 1 of those 26 students, the University incorrectly excluded \$2,024 in retirement deferrals from untaxed income. Based on information the University provided, the student's errors related to untaxed income resulted in an overaward of \$745 in Pell grants associated with award P063P112328.

Correction Action:

This finding will be reissued as current year reference number: 2013-150.

Reference No. 13-130

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

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K122328; CFDA 84.063, Federal Pell Grant Program, P063P112328; and CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114151

Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notifications

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: 2012 Status: Implemented U.S. Department of Education

For 4 (7 percent) of 55 students tested who received 6 disbursements of Direct Loans, Texas Tech University (University) did not send required disbursement notifications within 30 days of disbursement during the Summer 2012 term. The University sent those disbursement notifications between 37 and 58 days after crediting the students' accounts. Those errors occurred because of an error in the query the University used to identify students who received a disbursement during Summer 2012. As a result, students who received a disbursement for Summer 2012 Direct Loans prior to July 26, 2012 did not receive a notification until auditors brought this issue to the University's attention during this audit. Not receiving disbursement notifications promptly could impair students' and parents' ability to cancel their loans.

Accounting for Post-withdrawal Disbursements

If the total amount of Title IV assistance earned by a 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, Code of Federal Regulations, Sections 668.22(a)(4)).

For 7 (10 percent) of 67 students tested who withdrew during a semester, the University recorded an additional disbursement to the students for the period of enrollment in which the students withdrew. The additional disbursements occurred after the University had determined that the students withdrew and after it had completed the return of Title IV funds process for those students. Those errors were related to the manner in which the University recorded the disbursements it made to those students in its financial aid system. Specifically:

- For three students, the University's student financial aid system incorrectly reflected Fall 2011 disbursements when the students had withdrawn during that semester. Those disbursements should have been recorded as Spring 2012 disbursements, during which time the students were enrolled. This occurred because the University did not manually override the default aid packaging in its student financial aid system as Spring-only disbursements. As a result, \$9,587 in Direct Loans funds and \$388 in Federal Supplemental Educational Opportunity Grant funds were incorrectly recorded in the financial aid system as Fall 2011 disbursements instead of Spring 2012 disbursements.
- The University recorded financial aid in the wrong semester for three students who had withdrawn from the University in a prior term, and it disbursed excess aid to two of those students. That occurred because the University incorrectly set up the Summer Pell grant calculation in its student financial aid system. The University identified this issue in early Summer 2012, and it asserted that it reviewed and updated Summer Pell awards based on remaining eligibility. However, the University's review did not detect that, for one student, a \$347 Pell disbursement was incorrectly recorded in the financial aid system for Spring 2012 instead of for Summer 2012. In addition, the University's review did not detect that, for the other two students, disbursements of \$2,775 and \$694 were incorrectly recorded in the financial aid system for Fall 2011 and Spring 2012, respectively, instead of for Summer 2012. For those two students, this error also resulted in a total Pell grant overaward of \$2,081 associated with award P063P112328 (\$1,387 and \$694, respectively).
- For one student, the University incorrectly recorded a disbursement of Direct Loan funds to the student's Spring 2012 law program assistance when the student had withdrawn from that program. The student withdrew from the law program in Spring 2012 and re-enrolled in a graduate program that same semester. However, the student's assistance was incorrectly recorded as a Spring 2012 disbursement in the law program budget group. The University asserted that its student financial aid system does not allow for two different aid periods and budget groups in the same year, and that it could not change the aid period and budget group to the graduate program for Spring 2012. However, the University did not make a manual adjustment to the student's disbursement to correct that error.

Corrective Action:

Corrective action was taken.

Reference No. 13-131

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 12-137, 11-138, and 09-74)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112328; CFDA 84.268, Federal Direct Student Loans, P268K122328; CFDA 84.007, Federal Supplement Educational Opportunity Grants, P007A114151; CFDA 84.038, Federal Perkins Loans, Award Number Not Available; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122328

Type of finding – Material Weakness 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, 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 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, Section 668.22(a)).

Initial Year Written: 2008
Status: Partially 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, Code of Federal Regulations, 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, Code of Federal Regulations, 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, Code of Federal Regulations, Section 668.22(j)(2)).

Texas Tech University’s (University’s) query to identify students who unofficially withdrew from the University incorrectly excluded some students who may have unofficially withdrawn during the 2011-2012 award year. That occurred because the query included students who received grades of only “F”; as a result, the query excluded students with other 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 determine whether it needed to return funds for 349 potential withdrawals associated with 335 students. Those students received a total of \$1,995,238 in Title IV assistance for the semesters in which they potentially withdrew during the 2011-2012 award year. Because the University did not request information or calculate returns, auditors could not determine whether the University was required to return Title IV funds for those students.

In addition, the University did not always document or correctly perform return calculations when required.

For 9 (16 percent) of 55 students tested who required a Return of Title IV funds calculation, the University either did not document its calculations or did not perform the calculation correctly. Specifically:

- For two students who withdrew from the University’s law program, the University did not adjust the students’ period of enrollment in its return calculations for those students. Instead, the University incorrectly applied the period of enrollment for students enrolled in its non-law programs. As a result, for one of those students, the University returned \$212 in excess Direct Loan funds. For the other student, the University should have returned (but did not return) \$137 in Direct Loan funds associated with award P268K122328.

- For two students who unofficially withdrew, the University did not calculate whether a return was necessary because it did not request any documentation to determine the students' last date of attendance. As a result of that error, the University also did not determine the students' withdrawal dates within 30 days of the end of the period of enrollment. For one student, the University identified the student in its unofficial withdrawals query, but it did not notify the student of the requirement to provide evidence of the student's last date of attendance as specified in its policies and procedures. That student received \$694 in Pell grants associated with award P063P112328 and \$2,737 in Direct Loan funds associated with award P268K122328. For the other student, the University did not request documentation because the student was excluded from the University's unofficial withdrawal report. That student was excluded from the unofficial withdrawal report because the University had not yet disbursed Title IV assistance to the student when it ran its Fall semester unofficial withdrawal report. The University later disbursed Direct Loan funds to the student, but it never requested any documentation of attendance from the student. The University disbursed a total of \$2,775 in Pell funds associated with award P063P112328 and \$3,538 in Direct Loan funds associated with award P268K122328 to that student.
- For five students who unofficially withdrew, the University correctly determined that the students had completed more than 60 percent of the enrollment period; as a result, the University did not need to return funds for those students. However, the University did not document its return calculation using the U.S. Department of Education's calculation worksheet, as required by its internal procedures.

Correction Action:

This finding will be reissued as current year reference number: 2013-151.

