



A Report on

**State of Texas Compliance with
Federal Requirements for the
Student Financial Assistance Cluster
for the Fiscal Year Ended
August 31, 2015**

February 2016

Report No. 16-016



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Overall Conclusion

The State of Texas complied in all material respects with the federal requirements for the Student Financial Assistance Cluster in fiscal year 2015.

As a condition of receiving federal funding, U.S. Office of Management and Budget (OMB) Circular A-133 requires non-federal entities that expend at least \$500,000¹ in federal awards in a fiscal year to obtain annual Single Audits. Those audits test compliance with federal requirements in up to 12 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 12 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 \$76,877,448 in federal funds during fiscal year 2015 and (2) other selected federal programs.

From September 1, 2014, through August 31, 2015, the State of Texas expended \$51 billion in federal funds. The State Auditor's Office audited compliance with requirements for the Student Financial Assistance Cluster at 14 higher education institutions. Those 14 higher education institutions spent \$2.2 billion in federal Student Financial Assistance Cluster funds during fiscal year 2015.

Auditors identified 33 findings for the Student Financial Assistance Cluster at 13 of the higher education institutions audited. At the remaining higher education institution audited—the University of Texas Health Science Center at San Antonio—

Student Financial Assistance Cluster

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

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

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

auditors did not identify any findings related to the Student Financial Assistance Cluster.

All 33 findings identified were classified as significant deficiencies and non-compliance. (See text box for definitions of finding classifications.)

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 amounts.

At nine higher education institutions audited, auditors identified findings related to students' eligibility for financial assistance. Specific eligibility findings were as follows:

- Nine of the higher education institutions audited awarded Student Financial Assistance Cluster funds to students who were not eligible to receive that assistance or awarded Student Financial Assistance amounts that were incorrect based on students' eligibility. Those higher education institutions were Sul Ross State University, Texas A&M University - Central Texas, Texas A&M University - Corpus Christi, Texas Tech University, University of Houston, University of North Texas, the University of Texas at Arlington, the University of Texas at El Paso, and the University of Texas Medical Branch at Galveston.
- Seven of the higher education institutions audited inconsistently or incorrectly calculated students' cost to attend those higher education institutions, which could result in the higher education institutions overawarding or underawarding financial assistance to students. Those higher education institutions were Sul Ross State University, Texas A&M University - Central Texas, Texas Tech University, University of North Texas, the University of Texas at Arlington, the University of Texas at El Paso, and the University of Texas Medical Branch at Galveston.
- Seven of the higher education institutions audited did not consistently follow their processes to determine students' academic progress or did not have adequate processes to determine whether students made satisfactory academic

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.

Higher Education Institutions Audited

- Sul Ross State University.
- Texas A&M University.
- Texas A&M University - Central Texas.
- Texas A&M University - Corpus Christi.
- Texas State University.
- Texas Tech University.
- University of Houston.
- University of North Texas.
- The University of Texas at Arlington.
- The University of Texas at Austin.
- The University of Texas at El Paso.
- The University of Texas Health Science Center at San Antonio.
- The University of Texas Medical Branch at Galveston.
- The University of Texas at San Antonio.

progress to be eligible for financial assistance. Those higher education institutions were Sul Ross State University, Texas A&M University - Corpus Christi, University of Houston, University of North Texas, the University of Texas at Arlington, the University of Texas at El Paso, and the University of Texas Medical Branch at Galveston.

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

Eight 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 Sul Ross State University, Texas A&M University, Texas A&M University - Central Texas, Texas A&M University - Corpus Christi, Texas Tech University, University of Houston, the University of Texas at Arlington, and the University of Texas Medical Branch at Galveston.

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

Eight higher education institutions audited did not always report changes in students' enrollment status 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, University of Houston, University of North Texas, the University of Texas at Arlington, the University of Texas at Austin, and the University of Texas at San Antonio.

The higher education institutions audited did not always comply with requirements to return Student Financial Assistance Cluster funds to the federal government.

Four higher education institutions audited did not always accurately calculate the amount of Student Financial Assistance Cluster funds to be returned to the federal government and/or did not always return funds within the required time frames. Those higher education institutions were Texas State University, Texas Tech University, University of Houston, 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 three higher education institutions. Those higher education institutions were Texas A&M University - Central Texas, Texas A&M University - Corpus Christi, and the University of Texas at El Paso.

Auditors followed up on higher education institutions' corrective action plans for 52 audit findings from prior fiscal years related to the Student Financial Assistance Cluster.

Higher education institutions fully implemented corrective action plans for 23 (44 percent) of those 52 findings and partially implemented corrective action plans for 29 (56 percent) of those 52 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.

Audit Objectives and Scope

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

The audit scope covered federal funds that the State spent for the Student Financial Assistance Cluster from July 1, 2014, through June 30, 2015, which is the federal financial assistance award year. The audit work included control and compliance tests at 14 higher education institutions across the state.

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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, 2015*



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

Independent Auditor's Report

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Joe Straus III, Speaker of the House of Representatives
and
Members of the Texas 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 Compliance Supplement* that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended August 31, 2015. The State's major federal program at various higher education institutions is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

a direct and material effect on the Student Financial Assistance Cluster occurred. An audit includes examining, on a test basis, evidence about the State’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

This audit was conducted as part of the State of Texas Statewide Single Audit for the year ended August 31, 2015. 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, 2015. The State does not meet the OMB Circular A-133 requirements for a program-specific audit and the presentation of the Schedule of Program Expenditures does not conform to the OMB Circular A-133 Schedule of Expenditures of Federal Awards. However, this audit was designed to be relied on for the State of Texas opinion on federal compliance, and in our judgment, the audit and this report satisfy the intent of those requirements.

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

Opinion on the Student Financial Assistance Cluster

In our opinion, 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, 2015.

Other Matters

The results of our auditing procedures disclosed 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
Sul Ross State University	Eligibility	2015-101
	Special Tests and Provisions - Verification	2015-102
Texas A&M University	Special Tests and Provisions - Verification	2015-105
	Special Tests and Provisions - Enrollment Reporting	2015-106
Texas A&M University - Central Texas	Eligibility	2015-109
	Special Tests and Provisions - Verification	2015-110
Texas A&M University - Corpus Christi	Eligibility	2015-111
	Special Tests and Provisions - Verification	2015-112

Higher Education Institution	Compliance Requirement	Finding Number
Texas State University	Special Tests and Provisions - Disbursements To or On Behalf of Students	2015-113
	Special Tests and Provisions - Return of Title IV Funds	2015-114
	Special Tests and Provisions - Enrollment Reporting	2015-115
Texas Tech University	Eligibility	2015-116
	Special Tests and Provisions - Verification	2015-117
	Special Tests and Provisions - Return of Title IV Funds	2015-118
	Special Tests and Provisions - Enrollment Reporting	2015-119
University of Houston	Eligibility	2015-120
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2015-121
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2015-122
	Special Tests and Provisions - Return of Title IV Funds	2015-123
	Special Tests and Provisions - Enrollment Reporting	2015-124
University of North Texas	Eligibility	2015-125
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Enrollment Reporting	2015-126
University of Texas at Arlington	Eligibility	2015-128
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2015-129
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2015-130
	Special Tests and Provisions - Enrollment Reporting	2015-131
University of Texas at Austin	Special Tests and Provisions - Enrollment Reporting	2015-132
	Special Tests and Provisions - Student Loan Repayments	2015-133
University of Texas at El Paso	Eligibility	2015-141
	Special Tests and Provisions - Verification	
University of Texas Medical Branch at Galveston	Eligibility	2015-147
	Special Tests and Provisions - Verification	2015-148

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at San Antonio	Special Tests and Provisions - Return of Title IV Funds	2015-149
	Special Tests and Provisions - Enrollment Reporting	2015-150

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.