Reference No. 13-132

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 12-138, 11-139, and 09-75)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K122328

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).

The University did not always report student status changes to NSLDS in an accurate and timely manner. Specifically:

- For 6 (10 percent) of 61 students tested, enrollment status changes were not reported to NSLDS. For two of those students, the University reported the enrollment status changes in a timely manner to NSC, but the status

changes were not reported to NSLDS. The University was unable to determine why NSC did not report these changes to NSLDS. The remaining four students graduated from the University's law school in May 2012, but they were not reported as having graduated to NSC or NSLDS. Those errors occurred because of an inconsistency in the formatting of the file the University uses to send records to NSC. Based on information the University provided, the formatting error resulted in 21 fall law school graduates and 186 spring law school graduates not being reported to NSC or NSLDS.

- For 4 (7 percent) of 61 students tested, an incorrect enrollment status change was reported to NSLDS. The University incorrectly reported all four students as withdrawn when it should have reported them as graduated. The University was unable to identify a cause for those errors.

Automated controls are not operating effectively to help ensure that enrollment files and degree verifications the University submits to NSC are complete and accurate. For example, when the University uploaded one enrollment file to NSC, NSC did not receive information for 47 students because of an inconsistency in one data field. Additionally, the University does not have a monitoring process to help ensure that NSC reports enrollment status information to NSLDS in an accurate and timely manner.

Inaccurate and delayed 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.

Correction Action:

This finding will be reissued as current year reference number: 2013-152.

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: Partially 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.

Recommendations:

The University should:

- Send disbursement notifications to Perkins Loan and TEACH Grant recipients within 30 days before or after crediting a student's account with funds.
- Retain documentation demonstrating that it sent disbursement notifications within the required time frames.

Management Response and Corrective Action Plan 2011:

Management has made corrections to software processes to ensure that all disbursement notifications are sent to recipients of Federal Direct Loans, Federal Perkins Loans, and TEACH Grants within 30 days before or after a student's account is credited with the funds. Disbursement notifications have been sent to all Perkins Loan and TEACH Grant recipients who did not receive timely notifications.

Management has corrected its automated processes to ensure that dated copies of all disbursement notifications sent to Federal Direct Loan, Federal Perkins Loan, and TEACH Grant recipients are automatically saved to the Financial Aid Office's imaging system.

Procedures have been modified to strengthen and improve oversight of the reporting of Direct Loan and Pell Grant disbursement records to COD to ensure that the information is accurate. The necessity of manual data entry has been minimized.

Management Response and Corrective Action 2012:

Management will correct software processes to ensure that all disbursement notifications are sent to recipients of Federal Direct Loans, Federal Perkins Loans, and TEACH Grants within 30 days before or after a student's account is credited with the funds. Disbursement notifications were sent to all Perkins Loan and TEACH Grant recipients who failed to receive them.

Management will make corrections to its automated processes to ensure that dated copies of all disbursement notifications sent to recipients of Federal Direct loans, Federal Perkins Loan, and TEACH Grants are automatically saved to the Financial Aid Office's imaging system.

2013 Update:

The University has implemented a process to send disbursement notifications to Perkins Loan and TEACH Grant recipients; however, the University did not always send TEACH Grant disbursement notification letters within the required time frame. For one TEACH Grant disbursement tested, the University coded the disbursement as a Direct Loan and not a TEACH Grant in the notification letter. That error was not corrected within 30 days of crediting the student's account. Additionally, for students who received multiple TEACH Grant disbursements in the Summer 2013 term, the University sent a disbursement notification letter only for the initial disbursement and not for any subsequent disbursements.

The University did retain documentation that it sent disbursement notification letters within the required time frame for all Direct Loan disbursements tested.

Management Response and Corrective Action 2013:

The automated process for generating disbursement letters and storing copies of the disbursement letters in the financial aid imaging system was modified to eliminate errors in processing. The original implementation date was March 15, 2013, but further testing and refinement of the process was conducted after that date and will be completed on December 15, 2013.

Implementation Date: December 15, 2013

Responsible Person: Governor Jackson

University of Houston

Reference No. 13-143

Eligibility

(Prior Audit Issue 12-150)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114166; CFDA 84.033, Federal Work-Study Program, P033A114166; CFDA 84.038, Federal Perkins Loans - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P112333; CFDA 84.268, Federal Direct Student Loans, P268K122333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122333

Type of finding – Significant Deficiency and Non-Compliance

Post-baccalaureate Student Receipt of Pell Grant

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). An institution must determine whether a student is eligible to receive a 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 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)).

Initial Year Written: 2011
Status: Implemented
U.S. Department of Education

One (4 percent) of 26 post-baccalaureate students who received a Pell grant from the University of Houston (University) during the 2011-2012 award year was not eligible for that assistance. The University awarded the student a Pell grant because it did not identify and update its records regarding this student’s degree status in a timely manner. Specifically, the University did not update the student’s record in its financial aid system in a timely manner to reflect that the student had earned a bachelor’s degree in May 2011. As a result, the financial aid system did not prevent disbursement of a Pell grant to the student. This resulted in the disbursement of \$700 in Pell funds associated with award P063P112333 for which the student was not eligible.

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, 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 which consists of grades or other comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum timeframe within which a student must complete his or her education (Title 34, CFR, Section 668.34).

For 1 (2 percent) of 44 students tested for whom the University was required to review SAP, the University incorrectly determined that the student had made satisfactory academic progress. This error occurred because of incorrect programming logic the University’s financial aid system used to determine whether the student had enrolled in credit hours that exceeded 150 percent of the student’s degree plan. The University’s financial aid system was programmed to identify undergraduate students who exceeded 190 hours as not meeting the University’s SAP policy, but it did not detect that the student exceeded 150 percent of the student’s specific degree plan (180 hours). As a result, the University awarded the student \$10,194 in assistance for which the student was not eligible. This issue affected the following awards:

<u>CFDA Name</u>	<u>CFDA</u>	<u>Agency</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Questioned Cost</u>
Perkins Loans	84.038	U.S Department of Education	Award Number Not Applicable	July 1, 2011 to June 30, 2012	\$1,200
Federal Pell Grant Program	84.063	U.S Department of Education	P063P112333	July 1, 2011 to June 30, 2012	\$2,775
Federal Direct Student Loans	84.268	U.S Department of Education	P268K122333	July 1, 2011 to June 30, 2012	\$6,219

Corrective Action:

Corrective action was taken.

Reference No. 13-144

Reporting

(Prior Audit Issues 12-151, 11-151, 10-94, and 09-83)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.063, Federal Pell Grant Program, P063P112333

Type of finding – Significant Deficiency and Non-Compliance

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, June 2012, Part 5, Student Financial Assistance Cluster, III.L.1.d (page 5-3-22) and Title 34, Code of Federal Regulations, Section 690.83). 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, June 2012, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-33)).

Initial Year Written: 2008
 Status: Implemented

 U.S. Department of Education

For 1 (2 percent) of 60 students tested, the University of Houston (University) did not report a disbursement to the COD System within 30 days of the disbursement for the Fall 2011 semester. The University reported that disbursement to the COD System 53 days after disbursement. The University initially submitted the disbursement record within the required time frame; however, the COD System rejected that disbursement record because of an inconsistency in the data. Additionally, during the Fall 2011 semester the University did not regularly review files that the COD System rejected. As a result, the University could not ensure that the U.S. Department of Education received all Pell disbursement data in a timely manner during the Fall 2011 semester.

Corrective Action:

Corrective action was taken.

Reference No. 13-145

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112333; CFDA 84.0007, Federal Supplemental Educational Opportunity Grants, P007A114166; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122333; CFDA 84.033, Federal Work-Study Program, P033A114166; and CFDA 84.268, Federal Direct Student Loans, P268K122333

Type of finding – Significant Deficiency and Non-Compliance

Making Work Pay Tax Credit

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education to 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; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations, Section 668.56).

Initial Year Written: 2012
Status: Implemented
U.S. Department of Education

Additionally, on March 31, 2011, the U.S. Department of Education clarified in the *2011-2012 Application and Verification Guide* section of its *Federal Student Aid Handbook*, that the Making Work Pay tax credit should be included in verification as a component of other untaxed income (*2011-2012 Application and Verification Guide*, page AVG-19).

For 11 (20 percent) of 55 students who received untaxed income, the University of Houston (University) did not verify the Making Work Pay tax credit when it verified the information on the students' FAFSAs. Of those 11 students, 4 had errors on their FAFSAs that exceeded \$400; as a result, the University should have requested a new Institutional Student Information Record (ISIR) for those students. According to the University, those errors occurred because it did not begin verifying the Making Work Pay credit until after receiving guidance from the National Association of Student Financial Aid Administrators (NASFAA) in April 2011. The exclusion of this tax credit from the ISIRs could affect the students' expected family contribution and increases the risk that students could be overawarded Title IV assistance.

Verification Policies and Procedures

Policies and procedures for verification 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 expected family contribution (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, Code of Federal Regulations, 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 (Title 34, Code of Federal Regulations, Section 668.53).

The University's policies and procedures for the verification process did not include three of the seven requirements. Specifically, the University's verification policies and procedures did not include:

- The period within which applicants selected for verification are required to provide the documentation.
- The methods by which the University notifies applicants of the results of verification if it identifies changes in the applicant's EFC or award or loan amounts.
- The procedures for making referrals under Title 34, Code of Federal Regulations, Sec. 668.16.

While the University's revised verification policies and procedures for the 2011- 2012 award year were reviewed and approved by management, that review was not sufficient to detect that certain required elements were not included.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements.

Corrective Action:

Corrective action was taken.

Reference No. 13-146

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 12-152, 11-153, 10-97, and 09-86)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112333; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114166; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122333; CFDA 84.033, Federal Work-Study Program, P033A114166; and CFDA 84.268, Federal Direct Student Loans, P268K122333

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 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, Section 668.22(a)).

Initial Year Written: 2008 Status: Partially 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, Code of Federal Regulations, 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, Code of Federal Regulations, 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, Code of Federal Regulations, Section 668.21(b)).

For 27 (69 percent) of the 39 students tested who unofficially withdrew, the University of Houston (University) did not determine the withdrawal dates within the required 30-day time frame. Specifically:

- For 24 students with unofficial Fall semester withdrawals, the University's determination of the withdrawal date was 31 days after the end of the semester. The University's procedures to identify unofficial withdrawals require students who received all Fs in a semester to complete a proof of course completion form providing

evidence that they had attended at least one class. However, to determine the withdrawal dates the University incorrectly used the date on which it ran the query to identify students who received all Fs (instead of the date on which it actually determined that the students had withdrawn or never attended).

- For two students with unofficial Fall semester withdrawals, the University determined the withdrawal dates for the students 115 days and 156 days after the end of the period of enrollment. Those errors resulted from an error in the University's January 2012 query to identify students who received all Fs for the Fall semester. The University identified the error in March 2012, more than 30 days after the end of the Fall semester. Based on a discussion with management, the error resulted in an additional 43 students whose withdrawal dates were identified more than 30 days after the end of the Fall semester. Additionally, the University granted one of the two students an extension to the deadline for submission of acceptable proof of course completion documentation.
- For one student with an unofficial Spring semester withdrawal, the University's determination of the withdrawal date occurred 90 days after the end of the period of enrollment. The University identified the student in the query it ran in May 2012; however, the University did not request proof of course completion from the student until August 2012.

When the University does not identify unofficial withdrawals within the required time frame, this increases the risk that it will not return unearned funds to the U.S. Department of Education in a timely manner.

Corrective Action:

This finding was reissued as current year reference number: 2013-164.

Reference No. 13-147

Special Tests and Provisions – Enrollment Reporting

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

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K122333

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: 2006 Status: Partially Implemented U.S. Department of Education

The University of Houston (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, the *NSLDS Enrollment Reporting Guide* specifies that, in the case of a student who completes a term and does not return for the next term, the institution should report the final day of the term in which the student was last enrolled as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix A-3).

For 8 (13 percent) of 60 student status changes tested, the University did not report the change to NSLDS in an accurate or timely manner. Specifically:

- One student officially withdrew from the University for medical reasons in December 2011 with an effective withdrawal date of October 11, 2011. However, because the registrar's office did not process the student's medical withdrawal until January 2012, which was after the end of the Fall term, the University's automated process to report status changes did not capture the medical withdrawal date recorded in the financial aid system. Instead, in February 2012, the University incorrectly reported the student's withdrawal date as the last day of the Fall term. In May 2012, the University corrected the effective date of the withdrawal manually. However, that manual correction was overwritten by the University's automated process to report status changes in June 2012, when the University again reported the student's withdrawal date as the last day of the Fall term.
- For three students who completed the Fall 2011 term and subsequently canceled their Spring 2012 enrollment after they were placed on academic suspension, the University incorrectly reported the withdrawal date. Although the University initially reported the final day of the Fall term as the withdrawal date, it subsequently reported the date on which the academic suspension process ran in the financial aid system as the withdrawal date because that was the withdrawal date recorded in the financial aid system.
- For four students who unofficially withdrew in the Spring 2012 term, the University reported incorrect withdrawal dates to NSC. All four students earned all non-passing grades in the Spring and did not provide evidence that they attended during the term. As a result, in June 2012, financial aid staff determined that those students had never attended the Spring 2012 term and returned all Title IV assistance as required. In August 2012, the financial aid office manually reported the four students as withdrawn to NSLDS using the first day of the Spring 2012 term as the withdrawal date instead of the final day of the Fall 2011 term as required. The University asserted that this error occurred because staff were unaware of the requirement to report the final day of the term in which the student was last enrolled. (In addition, for one student, the financial aid office manually reported the student's withdrawal three days late.) The registrar's office subsequently ran its automated process for reporting student status changes to NSC; that process overrode the manual updates for three of the four students: the automated process incorrectly reported two students with withdrawal dates at the end of the Spring 2012 term and it incorrectly reported the other student as full-time. Those errors occurred because the University does not have a process to ensure that financial aid staff and the registrar's office coordinate on enrollment reporting, including communicating unofficial withdrawals to the registrar.

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.

Corrective Action:

This finding was reissued as current year reference number: 2013-165.

Reference No. 13-148

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

(Prior Audit Issues 12-154 and 11-155)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K122333

Type of finding – Significant Deficiency and Non-Compliance

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 a cash summary, cash detail, and (optional at the request of the institution) loan detail records. The institution is required to reconcile these files to its financial records on a monthly basis. 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, Section 685.102(b), and *Direct Loans School Guide*, Chapter 6, Reconciliation).

Initial Year Written: 2010 Status: Partially Implemented

U.S. Department of Education

For 1 (2 percent) of 60 students tested, the University of Houston (University) did not report a disbursement to the COD System within 30 days of the disbursement. While the University originally reported the disbursement within 30 days, the COD system rejected it and the University's financial aid system placed it on hold. The University did not review its *Loan on Hold* report regularly and, as a result, it did not identify the error promptly. The University later adjusted the award amount and reported the disbursement again to the COD System 156 days after the disbursement. As a result, the U.S. Department of Education did not receive Direct Loan disbursement data for the student associated with that disbursement in a timely manner.

While the University has developed and implemented procedures to reconcile its detailed financial aid disbursement records to the SAS files it receives each month, it did not document the reconciliations it performed during the award year for disbursement records. The University uses an automated process to reconcile the SAS files to the University's financial aid system. While the reconciliation produces a report that the University asserts it reviews, the University did not document that review. Additionally, the reconciliation does not include a review of the cash detail or cash summary records as required by the *Direct Loan School Guide*, Chapter 6, Reconciliation, pages 6-71 through 6-76.

Not documenting reconciliations increases the risk that the reconciliations will not be performed and that inaccurate and incomplete Direct Loan disbursement data could be reported to the DLSS. That could result in the University being required to make repayments.

Corrective Action:

This finding was reissued as current year reference number: 2013-166.

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 10871l).

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.

Recommendation:

The University should ensure the COA budgets within the financial aid application contain sufficient detail to verify COA for part-time students.

Management Response and Corrective Action Plan 2010:

To help ensure that the COA budgets within the financial aid application contain sufficient detail to verify COA for part-time students we will prepare a supporting spreadsheet for undergraduate students: full time (12 or more hours), three quarter time (9-11 hours), half-time time (6-8 hours), and less than half-time (less than 6 hours) and for graduate students: full time (9 or more hours), three quarter (7-8 hours) and half-time (5-6 hours) students. The University’s official Tuition and Fee schedule will be maintained as an attachment.

Management Response and Corrective Action Plan 2011:

A budget spreadsheet was created to clearly display student budgets per hours registered.

Management Response and Corrective Action Plan 2012:

- 1. Spreadsheet has been created to clearly display student budgets per hours registered.*

2. *This process in Banner Financial Aid is a manual process and not automated with the implementation of Banner Financial aid as expected (enhancement to come with next Banner upgrade). FAO has developed procedures to manually update the Cost of Attendance items for students not enrolled full-time.*

Management Response and Corrective Action Plan 2013:

1. *A spreadsheet has been created to clearly display student cost of attendance budgets per hours registered.*
2. *This process in Banner Financial Aid is a manual process and not automated with the implementation of Banner Financial aid as expected. FAO has developed procedures to manually update the Cost of Attendance items for students not enrolled full-time. The Director of Financial Aid will generate a list once a month for counselors to review and adjust cost of attendance budgets for students not enrolled full-time.*
3. *The Period Algorithmic Budgeting process was included as an enhancement with the last Banner Financial Aid system upgrade performed September 28, 2013. The Period Algorithmic Budgeting allows budgeting by term using the students' enrollment hours, allowing students to have a budget constructed with components and amounts that are specific to each students' terms. UHD FAO has been testing the Period Algorithmic Budgeting process and expects final implementation during February 2014.*

Implementation Date: February 2014

Responsible Person: LaTasha Goudeau

Reference No. 11-159

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 84.032 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 and Non-Compliance

Financial Assistance History

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 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 that disbursement (Title 34, Code of Federal Regulations, Section 668.19).

Initial Year Written:	2010
Status:	Implemented
U.S. Department of Education	

For all three mid-year transfer students tested, the University could not provide evidence of financial assistance history review prior to disbursing financial aid. The University does not have a policy or procedure to ensure it verifies and documents financial assistance history of mid-year transfer students prior to aid disbursement. As a result, the University may award funds in excess of federal limits to a student who received financial assistance at another institution at the start of the award year.

Corrective Action:

Corrective action was taken.

University of North Texas

Reference No. 13-150

Eligibility

(Prior Audit Issue 12-155)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114085; CFDA 84.033, Federal Work-Study Program, P033A114085; CFDA 84.038, Federal Perkins Loan-Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P112293; CFDA 84.268, Federal Direct Student Loans, P268K122293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122293

Type of finding – Significant Deficiency and Non-Compliance

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: 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).

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).

During the Fall 2011 term, the University of North Texas (University) used full-time budgets to determine COA for all students receiving financial assistance who applied for Title IV assistance prior to the Fall 2011 census date, regardless of each student’s actual or anticipated enrollment. As a result, for 7 (12 percent) of 60 students tested, the University incorrectly calculated the students’ COA for the Fall 2011 semester. However, based on those students’ actual enrollment information, those seven errors did not result in overawards of Title IV assistance. Although those errors did not result in overawards, using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of overawarding financial assistance.