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 a 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, 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
Sul Ross State University	Eligibility	2015-101
	Special Tests and Provisions - Verification	2015-102
Texas A&M University	Special Tests and Provisions - Verification	2015-105
	Special Tests and Provisions - Enrollment Reporting	2015-106
Texas A&M University - Central Texas	Eligibility	2015-109
	Special Tests and Provisions - Verification	2015-110
Texas A&M University - Corpus Christi	Eligibility	2015-111
	Special Tests and Provisions - Verification	2015-112
Texas State University	Special Tests and Provisions - Disbursements To or On Behalf of Students	2015-113
	Special Tests and Provisions - Return of Title IV Funds	2015-114
	Special Tests and Provisions - Enrollment Reporting	2015-115
Texas Tech University	Eligibility	2015-116
	Special Tests and Provisions - Verification	2015-117
	Special Tests and Provisions - Return of Title IV Funds	2015-118
	Special Tests and Provisions - Enrollment Reporting	2015-119
University of Houston	Eligibility	2015-120
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2015-121
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2015-122
	Special Tests and Provisions - Return of Title IV Funds	2015-123
University of North Texas	Special Tests and Provisions - Enrollment Reporting	2015-124
	Eligibility	2015-125
	Special Tests and Provisions - Institutional Eligibility	

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at Arlington	Special Tests and Provisions - Enrollment Reporting	2015-126
	Eligibility	2015-128
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2015-129
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2015-130
University of Texas at Austin	Special Tests and Provisions - Enrollment Reporting	2015-131
	Special Tests and Provisions - Enrollment Reporting	2015-132
University of Texas at El Paso	Special Tests and Provisions - Student Loan Repayments	2015-133
	Eligibility	2015-141
University of Texas Medical Branch at Galveston	Special Tests and Provisions - Verification	
	Eligibility	2015-147
University of Texas at San Antonio	Special Tests and Provisions - Verification	2015-148
	Special Tests and Provisions - Return of Title IV Funds	2015-149
	Special Tests and Provisions - Enrollment Reporting	2015-150

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, 2015, 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, 2015*.

Lisa R. Collier, CPA, CIDA
First Assistant State Auditor

February 22, 2016

**Schedule of Federal Program Expenditures for the
Student Financial Assistance Cluster
For the State of Texas
For the Year Ended August 31, 2015**

Schedule of Federal Program Expenditures	
Higher Education Institution Audited	Federal Program Direct Expenditures
Sul Ross State University	\$ 16,630,029
Texas A&M University	240,374,796
Texas A&M University - Central Texas	20,513,268
Texas A&M University - Corpus Christi	78,488,086
Texas State University	250,669,063
Texas Tech University	191,233,072
University of Houston	221,125,037
University of North Texas	242,794,171
The University of Texas at Arlington	221,584,889
The University of Texas at Austin	311,711,592
The University of Texas at El Paso	137,569,160
The University of Texas Health Science Center at San Antonio	50,193,961
The University of Texas Medical Branch at Galveston	38,103,278
The University of Texas at San Antonio	172,974,919
Total Audited Student Financial Assistance Federal Program Expenditures	\$2,193,965,321
<p>Note 1: This schedule of federal program expenditures is presented for informational purposes only. For the State's complete Schedule of Expenditures of Federal Awards, see the <i>State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2015</i>.</p> <p>Note 2: Federal expenditures for the Student Financial Assistance Cluster at state entities not included in the scope of this audit totaled \$1,815,582,860 for the fiscal year ended August 31, 2015.</p> <p>Note 3: The Student Financial Assistance Cluster includes the following federal programs listed by the Catalog of Federal Domestic Assistance (CFDA) number.</p> <p>The following programs are administered by the U.S. Department of Education:</p> <ul style="list-style-type: none"> ▪ CFDA 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG). ▪ CFDA 84.033 Federal Work-Study (FWS) Program. ▪ CFDA 84.038 Federal Perkins Loan (FPL) - Federal Capital Contributions. ▪ CFDA 84.063 Federal Pell Grant Program (Pell). ▪ CFDA 84.268 Federal Direct Student Loans (Direct Loan). ▪ CFDA 84.379 Teacher Education Assistance for College and Higher Education Grants (TEACH Grants). ▪ CFDA 84.408 Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grants (IASG)). <p>The following programs are administered by the U.S. Department of Health and Human Services:</p> <ul style="list-style-type: none"> ▪ CFDA 93.264 Nurse Faculty Loan Program (NFLP). ▪ CFDA 93.342 Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students (HPSL/PCL/LDS). ▪ CFDA 93.364 Nursing Student Loans (NSL). ▪ CFDA 93.925 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, 2015*

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, 2015.

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$76,877,448

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, 2015*.

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).

Sul Ross State University

Reference No. 2015-101

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers - CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144130; CFDA 84.033, Federal Work-Study Program, P033A144130; CFDA 84.063, Federal Pell Grant Program, P063P142316; CFDA 84.268, Federal Direct Student Loans, P268K152316; 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 assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code (USC), Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 1087ll).

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 Regulation (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).

Sul Ross State University (University) established different COA budgets for undergraduate students based on term enrollment (full-time, three-quarter-time, half-time, or less-than-half-time); location (Alpine campus or Rio Grande College campus); in-state or out-of-state residency; class level (graduate or undergraduate); and living status (on campus, off campus, or at home). The University also established different COA budgets for graduate students based on term enrollment, location, residency, class level, and living status; however, it did not have an established COA budget for less-than-half-time graduate students. The University’s student financial assistance system, Banner, initially budgets students for full-time enrollment. Financial aid counselors manually adjust COA if students self-report enrollment level changes prior to the census date or

to reflect actual enrollment after the census date. For students who take courses under a consortium agreement with another institution, the University uses the actual amount of tuition and fees paid in the COA budgets with the other standard components.

For 10 (16 percent) of 62 students tested, the University incorrectly or inconsistently calculated the COA. Specifically:

- For one student, the University manually adjusted the COA budget incorrectly, and it did not have support for the adjustments it made.
- For one student attending under a consortium agreement with another institution, the University initially budgeted COA for both the Fall and Spring semesters. However, the student dropped the Spring semester courses, and the University did not adjust the COA to remove the Spring semester tuition and fees.
- For eight students, the enrollment level changed during the aid year, and the University did not manually adjust those students' COA budgets to update those students' enrollment.

Additionally, the University does not have documented less-than-half-time COA budgets for graduate students and uses a manual process to create budgets for all less-than-half-time graduate students. That could result in inconsistent budgets and awarding for those students, and it affected one student within the group of eight students discussed above.

The errors discussed above occurred because of manual errors the University made in adjusting COA to reflect actual enrollment. Those errors did not result in overawards of financial assistances; however, by incorrectly calculating COA budgets, the University increases the risk of overawarding or underawarding financial assistance to students.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education *2014-2015 Federal Student Aid Handbook*).

An institution's policy must specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum time frame (Title 34, CFR, Section 668.34 (a)(5)(i)). A maximum time frame for a graduate program is defined as "a period defined by the institution that is based on the length of the educational program" (Title 34, CFR, Section 668.34(b)).

The University's SAP policy does not meet all federal requirements. Its policy does not define the maximum time frame based on the length of the educational program for graduate students. The University's SAP policy bases the maximum time frame on 36 program hours; however, the University offers programs with varying lengths, including programs that are only 30 hours. Although auditors did not identify students during testing who would be ineligible for student financial assistance as a result of that issue, not determining maximum time frame based on the length of the educational program for graduate students increases the risk that graduate students could receive financial assistance for which they are not eligible or be denied financial assistance for which they are eligible.

The University uses Banner to determine students' compliance with SAP requirements; however, Banner does not always place students in the correct SAP status. As a result, the University performs a manual review of all students placed in a warning, probation, or suspension status for SAP. In addition, if a student is placed on an academic plan as the result of not meeting SAP requirements or extenuating circumstances, the University manually reviews that student's progress and makes adjustments to the SAP determination. **For**

1 (3 percent) of 33 students tested with manually adjusted SAP determinations, the University incorrectly adjusted the student's SAP status. The student was not meeting SAP requirements prior to the Spring semester and should have been placed in a warning status; however, the University did not place the student in a warning status until after the Spring semester (and, after that semester, the student should have been suspended from receiving financial assistance). The student still would have been eligible for financial assistance during the Spring semester if the University had placed the student in a warning status; therefore, there were no questioned costs.

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 Federal Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Federal Pell Grants (Title 34, CFR, Section 676.10).

Based on a review of the full population of student financial assistance recipients, the University awarded \$450 in FSEOG assistance to one student who did not also receive a Federal Pell Grant; it did not award FSEOG assistance to all other Federal Pell Grant recipients before awarding FSEOG assistance to that student. The student had already received the maximum lifetime eligibility amount for Federal Pell Grants and was not eligible to receive additional Federal Pell Grant assistance. After auditors brought that error to the University's attention, it corrected the FSEOG award; therefore, there were no questioned costs.

Recommendations:

The University should:

- Adjust COA accurately and consistently for all students.
- Ensure that its SAP policy meets federal requirements by defining a maximum time frame based on the length of the educational program for graduate students.
- Consistently and appropriately apply its manual SAP review process for placing students on a warning and subsequent suspension status.
- Award FSEOG assistance only to eligible students.

Views of Responsible Officials and Corrective Action Plan:

Cost of Attendance

The Financial Aid Office will create a less-than-halftime budget for Graduate students and enter that data into our operating system. Budgets for less-than-halftime graduate students can then be calculated by the system instead of manually by staff members.

Consortium files will be reviewed and have budgets calculated by a staff member. A different staff member will re-check the calculations for accuracy and then enter that data into our operating system.

After the census date of the spring semester, the Financial Aid office will run a report that identifies fall semester enrolled students and will then check to see if budget/award amount adjustments are needed if the student doesn't enroll in spring or enrolls in a different amount of hours than awarded for in the spring semester.

Satisfactory Academic Progress

The University will revise its SAP policy to state students will be ineligible for aid if they exceed 150% of the hours needed to complete their degree for both undergraduate and graduate students.

The Financial Aid office has updated the SAP rules in Banner (operating system) to ensure automated calculation of SAP is correct for GPA/Completion Rate components. Manual review of warned/suspended students due to Time Limits will continue.

Federal Supplemental Educational Opportunity Grants

The Financial Aid office will review a report that identifies all SEOG awards and confirm the student qualifies for the award based on having also received a Pell award in the same award year. Training will be conducted with all financial aid staff regarding awarding requirements for SEOG awards.

Implementation Date: January 2016

Responsible Person: Michael Corbett

Reference No. 2015-102

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144130; CFDA 84.033, Federal Work-Study Program, P033A144130; CFDA 84.063, Federal Pell Grant Program, P063P142316; CFDA 84.268, Federal Direct Student Loans, P268K152316; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion status, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 78, Number 114).

Questioned Cost: \$ 0

U.S. Department of Education

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

For 4 (7 percent) of 60 students tested, Sul Ross State University (University) did not accurately verify all required information on the students’ FAFSAs, and it did not always update its records and request updated ISIRs as required. The University did not accurately verify one of the following items for those four students: U.S. income taxes paid or education credits reported on income taxes.

When auditors brought the errors to its attention, the University made corrections to all four students’ ISIRs. Specifically:

- For one student, the error resulted in the student’s EFC being understated. However, that error did not result in an overaward or underaward of financial assistance.

- For one student, the error resulted in an overstated EFC and the student should have received additional Federal Pell Grant assistance. The University subsequently disbursed additional Federal Pell Grant assistance totaling \$200.
- For two students, the errors resulted in an understated EFC, which resulted in overawards of Federal Pell Grant funds totaling \$700. The University subsequently adjusted the students' awards; therefore, there were no questioned costs.

For 4 (7 percent) of 60 students tested, the University did not maintain or obtain all required documentation to support its verification of those students' FAFSAs. For two students, the University did not maintain documentation to support the number of household members, number of household members who are in college, or identification information. For two other students with non-tax filer status, the University did not request sufficient documentation to verify that those students had no taxable income or were not required to file income taxes. Those errors did not result in corrections to the students' ISIRs, and there were no overawards or underawards of financial assistance.

For 4 (7 percent) of 60 students tested, the University did not adequately verify required items for the household resources verification group. Specifically, the documentation the University used to verify household resources was not sufficient to determine whether the students received specific types of other untaxed income. Additionally, for one of those four students, the University did not accurately verify the student's other untaxed income. When auditors brought that error to its attention, the University made corrections to that student's ISIR, and the error did not result in a change in EFC.

Those errors occurred because of manual errors the University made during the verification process, and because the University does not have an adequate process to monitor verification.

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

Recommendations:

The University should:

- Accurately and adequately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.
- Obtain and maintain supporting documentation for its verification process.

Views of Responsible Officials and Corrective Action Plan:

Additional training will be provided to Financial Aid staff on verification procedures and the required documentation needed from students/parents for each verification group to ensure all information is requested and received in order to accurately complete verification of student files. At each campus, one staff member will be responsible for performing verification of student files. An additional staff member will review the file for accuracy and to make sure all required information/documentation has been received. The Financial Aid Director will also review a portion of selected files in order to monitor the staff's work for accuracy.

The Household Resources/Untaxed Income Form the university requires for verification has been modified to meet Federal Guidelines.

Implementation Date: January 2016

Responsible Person: Michael Corbett

Texas A&M University

Reference No. 2015-105

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144136; CFDA 84.033, Federal Work-Study Program, P033A144136; CFDA 84.063, Federal Pell Grant Program, P063P145286; CFDA 84.268, Federal Direct Student Loans, P268K155286; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T155286; CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A145286; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 78, Number 114).

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

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 from the applicant’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).

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 student financial assistance programs. The QAP provides participating institutions the ability to design a verification program that fits their population (U.S. Department of Education *2014-2015 Application and Verification Guide*). As part of the quality improvement for the verification process, the University’s policy requires verifying the number of household members in college.