The University revised its process to begin surveying some students to determine their anticipated enrollment and manually adjust COA for those students, when necessary, for the Spring 2012 semester. However, it surveyed only students who were originally budgeted at full-time in Fall 2011 and did not enroll in sufficient hours to be classified as a full-time student in Fall 2011. That approach increases the risk of awarding financial assistance that exceeds financial need because not all students received the University’s survey. The University further revised that process for the Summer 2012 term.

In addition, for 1 (2 percent) of 60 students tested, the University incorrectly overawarded the student \$8,776 in Direct Loans associated with award P268K122293 as part of the student’s Spring 2012 assistance. The University originally calculated that student’s COA based on full-time enrollment for the Fall 2011 and Spring 2012

semesters. However, the student did not attend during Fall 2011 and attended three-quarter time during Spring 2012. The University asserted that this error occurred because it did not correctly adjust the student's assistance when the student was listed on an automated exception report that indicated a potential overaward resulting from the student's Spring-only enrollment.

Corrective Action:

Corrective action was taken.

University of Texas at Arlington

Reference No. 13-154

Eligibility

Special Tests and Provisions – Institutional Eligibility

(Prior Year Audit Issue 12-156)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112335; CFDA 84.268, Federal Direct Student Loans, P268K122335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122335; CFDA 84.033, Federal Work-Study Program, P033A114172; CFDA 93.264, Nurse Faculty Loan Program, E01HP12986; CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP18579; CFDA 93.407, ARRA – Scholarships for Disadvantaged Students, T0AHP18297; and CFDA 84.038, Federal Perkins Loan – 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 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 12 (20 percent) of 60 students tested, the University of Texas at Arlington (University) incorrectly calculated COA. Specifically:

- For seven of those students, the University incorrectly calculated COA because it used full-time budgets to determine the COA for all students receiving assistance in the Summer 2011 and Fall 2011 semesters, regardless of each student's actual or expected enrollment. The University awarded one of those students Title IV assistance that exceeded his financial need, which resulted in an overaward of \$1,344 in Direct Subsidized Loans associated with award P268K122335.
- For the other five students, the University incorrectly calculated COA because it calculated COA for Summer 2011 graduate students using undergraduate room and board budgets.

In addition, for 1 (2 percent) of 60 students tested, the University did not adjust the award amount for a student after it appropriately adjusted that student's COA. The University originally calculated that student's

COA at a full-time status, and it later updated that COA to reflect three-quarter-time enrollment. However, when it made that adjustment in accordance with its policy for determining COA, it did not adjust the student's award. That resulted in an overaward of \$1,859 in Direct Unsubsidized Loans associated with award P268K122335.

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 (2011-2012 *Federal Student Aid Handbook*, Volume 3, Chapter 3). 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).

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)).

For 1 (3 percent) of 38 Pell Grant recipients tested, the University incorrectly calculated and awarded a Pell Grant. That error occurred because the University made a manual error while calculating the student's Pell grant amount, which resulted in an overaward of \$63 in Pell grant funds. After auditors brought this issue to its attention, the University provided evidence that it corrected that error.

In addition, the University disbursed \$10,513 in Pell Grants to four students who had previously obtained an undergraduate degree. That error occurred because the students did not indicate on their ISIRs that they had already graduated. After auditors brought this issue to its attention, the University provided evidence that it corrected those errors.

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, 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, and it should specify how a student's GPA and pace of completion are affected by incompletes, withdrawals, repetitions of courses, and transfers of credits from other institutions. For an undergraduate program measured in credit hours, the maximum time frame for a student to complete the program is no longer than 150 percent of the published length of that program (Title 34, CFR, Section 668.34).

The University's SAP policy does not comply with all federal requirements. Specifically, the policy does not explain how transfer credits affect a student's pace of completion and it also does not restrict the maximum number of hours allowed to 150 percent of the published length of the programs for some programs. The SAP policy establishes a maximum time frame of 186 hours for undergraduate students; however, the University offers programs that require fewer than 124 credit hours. That issue increases the risk that the University could award assistance to students who may not have made satisfactory academic progress and, therefore, may not be eligible for that assistance.

The University established guidelines in its student financial aid system that are inconsistent with its SAP policy; therefore, its student financial aid system does not ensure that the University will correctly identify some students who may not comply with its SAP policy. While the SAP policy states that students working toward a master's degree can attempt a maximum of 54 hours and post-baccalaureate students can attempt a maximum of 45 hours, the University established limits in its student financial aid system of between 60 and 100 hours for students working toward a master's degree and 175 hours for post-baccalaureate students. Additionally,

while the University's SAP policy states that repeated and remedial coursework should be included in the student's GPA calculation, the GPA calculation in the University's student financial aid system does not include that coursework. Those issues increase the risk that the University could award financial assistance to students who do not comply with its SAP policy.

Correction Action:

This finding will be reissued as current year reference number: 2013-170.

Reference No. 13-155

Special Tests and Provisions – Verification

(Prior Audit Issue 12-158)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants (TEACH Grants), P379T122335; CFDA 84.033, Federal Work-Study Program, P033A114172; CFDA 84.268, Federal Direct Student Loans (Direct Loan), P268K122335; and CFDA 93.264, Nurse Faculty Loan Program, E01HP12986

Type of finding – Significant Deficiency and Non-Compliance

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education to 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; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student's eligibility results in identifying an error in the non-dollar items (such as household size) used to calculate the student's expected family contribution, or in a total difference of more than \$400 from the student's original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student's new information to determine whether an adjustment to Title IV assistance is required (Title 34, CFR, Section 668.59).

Initial Year Written: 2011 Status: Partially Implemented

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

Additionally, on March 31, 2011, the U.S. Department of Education clarified in the *2011-2012 Application and Verification Guide* section of its *Federal Student Aid Handbook*, that the Making Work Pay tax credit should be included in verification as a component of other untaxed income (*2011-2012 Application and Verification Guide*, page AVG-19).

For 2 (3 percent) of 60 students tested, the University of Texas at Arlington (University) did not accurately verify the number of household members enrolled in college. As a result, the University did not request new Institutional Student Information Records (ISIRs) for those students at the time of verification. For one student, the University determined that one household member was enrolled in college when the supporting documentation indicated that two household members were enrolled in college. Based on information the University provided, that resulted in an underaward of \$1,275 in Pell grants. However, the University corrected that underaward after auditors brought this issue to its attention. For the other student, the University determined that two household members were enrolled in college when the supporting documentation indicated that one household member was enrolled in college. Based on information the University provided, that did not affect the amount of assistance awarded.

According to University personnel, those errors were due to manual errors made during the verification process.

Additionally, for 17 (28 percent) of 60 students who received untaxed income, the University did not accurately verify the amount of other untaxed income, including the Making Work Pay tax credit, when it

verified the students' FAFSAs. Nine of those 17 students had errors on their FAFSAs that exceeded \$400; as a result, the University should have requested (but did not request) new ISIRs for those students. Those errors occurred because the University did not consistently verify the Making Work Pay tax credit when it initially completed verifications for the 2011-2012 award year in March 2011 and April 2011. Based on information the University provided, those errors resulted in an overaward of \$800 in Pell grant funds associated with award P063P112335. However, the University corrected those overawards after auditors brought this issue to its attention. Additionally, for one of those students, the University did not accurately verify the amount of child support received in untaxed income. Based on information the University provided, that error resulted in an underaward of \$200 in Pell grant funds associated with award P063P112335. However, the University corrected that underaward after auditors brought this issue to its attention.

Correction Action:

This finding will be reissued as current year reference number: 2013-171.

Reference No. 13-156

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 12-160 and 10-112)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114172; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P112335; CFDA 84.268, Federal Direct Student Loans, P268K122335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122335

Type of finding – Material Weakness and Material Non-Compliance

Calculation and Return of Title IV Assistance

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)(4-5)).

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. 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)).

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)).

For 26 (51 percent) of 51 students tested for whom the University of Texas at Arlington (University) was required to determine whether a return was required, the University did not correctly calculate the required return using its return calculation process. Specifically:

- **For 12 students who unofficially withdrew, the University did not accurately determine their withdrawal dates.** For 11 of those students, those errors occurred because the University initially noted the withdrawal dates as halfway through the semester, and it did not revise those dates in its return calculations for students who did not provide evidence that they attended during the term. Although the University initially incorrectly calculated the amount it should return, it later returned all required funds for those students when it determined that those students had not begun attendance for a term. For the remaining student, the University calculated the amount to be returned based on a date that differed from the date of the student's last attendance that was specified in supporting documentation. As a result of that error, the University returned \$3,769 in excess funds for that student.
- **For 14 students, the University did not correctly calculate the number of days in the payment period.** That occurred because (1) the University used an incorrect number of days for its spring break period when it determined the length of the period of enrollment and (2) the University incorrectly calculated the enrollment period for some students enrolled in its dynamic sessions, which vary in length. For five of those students, although the University incorrectly calculated the number of days in the payment period, it was not required to return funds for those students. For seven students, the University did not return \$763 in Direct Loan funds associated with award P268K122335. Additionally, for one of those seven students, the University did not return funds or notify the student that the student was required to return \$136 in Pell Grant funds associated with award P063P112335. The University also did not report a grant overpayment to the U.S. Department of Education as required. For the remaining two students, the University returned \$1,085 in excess funds.
- **In addition, for 2 (6 percent) of 34 students tested for whom the University correctly calculated the amount to be returned, the University did not ensure that all required grant funds were returned to the U.S. Department of Education or notify the U.S. Department of Education of grant overpayments to those students.** The University's process is to calculate the amount that both it and the student are required to return, and to return its portion of those funds. The University then notifies the student of the amount it returned, but it does not inform students of the portion they are required to return. As a result, the students did not return \$501 in Pell Grant funds associated with award P063P112335. In addition, the University did not provide evidence that it reported those grant overpayments to the U.S. Department of Education as required by Title 34, CFR, Section 668.22(h)(4)(iv). Additionally, for one of those students, the University disbursed

\$3,732 in Direct Loan funds associated with award P268K122335 more than 45 days after the date that it was required to notify the student that a return of Title IV funds was processed.

The University has not established adequate controls to ensure that it correctly calculates return amounts or that it notifies students of the amount of Title IV funds they are required to return. Specifically, auditors noted that the University manually enters some student information into the return of Title IV calculator in its PeopleSoft accounting system instead of relying on automated controls in that system. In addition, the University does not review the calculations after this data entry. This increases the risk of errors in return calculation and 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 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, 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, Sections 668.22(j)).

For 15 (36 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. For 14 of those students, the University returned required funds between 68 and 353 calendar days after it determined that the students withdrew. For the remaining student, the University had not yet returned funds at the time of the audit due to errors in its calculations discussed above.

In addition, for 9 (50 percent) of 18 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 nine students, the University determined their Fall term withdrawal dates 220 calendar days after the end of that term. Those errors resulted from the University's manual process to identify and process returns, and from a lack of supervisory review over that process.

Unofficial Withdrawals Query

The University's query to identify students who unofficially withdrew during the 2011-2012 award year incorrectly excluded some students who may have unofficially withdrawn during the year. That occurred because the query included students who only received grades of "F"; as a result, the query excluded students with other 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 determine whether it needed to return funds for 235 students who received a total of \$1,278,103 in Title IV assistance for the semesters in which they potentially withdrew during the 2011-2012 award year. Because the University did not request information or calculate returns, auditors could not determine whether the University was required to return Title IV funds for those students.

Correction Action:

This finding will be reissued as current year reference number: 2013-172.

Reference No. 13-157

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

(Prior Audit Issue 12-161)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K122335

Type of finding – Significant Deficiency and Non-Compliance

Each month, the U.S. Department of Education's Common Origination and Disbursement (COD) System provides institutions with a School Account Statement (SAS) data file, which consists of a cash summary, cash detail, and (optional at the request of the institution) loan detail records. The institution is required to reconcile these files to its financial records on a monthly basis. 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, Section 685.102(b), and *Direct Loans School Guide*, Chapter 6, Reconciliation).

Initial Year Written: 2011

Status: Implemented

U.S. Department of Education

The University of Texas at Arlington (University) did not document its reconciliations of the SAS data files from the COD System with its financial records during the award year. Although the University has a policy that requires it to reconcile the monthly SAS data file with its student financial aid records, it could not provide evidence that it performed those reconciliations or that it reconciled the data files with its financial system. Not preparing accurate and timely reconciliations between SAS data files and financial records increases the risk that Direct Loan disbursement data reported to DLSS could be inaccurate and incomplete.

Correction Action:

Corrective action was taken.

University of Texas at Austin

Reference No. 13-158

Special Tests and Provisions – Verification

Activities Allowed or Unallowed

Cash Management

Eligibility

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 – Return of Title IV Funds

Special Tests and Provisions – Enrollment Reporting

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

(Prior Audit Issues 12-167, 12-167, 12-165, and 12-164)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112336; CFDA 84.007, Federal Supplemental Educational Opportunity Grant Program, P007A114173; CFDA 84.033, Federal Work-Study Program, P033A114173; CFDA 84.038, Federal Perkins Loan Program, P038A044173; CFDA 84.268, Federal Direct Student Loans, P268K122336; and CFDA 93.264, Nurse Faculty Loan Program, 2 E01HP12963-03-00

Type of finding – Significant Deficiency and Non-Compliance

Verification

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education to 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; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student’s eligibility results in identifying an error in the non-dollar items (such as household size) used to calculate the student’s expected family contribution, or in a total difference of more than \$400 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student’s new information to determine whether an adjustment to Title IV assistance is required (Title 34, CFR, Section 668.59; 2011-2012 *Application and Verification Guide*, page AVG-91).