For 2 (3 percent) of 61 students tested, the University did not accurately verify certain required items on the students’ FAFSAs, and it did not always update its records and request updated ISIRs as required. Specifically, the University did not accurately verify one of the following items: the number of household members in college and income earned from work for non-tax filers. Those errors occurred because of manual errors the University made during the verification process and because the University did not consistently apply its verification policies and procedures.

After auditors brought those errors to the University’s attention, it corrected the error on one of those students’ FAFSAs and requested an updated ISIR for that student. The updated ISIR included a change to the student’s EFC, which resulted in the student being overawarded Federal Pell Grant assistance totaling \$200. The University subsequently adjusted the student’s award and returned the overaward to the U.S. Department of Education; therefore, there were no questioned costs.

In addition, the University did not consistently apply its verification policies and procedures. For 2 (3 percent) of 61 students tested, the University did not obtain the required documentation needed to complete verification accurately. Specifically:

- The University did not request an income verification form for one independent student who did not work or file income taxes in 2013 (that student is also discussed above). The University's verification policy requires an income verification form to be completed if a student, spouse, or parent did not file income taxes and when it appears there is insufficient income to support the household. The University asserted that it determined that student was a professional student who received loans in the prior award year that would cover that student's living expenses; therefore, it did not request an income verification form for that student. However, the University did not document that decision during its verification process for that student.
- The University selected one student for verification after it had already disbursed Title IV assistance to that student. The student did not submit the required documentation by the established due date, and the University did not subsequently cancel the Title IV assistance that it had disbursed. The University asserted that it did not cancel that student's Title IV assistance because the student submitted some documentation by the established due date. However, the University's policy requires that all Title IV assistance (with the exception of unsubsidized Direct and PLUS loans) be canceled if a student fails to turn in complete required documentation by the established due dates. After the established due date, the student submitted the required documentation and the University completed the verification; therefore, there were no questioned costs.

Not properly verifying FAFSA information and not consistently following verification policies and procedures could result in incomplete verification of FAFSA information and overawarding or underawarding student federal financial assistance.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Strengthen controls over its verification process to obtain required documentation to complete students' verification.

Views of Responsible Officials and Corrective Action Plan:

Texas A&M University will enhance its training of Scholarships & Financial Aid staff on verification. In addition, a quality assurance effort currently conducted on a sample of our verification files will be increased to a larger portion of the total verification population to identify errors more easily. Finally, we will clarify within our verification policy that financial aid staff may use professional judgment and document their decision with regard to (1) exceptions to verification requirements for non-Title IV programs and (2) exceptions to cancellation of aid deadlines when verification documents have not been fully completed, specifically when the university has information indicating the student will provide the necessary documents in a timely manner.

Implementation Date: March 2016

Responsible Person: Delisa Falks

Reference No. 2015-106

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P145286; CFDA 84.268, Federal Direct Student Loans, P268K155286; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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

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

When a student graduates, the institution must submit the date the student completed the course requirements, not the presentation date of the diploma or certificate (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, Appendix C).

For 3 (5 percent) of 62 students tested who had a status change, Texas A&M University (University) did not report status changes or effective dates to NSLDS accurately. Specifically:

- For one student who withdrew from the University, the University did not report the student as withdrawn to NSLDS. That occurred because the University determined that the student unofficially withdrew from the Fall term due to non-attendance after the student had begun attendance for the Spring term. The University asserts that it was unsure how to proceed in reporting the withdrawal without affecting the Spring term.
- For two students who graduated, the University reported incorrect effective dates for graduation. The University incorrectly reported the commencement date, rather than the last class 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.

Recommendation:

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

Views of Responsible Officials and Corrective Action Plan:

The missed reporting of a withdrawal date for a student who was identified as unofficially withdrawn for a prior semester while enrolled in the subsequent semester is a training issue. University officials in the Office of the Registrar engaged with a representative with the National Student Loan Data System (NSLDS) to train on the proper reporting procedures in this scenario. These procedures have already been incorporated into existing training and processes to ensure accurate reporting. The incorrect reporting date of graduation was a misinterpretation of the enrollment reporting rules, and thus a training issue as well. The training has been updated and the process will be corrected to report the last class day of the semester rather than the date of commencement.

Implementation Date: April 2016

Responsible Person: Venesa Heidick

Texas A&M University – Central Texas

Reference No. 2015-109

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K158151 and CFDA 84.063, Federal Pell Grant Program, P063P148151

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 (USC), Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed for a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 1087ll).

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

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

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

Texas A&M University – Central Texas (University) established different COA budgets based on classification, residency, living status, module length (16 weeks, 10 weeks, 8 weeks, 5 weeks, and 3 weeks), and enrollment level (full-time, three-quarter-time, half-time, and less-than-half-time). The University’s financial aid system, Banner, initially budgets students based on full-time enrollment. At the census date, the student’s enrollment level is frozen for financial aid purposes and the actual enrollment level is used to calculate a revised COA, if applicable.

For 26 (42 percent) of 62 students tested, the University incorrectly calculated the COA. Specifically:

- For 1 student, the University did not update a manually added COA budget component based on actual enrollment at the census date. The student originally enrolled in three online classes and course fees were added to the COA budget. The student subsequently dropped one online course prior to the census date but the University did not adjust the course fee. The incorrect COA calculation resulted in a \$240 overstatement of the student’s COA budget, but that error did not result in an overaward of financial assistance.
- For 18 students, the University did not appropriately update the Summer COA budgets for the students’ enrollment level or module length. The University asserted that those errors occurred because a budget group code was locked in Banner, which prevented Banner from appropriately updating the COA

budgets at the census date. For 17 of those students, the incorrect COA calculations resulted in misstatements of those students' COA budgets that ranged from understatements of \$563 to overstatements of \$3,669; however, those errors did not result in overawards of financial assistance. For one student, the University did not adjust the student's COA for the Summer term in accordance with its process when that student did not attend the Summer term.

- For 6 students, the University did not update the students' COA budgets when those students did not attend the Spring term. Those students initially enrolled for both the Fall and Spring terms; however, when they did not return for the Spring term, the University did not remove the Spring COA budgets in accordance with its process. For three of those students, the incorrect COA calculations did not result in an overaward or underaward of financial assistance. However, for the other three students, the incorrect calculations resulted in overawards of Direct Loans totaling \$2,674.
- For 1 student, the University did not appropriately update the Spring COA budget component for tuition and fees at the census date. The student's COA budget was locked in Banner to ensure that the correct module length was applied; however, the University did not remove that lock, which prevented Banner from appropriately updating the COA budget at the census date. The incorrect calculation resulted in an overaward of Direct Loans totaling \$430.

As discussed above, in some cases incorrect COA calculations resulted in overawards of financial assistance. After auditors brought the errors to the University's attention, it returned the overawards of financial assistance to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Pell Grant

When awarding Federal Pell Grant assistance to students, for each payment period, an institution may award a Federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)). Institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2014-2015 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63(b)).

For 1 (3 percent) of 40 students tested who received Federal Pell Grants, the University did not award the correct amount of Federal Pell Grant assistance. Specifically, the University awarded the student an amount that was less than the amount the student was eligible to receive. That occurred because the University previously locked the student's Federal Pell Grant award in Banner when the student appeared on an overaward report for the Spring term. The University did not remove the lock on the student's account in Banner prior to awarding assistance for the Summer term. As a result, the student was underawarded \$716 in Federal Pell Grant assistance that the student was eligible to receive. After auditors brought the error to the University's attention, it disbursed additional Federal Pell Grant assistance to that student.