Initial Year Written: 2011
Status: Partially Implemented

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

For 8 (13 percent) of 60 students tested, the University of Texas at Austin (University) did not accurately verify all required items reported on the FAFSA. Specifically:

- For two students, the University incorrectly identified the household size. For both students, the household size the University identified was smaller than what was reported on the verification form. As a result, the University did not request an updated Institutional Student Information Record (ISIR) for the students at the time of verification. This increases the risk that those students were underawarded Title IV assistance.
- For two students, the University incorrectly identified the AGI. For one student, the discrepancy was below the \$400 threshold; therefore, the University was not required to request an updated ISIR or determine whether an adjustment to Title IV assistance was required. For the other student, the University also incorrectly identified the parent U.S. income tax paid. The amount the University identified was less than the amount reported on the tax return. As a result, the University did not request an updated ISIR for the student at the time of verification. This increases the risk that the student was underawarded Title IV assistance.

- For four students, the University incorrectly identified the untaxed income and benefits. For two of those students, the University identified untaxed income and benefits that exceeded the amounts reported on the tax returns. As a result, the University did not request an updated ISIR for those students at the time of verification. This increases the risk that those students were underawarded Title IV assistance. For the other two students, the University identified less untaxed income and benefits than was reported on the tax returns. As a result, for one of those students, the University did not request an updated ISIR at the time of verification, which increases the risk that this student was overawarded Title IV assistance. For the other student, the discrepancy was below the \$400 threshold; therefore, the University was not required to request an updated ISIR or determine whether an adjustment to the Title IV assistance was required.

According to University personnel, the errors were due to manual errors made during the verification process.

Other Compliance Requirements

Although the general control weakness described below applies 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 – disbursements to or on behalf of students, special tests and provisions – return of title IV funds, special tests and provisions – enrollment reporting, 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)).

During the 2011-2012 award year, the University did not have sufficient change management controls for the information systems that its Office of Student Financial Services uses. Specifically, the Office of Student Financial Services did not segregate the duties of making programming changes and migrating those changes 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.

Based on information the University provided, in May 2012 the University implemented additional change management controls for the information systems that its Office of Student Financial Services uses.

Corrective Action:

This finding was reissued as current year reference number: 2013-175.

Reference No. 13-159

Special Tests and Provisions – Student Loan Repayments

(Prior Audit Issues 12-168, 11-167, 10-116, and 09-91)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.038, Federal Perkins Loan Program, P038A044173 and CFDA 93.264, Nurse Faculty Loan Program, 2 E01HP12963-03-00

Type of finding – Significant Deficiency and Non-Compliance

Defaulted Borrowers

Under the Federal Perkins Loan Program, an institution must ensure that it conducts exit counseling with each borrower in person, by audiovisual presentation, or by interactive electronic means (Title 34, Code of Federal Regulations, Section 674.42(b)(1)).

<p>Initial Year Written: 2008 Status: Implemented</p> <p>U.S. Department of Education U.S. Department of Health and Human Services</p>

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. The institution shall inform the borrower about the total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan (Title 34, Code of Federal Regulations, Section 674.42(c)).

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, Code of Federal Regulations, 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, Code of Federal Regulations, 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, Code of Federal Regulations, Section 674.45(a)).

The University of Texas at Austin (University) did not consistently perform required collection procedures for defaulted borrowers. Specifically:

- For 1 (2 percent) of 60 defaulted borrowers tested, the University did not send a first overdue or second overdue notice to the student. This error occurred because the University placed a hold on the student’s account when the student exited forbearance and because the University did not manually send the notices while the student’s account was in the hold status. Borrowers who do not receive overdue notices may not have full knowledge of their loan status and their final obligation.
- For 2 (3 percent) of 60 defaulted borrowers tested, the University did not send a first overdue notice within 15 days after the payment due date or did not send the notice at all. These errors occurred because of weaknesses in the University’s process for posting rejected payments to student accounts. Specifically, when the University determines that a student had insufficient funds for a payment the student made on a loan, it uses a manual process to determine the default date. For these two students, the University entered the wrong default date into its financial aid system; as a result, the University sent the first notice late for one student and did not send a first notice to the other student. Borrowers who do not receive overdue notices in timely manner may not have full knowledge of their loan status and their final obligation.
- For 1 (5 percent) of 21 defaulted borrowers tested with nine-month grace periods, the University did not send the student’s required third grace period notice. The University uses the third grace period notice as its 30-day

billing notice; as a result, the student also did not receive the required billing notice. This occurred because the University erroneously assigned the student a six-month grace period instead of a nine-month grace period when it made a manual adjustment to the student's account. Borrowers who do receive grace period letters may not understand the requirements and obligations for the funds they received. If borrowers do not receive a billing notice, they may be unaware of payment 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)).

During the 2011-2012 award year, the University did not have sufficient change management controls for the information systems that its Office of Student Financial Services uses. Specifically, the Office of Student Financial Services did not segregate the duties of making programming changes and migrating those changes 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.

Based on information the University provided, in May 2012 the University implemented additional change management controls for the information systems that its Office of Student Financial Services uses.

Corrective Action:

Corrective action was taken.

University of Texas at Dallas

Reference No. 13-163

Eligibility

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

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P113234 and CFDA 84.268, Federal Direct Student Loans, P268K123234

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). 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: 2012
Status: Implemented
U.S. Department of Education

The University of Texas at Dallas (University) incorrectly calculated COA for 30 graduate students who lived on campus. Specifically:

- The University overestimated COA for 1 (3 percent) of 40 students that auditors tested. The University incorrectly used an off-campus room and board budget for graduate students who lived on campus during the award year. That occurred because of errors in budget formulas that the University’s financial aid system used to calculate COA.
- After auditors communicated the error described above to the University, it performed additional analysis on the graduate student population; as a result of that analysis, the University asserted that it overestimated COA for 29 additional graduate students who lived on campus during the award year.

Based on the University’s calculations, it awarded 11 (37 percent) of the 30 graduate students described above \$3,280 in federal Direct Loans for which they were not eligible. After auditors brought this matter to its attention, the University provided evidence that it corrected those overawards in June 2012.