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 appropriately restrict access to its financial assistance information system, Banner. The University hired a contractor, Ellucian, to host Banner. The contractor is responsible for managing user access at the server, database, and application levels. The contractor established groups to perform administrative functions on the production and application servers. Auditors identified 233 contractor users and 122 client account users who had privileged access to Banner. The contractor was unable to confirm whether all of the users with privileged access were key or actively employed personnel, and it was unable to confirm whether the client accounts had restricted access. As a result, auditors concluded that access was excessive and inappropriate.

The University does not periodically review user access to Banner at the application, server, and database levels. Instead, it relies on its contractor to perform that review. The contractor has policies and procedures requiring periodic reviews of user access at those levels; however, it did not periodically review user accounts assigned to the server administrator groups to determine the appropriateness of user access.

Allowing excessive or inappropriate access to a system increases the risk of inappropriate changes to the system and data.

Recommendations:

The University should:

- Update each student's COA based on the student's actual enrollment and apply the correct budget to each student.
- Award students the correct amount of Federal Pell Grant funds according to their enrollment status for all terms, including the Summer term.
- Appropriately limit access to Banner to key personnel.
- Establish and implement a periodic review of user access for personnel who have administrative access to Banner on the servers.

Views of Responsible Officials and Corrective Action Plan:

Cost of Attendance

Texas A&M University – Central Texas acknowledges and agrees with the findings related to Cost of Attendance. The following corrective actions have been taken to address the findings and recommendations related to Cost of Attendance:

- *The process chain for enrollment freezes and budget recalculation in UC4 (job scheduling software) was modified to include BANNER job RBRPBRC. This job recalculates budget components for students in the enrollment freeze population selection, including those with locked budget groups. This BANNER job was not included in the previous process chain.*

The following corrective actions will be taken to address the findings and recommendations related to Cost of Attendance:

- *The Office of Student Financial Assistance will develop a monitoring report to be run each semester after census date enrollment freeze to verify manual Cost of Attendance adjustments for students with enrollment changes since the date of the Cost of Attendance adjustment was entered. The report will be reviewed by the Assistant Director and disseminated to advisors for adjustments as necessary.*
- *The Office of Student Financial Assistance will develop a monitoring report to be run after census date enrollment freeze to identify any student whose budget group code is not consistent with registration periods. This report will be reviewed by the Assistant Director and disseminated to advisors for adjustments as necessary.*
- *Programming changes within BANNER will be made to change the aid period for students not attending a particular semester after the registration deadline for the last part of the term for the given semester. Changing the aid period to reflect semesters of attendance will remove budget components for semesters in which an applicable student did not attend.*
- *Department procedure manuals will be updated to reflect the modified procedures and processes.*

Implementation Date: March 2016

Responsible Person: Clifton Jones

Pell Grant

Texas A&M University – Central Texas acknowledges and agrees with the findings related to Pell Grant. The following corrective actions will be taken to address the findings and recommendations related to Pell Grant:

- The Office of Student Financial Assistance will develop a report to identify students with locked fund awards. The report will be run after census date enrollment freeze and reviewed by the Assistant Director. Adjustments required due to eligibility changes will be processed by the Student Financial Assistance Advisors.
- Department procedure manuals will be updated to reflect the modified procedures and processes.

Implementation Date: March 2016

Responsible Person: Clifton Jones

General Controls

Texas A&M University – Central Texas has made a concerted effort to develop the security processes needed to limit access to Banner and associated software applications. The business owners (Registrar, Comptroller, and Director of Student Financial Assistance) sign off on all requests for access to Banner forms and functions. Once required approvals are obtained on a paper form, the Information Technology department grants access and archives the imaged form.

On December 2, 2015, the Enterprise Applications Steering Committee approved a revised version of the User Management and Periodic Account Review procedure for Banner systems. This procedure specifies that all Banner accounts and access be reviewed during both Spring and Fall semesters. Banner security classes (groups) will be reviewed annually. The Fall 2015 semester account review will be completed in December 2015.

In addition, Texas A&M University – Central Texas has made a concerted effort to develop security processes needed to limit administrative access to Banner systems. As Ellucian (vendor) provides database administrator and other system administration services in the hosted environment, their process was the primary control in this area under the direction of the Texas A&M University – Central Texas Director of Enterprise Applications.

The Texas A&M University – Central Texas CIO and Information Security Officer (ISO) have met with the vendor's managed services team and requested that they review their practices and reduce the number of staff in their hosting environment with administrative access and provide information on these staff members to the institution.

In December 2015, the vendor responded that they have reviewed their process and made the following changes:

- Ellucian will reduce the number of users with administrative access from 233 to approximately 30 staff members based on their role in providing services to Texas A&M University – Central Texas.
- Ellucian will divide the access into 3 levels:
 - Standard User
 - DBA – Development
 - DBA – Production

- *Ellucian will provide a formal report to the institution’s CIO and ISO on a quarterly basis on these staff and their access levels.*

Implementation Date: March 2016

Responsible Person: Todd Lutz

Reference No. 2015- 110

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – June 1, 2014 to July 31, 2015

Award numbers - CFDA 84.063, Federal Pell Grant Program, P063P148151 and CFDA 84.268, Federal Direct Student Loans, P268K158151

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion status, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 78, Number 114).

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

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

For 5 (8 percent) of 60 students tested, Texas A&M University - Central Texas (University) did not adequately verify all required items, and it did not always update its records and request updated ISIRs as required. For those students, the University did not accurately verify one or more of the following items: income information for tax filers, the amount of child support paid, receipt of Supplemental Nutritional Assistance Program benefits, or number of household members. Those errors occurred because of manual errors the University made during the verification process and because the University does not have an adequate process to monitor verification.

When auditors brought the errors to its attention, the University made corrections to all of the students’ ISIRs. For four of those students, no change in EFC or financial assistance was associated with the errors; however, not properly verifying FAFSA information could result in the University overawarding or underawarding financial assistance. For one student, the errors resulted in an overaward of Federal Pell Grant funds totaling \$818. The University subsequently adjusted the student’s award; therefore, there were no questioned costs.

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 appropriately restrict access to its financial assistance information system, Banner. The University hired a contractor, Ellucian, to host Banner. The contractor is responsible for managing user access at the server, database, and application levels. The contractor established groups to perform administrative functions on the production and application servers. Auditors identified 233 contractor users and 122 client account users who had privileged access to Banner. The contractor was unable to confirm whether all of the users with privileged access were key or actively employed personnel, and it was unable to confirm whether the client accounts had restricted access. As a result, auditors concluded that access was excessive and inappropriate.

The University does not periodically review user access to Banner at the application, server, and database levels. Instead, it relies on its contractor to perform that review. The contractor has policies and procedures requiring periodic reviews of user access at those levels; however, it did not periodically review user accounts assigned to the server administrator groups to determine the appropriateness of user access.

Allowing excessive or inappropriate access to a system increases the risk of inappropriate changes to the system and data.

Recommendations:

The University should:

- Accurately and adequately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.
- Appropriately limit access to Banner to key personnel.
- Establish and implement a periodic review of user access for personnel who have administrative access to Banner on the servers.

Views of Responsible Officials and Corrective Action Plan:

Verification of Applications

Texas A&M University – Central Texas acknowledges and agrees with the findings related to Verification of Applications. The following corrective actions will be taken to address the findings and recommendations:

- *The Office of Student Financial Assistance will develop verification cover pages for each verification group to serve as a guide for advisors. These guides will ensure each required verification item for the respective verification group is reviewed, compare the application data to the information provided on the verification form, and outline the actions necessary for the advisor to ensure corrections are submitted to the U.S. Department of Education. These cover pages will require advisors to initial next to actions to verify steps were completed.*
- *A department manager from the Office of Student Financial Assistance, or designee, will be responsible for reviewing a random sample of students within each verification group to ensure verification is completed in accordance with applicable regulatory requirements. The sample size will equal 10% of the annual number of students for each verification group.*
- *Department procedure manuals will be updated to reflect the modified procedures and processes.*

Implementation Date: March 2016

Responsible Person: Clifton Jones

General Controls

Texas A&M University – Central Texas has made a concerted effort to develop the security processes needed to limit access to Banner and associated software applications. The business owners (Registrar, Comptroller, and Director of Student Financial Assistance) sign off on all requests for access to Banner forms and functions. Once required approvals are obtained on a paper form, the Information Technology department grants access and archives the imaged form.

On December 2, 2015, the Enterprise Applications Steering Committee approved a revised version of the User Management and Periodic Account Review procedure for Banner systems. This procedure specifies that all Banner accounts and access be reviewed during both Spring and Fall semesters. Banner security classes (groups) will be reviewed annually. The Fall 2015 semester account review will be completed in December 2015.

In addition, Texas A&M University – Central Texas has made a concerted effort to develop security processes needed to limit administrative access to Banner systems. As Ellucian (vendor) provides database administrator and other system administration services in the hosted environment, their process was the primary control in this area under the direction of the Texas A&M University – Central Texas Director of Enterprise Applications.

The Texas A&M University – Central Texas CIO and Information Security Officer (ISO) have met with the vendor's managed services team and requested that they review their practices and reduce the number of staff in their hosting environment with administrative access and provide information on these staff members to the institution.

In December 2015, the vendor responded that they have reviewed their process and made the following changes:

- *Ellucian will reduce the number of users with administrative access from 233 to approximately 30 staff members based on their role in providing services to Texas A&M University – Central Texas.*
- *Ellucian will divide the access into 3 levels:*
 - *Standard User*
 - *DBA – Development*
 - *DBA – Production*
- *Ellucian will provide a formal report to the institution's CIO and ISO on a quarterly basis on these staff and their access levels.*

Implementation Date: March 2016

Responsible Person: Todd Lutz

Texas A&M University – Corpus Christi

Reference No. 2015-111

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144138; CFDA 84.033, Federal Work-Study Program, P033A144128; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P143425; and CFDA 84.268, Federal Direct Student Loans, P268K153425

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education, *2014-2015 Federal Student Aid Handbook*).

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

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

Texas A&M University – Corpus Christi (University) did not configure its student financial assistance system correctly. Specifically, the University configured its student financial assistance system, Banner, to calculate the maximum time frame for undergraduate students using 186 hours as the maximum number of hours a student can attempt and still meet SAP requirements, which is 150 percent of 124 hours. However, the majority of the University’s undergraduate degree programs are 120 hours, with some that exceed 124 hours. Therefore, there is a risk that the University could incorrectly determine whether students meet SAP requirements when students are enrolled in programs with fewer than 124 hours.

Not determining maximum hours based on 150 percent of the program length increases the risk that the University’s determination may not identify students whose programs would not result in maximum hours of 186. As a result, those students could receive financial assistance for which they are ineligible or eligible students could be denied financial assistance.

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 expected family contribution (EFC). If an institution has FSEOG funds remaining after giving FSEOG awards to all Federal Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Federal Pell Grants (Title 34, CFR, Section 676.10).

Based on a review of the full population of student financial assistance recipients, the University awarded \$4,200 in FSEOG assistance to 4 students who did not also receive a Federal Pell Grant; it did not award FSEOG assistance to all other Federal Pell Grant recipients before awarding FSEOG

assistance to those 4 students. Those four students had already received their lifetime eligibility amount for Federal Pell Grants and, therefore, they were no longer eligible to receive Federal Pell Grants. The University awards FSEOG based on Federal Pell Grant eligibility through Banner. Banner was not programmed to confirm that students received Federal Pell Grant funds prior to disbursing FSEOG funds.

After auditors brought those errors to the University's attention, it corrected the FSEOG awards; therefore, there were no questioned costs.

Federal Pell Grants

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

Based on a review of the full population of student financial assistance recipients, the University awarded \$2,865 in Federal Pell Grant funds to a student who was not eligible for that assistance. The student was enrolled as a post-baccalaureate student in the Fall semester and was not eligible to receive Federal Pell Grant funds. The University runs a report to identify improper Federal Pell Grant awards to post-baccalaureate students during each semester; however, the University disbursed funds to that student after the Fall semester and the report did not identify that student for that semester.

When auditors brought that award to the University's attention, it adjusted that student's award and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

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 that could have a material effect on each of its federal programs (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

The University did not maintain adequate user access controls over its student financial assistance system, Banner, and its operating environment. Specifically, 10 users (including 8 programmers) had inappropriate access to Banner screens for awarding and disbursing federal financial assistance. After auditors brought those issues to the University's attention, it removed the inappropriate access.

In addition, the University's security access review for Banner did not address all user security classes; as a result, some users had modify access when they should have had only query access. After auditors notified the University of those errors, it removed the inappropriate modify access for those users.

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

Recommendations:

The University should:

- Update Banner to determine a student's maximum time frame based on 150 percent of program hours.
- Award Federal Pell Grant and FSEOG assistance only to eligible students.
- Limit user access to Banner and ensure that access is appropriate based on job responsibilities.
- Conduct complete security access reviews and assign users to correct roles.

Views of Responsible Officials and Corrective Action Plan:

Financial Aid Management agrees with your findings and recommendations as they pertain to eligibility. Financial Aid Management has made the following changes for the 2015-2016 Financial Aid Year:

The Satisfactory Academic Progress Policy has been updated.

Banner SAP rules have been updated to reflect the correct maximum time frame of 180 hours for the average program length of 120 hours.

Banner awarding and disbursement rules have been updated to ensure that FSEOG will be awarded only to eligible students.

Additional monitoring of Pell awards will be done at the end of every term using existing Argos reports to cross-check student classification with information reported by student on their FAFSA.

Implementation Date: August 2015

Responsible Person: Tracie Perez

General Controls

The University acknowledges the audit findings. The University continues to strengthen its processes to limit user access to Banner and ensure that access is appropriate based on job responsibilities. The University is committed to a comprehensive review of all Banner users, classes, and forms at least annually. A second comprehensive review conducted and completed on December 14, 2015 further verified user classes to have minimum privileges required for employees to complete their job duties.

Implementation Date: December 2015

Responsible Person: Ed Evans

Reference No. 2015-112

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CDFA 84.063, Federal Pell Grant Program, P063P143425; CDFA 84.268, Federal Direct Student Loans, P268K153425; CDFA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144138; CDFA 84.033, Federal Work Study Program, P033A144128; and CDFA 84.038, Federal Perkins Loan – 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, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 78, Number 114).

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

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 from the applicant'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) (Title 34, CFR, Section 668.59).