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, Section 668.16(e), and, if applicable, the provisions of Title 34, Code of Federal Regulations, Section 668.34 (Title 34, Code of Federal Regulations, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades, work projects completed, 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 (Title 34, Code of Federal Regulations, Section 668.16(e)).

The University’s SAP policy requires all students to successfully complete at least two-thirds of attempted hours each term.

For 1 (3 percent) of 40 students tested, the SAP status in the University’s financial aid system was not calculated in accordance with the University’s SAP policy. That occurred because the University incorrectly calculated completion rates for students who were enrolled in more than 12 hours for undergraduate students and for more than 9 hours for graduate students. For those students, the University calculated the completion rate based on

an enrollment of only 12 hours for undergraduate students and only 9 hours for graduate students; as a result, it did not detect that the student did not complete two-thirds of attempted hours as required by its SAP policy. Based on information the University provided, that issue affected a total of 47 students. The University determined that 3 (6 percent) of those 47 students received a total of \$25,631 in Title IV financial assistance for which they were not eligible. After auditors brought this matter to its attention, the University provided evidence that it corrected those overawards.

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 did not adequately manage user access to the database for its PeopleSoft application. Specifically, the University did not remove 20 database user accounts for terminated employees and contractors. Those accounts had direct access to the database and are considered higher risk than normal application user accounts. Although the University periodically reviewed user access at the PeopleSoft application level and identified one of those 20 users, it did not communicate the results of its review to the database administrators in the Arlington Regional Data Center; as a result, the University did not remove that user’s access to the database.

Additionally, although the University periodically reviews active users and access rights to its PeopleSoft Campus Solutions accounts, that process is not working as intended. Auditors identified a user who was listed in the February 2012 periodic review as being retired, but the University did not disable or remove that individual’s access until after auditors brought this matter to the University’s attention. In addition, auditors identified six individuals whose employment had been terminated but for whom the University had not disabled or removed their user accounts for the student financial aid application.

Not maintaining appropriate access to the database increases the risk of unauthorized access to key financial aid data.

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.

Recommendation:

The University should implement a process to conduct SAP reviews on students who are readmitted to the University following withdrawals and dismissals.

Management Response and Corrective Action Plan 2012:

The current SAP programs and the Financial Aid Management System (Banner) rules are excluding students who have stopped out and their student record is marked as inactive. Thus, causing these students to be marked

erroneously as “Eligible”. The University of Texas at El Paso (UTEP) will take the following steps eliminate these errors.

1. Starting in the Summer semester of 2013, a new process is being develop to create a new student term record for every term a student is registered. Along with this a process, a change was developed and implemented in the Summer of 2012 to inactivate a students’ record after two “long” semesters of registration inactivity, excluding Summer semesters. Students now are required to re-apply to the university to change their student status to active.

2. SAP programs and Banner rules will be updated to not exclude students with inactive records who have previous academic history at UTEP. These changes will insure their correct SAP eligibility coding. Additionally, UTEP will review all current 12-13 financial aid awardees that fall in this category to verify proper eligibility.

Management Response and Corrective Action Plan 2013:

SAP programs and Banner rules will be updated to not exclude students with inactive records who have previous academic history at UTEP. These changes will insure their correct SAP eligibility coding. Additionally, UTEP will review all current 12-13 financial aid awardees that fall in this category to verify proper eligibility.

Implementation Date: March 2013

Responsible Person: Ron Williams

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules that the U.S. Department of Education provides each year for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student can 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 three-quarter-time, half-time, and less-than-half-time students (2011-2012 *Federal Student Aid Handbook*, Volume 3, Chapter 3). Additionally, a student’s eligibility for a Pell Grant must first be determined and considered before the student is awarded other financial assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200).

For 1 (2 percent) of 47 Pell Grant recipients tested, the University awarded the student \$1,050 more in Pell Grants than the student was eligible to receive. That occurred because of a data entry error. Specifically, the University manually locked the student’s enrollment status as full-time when the student was enrolled only half-time. The University did not verify the student’s enrollment status at the time of disbursement and awarded the student a Pell Grant based on full-time enrollment status.

After auditors brought this matter to its attention, the University provided evidence that it had corrected that overaward.

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.

Recommendation:

The University should implement a process to review manual adjustments to COA budgets.

Management Response and Corrective Action Plan 2012:

First 2 findings

It is UTEP's financial aid policy to default all students to the lower resident budget. Out-of-state students may request a budget adjustment to increase their budget if they are truly paying non-resident tuition. Large percentages (85%) of the out-of-state students at UTEP are provided waivers which allow them to pay resident tuition rates per the State of Texas. It is for this reason that UTEP has chosen to default to the lower budget to prevent over awards. Also, Banner has developed a modification to the Financial Aid module to allow for term-by-term budgeting. This will work nicely in consort with the changes noted for activating and inactivating students on a semester-by-semester basis.

Third finding

New functionality has been added to Banner which will allow the calculation and recalculation of student budgets on a term-by-term basis. This functionality will allow the Financial Aid Office to automatically and/or manually change student's individual budgets on a semester-by-semester basis, based on various parameters (e.g. students degree type, level [undergraduate, Graduate, etc.], and enrollment [full-time, three-quarter time, etc.,]) in the student information system.

Management Response and Corrective Action Plan 2013:

First 2 findings

It is UTEP's financial aid policy to default all students to the lower resident budget. Out-of-state students may request a budget adjustment to increase their budget if they are truly paying non-resident tuition. Large percentages (85%) of the out-of-state students at UTEP are provided waivers which allow them to pay resident tuition rates per the State of Texas. It is for this reason that UTEP has chosen to default to the lower budget to prevent over awards. Also, Banner has developed a modification to the Financial Aid module to allow for term-by-term budgeting. This will work nicely in consort with the changes noted for activating and inactivating students on a semester-by-semester basis.

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In progress and will be implemented for 2013-2014 Aid Year.

Implementation Date: August 2013

Responsible Person: Ron Williams

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.

Implementation Date: July 2013

Responsible Person: Luis Hernandez

Appendix

Objectives, Scope, and Methodology

Objectives

With respect to the Student Financial Assistance Cluster, the objectives of the 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, 2012, through June 30, 2013, which is the federal financial assistance award year. The audit work included control and compliance tests at 18 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, 2013. 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 provided by each higher education institution audited 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 for higher education institution assertions related to general controls over information systems that support 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 *2012-2013 Federal Student Aid Handbook*.
- U.S. Department of Education *Direct Loans School Guide*.
- National Student Loan Database *Enrollment Reporting Guide*.

Project Information

Audit fieldwork was conducted from June 2013 through November 2013. 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.

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The Honorable Harvey Hilderbran, House Ways and Means Committee

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