For 2 (3 percent) of 62 students tested, Texas A&M University – Corpus Christi (University) did not accurately verify all required items on the students' FAFSAs and did not correct student ISIR information, when required. For those students, the University did not accurately verify one of the following items: adjusted gross income and the amount of child support paid. Those errors occurred because of manual errors the University made during the verification process and because the University does not have an adequate process to monitor verification.

After auditors brought those errors to the University's attention, it made corrections to the students' ISIRs. No change in EFC or financial assistance was associated with the errors; however, not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance.

Verification Policies and Procedures

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

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

The University's verification policies and procedures did not include one of the required elements. Specifically, the University's policies and procedures did not include the procedures for making referrals. Having incomplete policies and procedures increases the risk that the University may not refer potential fraud or criminal misconduct in accordance with federal 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 that could have a material effect on each of its federal programs (Office of Management and Budget Circular A-133, Subpart C, Section 300(b)).

The University did not maintain adequate user access controls over its student financial assistance system, Banner, and its operating environment. Specifically, 10 users (including 8 programmers) had inappropriate access to Banner screens for awarding and disbursing federal financial assistance. After auditors brought those issues to the University's attention, it removed the inappropriate access.

In addition, the University's security access review for Banner did not address all user security classes; as a result, some users had modify access when they should have had only query access. After auditors notified the University of those errors, it removed the inappropriate modify access for those users.

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

Recommendations:

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.
- Include all required elements in its verification policies and procedures.
- Limit user access to Banner and ensure that access is appropriate based on job responsibilities.
- Conduct complete security access reviews and assign users to correct roles.

Views of Responsible Officials and Corrective Action Plan:

Financial Aid Management agrees with findings and recommendations as they pertain to verification. Financial Aid Management has made the following changes:

Beginning with the 2016-2017 Award Year, TAMUCC will outsource the verification process to ensure accurate and effective verification processing.

The Director will select 100 students who were verified and conduct a complete desk audit annually to validate the accuracy of the verification process.

Financial Aid Management will update the Verification SOP to include procedures for making referrals to the Office of Inspector General.

Implementation Date: March 2016

Responsible Person: Jeannie Gage

General Controls

The University acknowledges the audit findings. The University continues to strengthen its processes to limit user access to Banner and ensure that access is appropriate based on job responsibilities. The University is committed to a comprehensive review of all Banner users, classes, and forms at least annually. A second comprehensive review conducted and completed on December 14, 2015 further verified user classes to have minimum privileges required for employees to complete their job duties.

Implementation Date: December 2015

Responsible Person: Ed Evans

Texas State University

Reference No. 2015-113

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

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K150387 and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T150387

Type of finding – Significant Deficiency and Non-Compliance

If an institution credits a student’s account at the institution with Direct Loans or Teacher Education Assistance for College and Higher Education (TEACH) Grants, 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 (Title 34, Code of Federal Regulations, Section 668.165).

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

For 2 (5 percent) of 44 students tested who received Direct Loans, Texas State University (University) did not send disbursement notification letters for the Summer 2015 semester. The University’s financial aid system, Banner, has a scheduled job that sends disbursement notification letters to students based on disbursements made prior to that scheduled job initiating. The errors occurred because the University did not always implement the automated process for disbursement notification letters after midnight. When the University implemented the automated process for disbursement notification letters before midnight, disbursement letters were not sent for funds that were disbursed on that day. The University does not have a control to monitor the disbursement notification letter scheduled job and identify when letters are not sent to students. As a result, those two students did not receive Direct Loan disbursement notification letters. While auditors did not identify compliance errors related to TEACH grants in testing, the issue identified above would also affect notification letters to TEACH grant recipients.

Not receiving notifications could impair students’ and parents’ ability to cancel their loans.

Recommendations:

The University should:

- Send disbursement notification letters within 30 days before or after crediting a student’s account with a Direct Loan.
- Strengthen controls over its disbursement notification letter scheduled job to identify when it has not sent required disbursement notification letters to students.

Views of Responsible Officials and Corrective Action Plan:

Two measures have been implemented to address effectively this issue. First, the scheduling of automated disbursement notification jobs was changed to consistently run each day at 12:05 a.m. This job is also no longer dependent upon the successful completion of other financial aid processes and now runs independently.

Secondly, exception reports were created to identify students or parents who have not received the required notifications after the disbursement of funds has occurred. Such an issue could occur, for instance, as the

result of systems maintenance that might prevent the scheduled notification jobs from processing. These exception reports are reviewed weekly by the systems team within Financial Aid and Scholarships.

Implementation Date: August 2015

Responsible Person: Dr. Christopher D. Murr

Reference No. 2015-114

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issue 2014-124)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144122; CFDA 84.063, Federal Pell Grant Program, P063P140387; CFDA 84.268, Federal Direct Student Loans, P268K150387; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T150387

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 (Title 34, CFR, Section 668.22(a)(4)).

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

An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(j)(1)). For an institution that is not required to take attendance, 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 period of enrollment (Title 34, CFR, Section 668.22(j)(2)).

Texas State University (University) did not always return Title IV funds within the required time frames. For 4 (7 percent) of 60 students tested who had a return of Title IV funds, the University did not return those funds, or determine the withdrawal date, within the required time frames. Specifically:

- For one student who officially withdrew, the University did not return Title IV funds within the required 45-day time frame. The University returned funds 46 days after it determined the student withdrew. That occurred because of a manual error the University made in identifying and processing that student’s return of funds.
- For one student who unofficially withdrew, the University did not determine the student’s withdrawal date from a short semester within the required 30-day time frame. It determined the withdrawal date 85 days after the end of the period of enrollment. That occurred because the University’s process is to identify unofficial withdrawals after the end of a full semester, which does not enable it to identify in a timely manner students who withdraw from a short semester.
- For two students who officially withdrew, the University did not determine those students’ withdrawal dates within the required 30-day time frame. That occurred because the University conducted its quality assurance review process after the 30-day time frame for determining that a student withdrew (that process did, however, identify a change in the withdrawal dates and recalculate the amount of funds required to be returned).

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.

Recommendations:

The University should:

- Determine withdrawal dates and return Title IV funds within required time frames.
- Strengthen its quality assurance process to conduct reviews for determining withdrawal dates within required time frames.

Views of Responsible Officials and Corrective Action Plan:

The Financial Aid and Scholarships (FAS) office implemented a corrective action plan in January of 2015 to ensure the accuracy and timeliness of Return to Title IV calculations. The action plan included: 1) performing a 100% re-review on a regular basis to ensure calculations are performed and funds are returned within the federally-specified timeframes; 2) utilizing an exception report to identify students who have withdrawn but do not yet have a Return of Title IV calculation; and 3) hiring an Assistant Director for Compliance to undertake more extensive review and quality control. For three of the four students cited in the above findings (all of whom were official withdrawals), the issue occurred prior to the corrective action plan being implemented in January of 2015. In addition, the quality assurance has been strengthened since January of 2015 by performing more timely re-reviews on at least a monthly basis. Therefore, no further corrective action is needed to address these type of issues.

For the other issue (an unofficial withdrawal finding), FAS will ensure withdrawal dates are determined within the required 30-day timeframe for short semesters by reviewing an exception report to identify any potential unofficial withdrawals outside of the standard term. The Return of Title IV financial aid lead counselor will run the exception report on a regular basis, and the Assistant Director for Compliance will perform timely quality control at the conclusion of each short semester.

Implementation Date: January 2016

Responsible Person: Dr. Christopher D. Murr

Reference No. 2015-115

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2014-125 and 2013-148)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P140387 and CFDA 84.268, Federal Direct Student Loans, P268K150387

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary 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

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

loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Sections 685.309(b) and 682.610(c)). Effective June 2012, enrollment reporting roster files must also include Federal Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

When a student does not re-enroll at an institution for the next regular (non-Summer) term without completing the course of study, the student should be reported as withdrawn. In the case of a student who completes a term and does not return for the next term, leaving the course of study uncompleted, the final day of the term in which the student was last enrolled should be used as the effective date. For three-quarter-time, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (*National Student Loan Data Systems (NSLDS) Enrollment Reporting Guide*, Appendix C). 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)).

Texas State University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

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

- For one student, the University reported the student's graduation to NSC; however, NSC did not report the status change to NSLDS.
- For one student, the University reported the student's drop to half-time enrollment during the Spring term to NSC; however, NSC did not report the status change to NSLDS.

For 5 (8 percent) of 60 students tested who had a status change, the University did not report accurate effective dates to NSLDS. Two of those students were the students discussed above, and the errors discussed above resulted in the effective dates not being reported to NSLDS. The University also did not accurately report the effective dates of students' status changes for three additional students. Specifically:

- For one student who dropped to three-quarter-time enrollment, the University submitted two effective dates for that student's enrollment change to NSC. One date was for the program level and the other date was for the campus level. The University's student financial assistance system extracted the two different dates for that student, and both dates were submitted to NSC. NSC then submitted the campus-level effective date to NSLDS, which was inaccurate.
- The University did not report the correct effective date for one student who never attended a class. The student was reported as full-time at the beginning of the term; however, the student dropped a class (and become three-quarter-time) and then provided documentation of never having attended that class. The University reported the date the student was identified as never having attended the class as the effective date of the status change to three-quarter-time; however, the University should have reported the first day of the term because the student never attended the course and was never full-time.
- The University reported an incorrect effective date for one student who completed a term, withdrew, and did not return for the following term. The University should have reported the final day of the term in which the student was last enrolled as the effective date. However, the University reported the first day of class of the withdrawn term as the effective date.

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

Recommendation:

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

Views of Responsible Officials and Corrective Action Plan:

Since NSC does not have the ability to add a student to a school's roster in NSLDS, these changes were not being submitted. NSC is working on an enhancement to add this functionality and plan to have it implemented by the end of the year. Meanwhile, lists will be generated to find students who fall into this category so they can be manually added to the roster in NSLDS. In addition, we will manually spot check students in various statuses to ensure they are reported throughout the current term and into the next term.

Implementation Date: January 2016

Responsible Persons: Melissa Hyatt and Chad Garrett

An upgrade to the batch job that pulls this information was done by the vendor that should resolve this issue. Spot checks will be done to ensure it works properly.

Implementation Date: October 2016

Responsible Person: Melissa Hyatt and Chad Garrett

Additional training with staff will be done to ensure they are aware and enter the correct date.

Implementation Date: January 2016

Responsible Person: Martha Fraire-Cuellar

Due to system constraints, we are unable to enter a date prior to the day before class's starts. An upgrade to the batch job that pulls this information was done by the vendor to assist with resolution however, we will do additional data entry in another field to capture this date, then create a report to monitor and make sure it is accurately reported to NSC.

Implementation Date: March 2016

Responsible Persons: Melissa Hyatt and Chad Garrett

Texas Tech University

Reference No. 2015-116

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144151; CFDA 84.033, Federal Work-Study Program, P033A144151; CFDA 84.063, Federal Pell Grant Program, P063P142328; CFDA 84.268, Federal Direct Student Loans, P268K152328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152328; 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 assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code (USC), Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 1087ll).

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, Code of Federal Regulations, Section 668.2).

Texas Tech University (University) established different COA budgets for students based on classification, residency, living status, aid period, and term enrollment (full-time, three-quarter-time, half-time, and less-than-half-time). The University initially assigns students a full-time COA based on the components listed above. If, for example, a student is enrolled half-time, the University then decreases (prorates) the student’s COA budget for tuition and fees and books and supplies by 50 percent. For the Fall and Spring semesters, the University prorated students’ COA budgets based on actual enrollment for the semester. If a student registered prior to disbursement of financial assistance, which occurs 10 days before the start of a semester, the University prorated the student’s COA budget on the day before disbursement. However, if a student registered after the date of the first proration of COA budgets, the University prorated the student’s COA budget on the 21st class day. For the Summer semester, the University prorated students’ COA budgets based on anticipated enrollment that students self-certified through the University’s financial aid system, Banner. The University does not prorate a student’s COA budget more than once in a semester.

For 4 (6 percent) of 62 students tested, the University incorrectly or inconsistently calculated the COA budgets. Specifically:

- For two students, the University did not prorate the COA budgets based on enrollment level. Those students were enrolled less than full-time; however, the University assigned both students a full-time COA budget.
- For two graduate students enrolled less than full-time, the University did not prorate the COA budgets consistently based on enrollment level. For those students, the University did not prorate the books and

supplies component in accordance with enrollment level. In addition, for one of those students, the University did not remove the personal and miscellaneous budget component in accordance with the enrollment level. The University prorated the tuition and fees component correctly for both students.

The COA budget calculation errors occurred because of coding in Banner. Those errors did not result in overawards of financial assistance; however, by incorrectly calculating COA budgets, the University increases the risk of overawarding or underawarding financial assistance to students.

In addition to the errors discussed above, the University used incorrect rates to prorate the COA budgets for all graduate and law students for the Summer semesters. The University's methodology is to prorate less-than-half-time students at 25 percent for the books and supplies and tuition and fees components. However, during the Summer semesters:

- For graduate students with anticipated less-than-half-time enrollment, the University prorated the books and supplies and tuition and fees components at more than 25 percent.
- For law students with anticipated less-than-half-time enrollment, the University prorated the books and supplies component at more than 25 percent. In addition, for law students with anticipated three-quarter-time enrollment, the University prorated the tuition and fees component at less than 75 percent.

Those errors occurred because Banner was programmed with incorrect proration percentages. Auditors did not identify students during testing who were overawarded financial assistance as a result of those proration errors.

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 *2014-2015 Federal Student Aid Handbook*). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible for only 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 disbursed one graduate student a \$1,980 Subsidized Direct Loan that the student was not eligible to receive. According to the University, that occurred because it awarded and packaged that student's assistance in Spring 2014, while the student was still an undergraduate. The student subsequently submitted an application for graduate school, and the admission decision was made on August 13, 2014. However, the University's graduate school did not update the admission date until after the University had disbursed financial assistance. As a result, the student received the Subsidized Direct Loan for Fall 2014 and Spring 2015 as a graduate student, when the student was not eligible to receive that financial assistance. After auditors brought that error to its attention, the University returned the loan funds to the U.S. Department of Education; therefore, there were no questioned costs.

Recommendations:

The University should:

- Strengthen controls in Banner to prorate students' COA budgets correctly relative to term enrollment, and adjust all budget components consistently.
- Award Subsidized Direct Loans only to eligible undergraduate students.

Views of Responsible Officials and Corrective Action Plan:

- *Beginning with fall 2015, we no longer prorate at disbursement but assign cost of attendance budgets based on anticipated enrollment indicated by the student relative to term enrollment. Once the budget is assigned, no additional proration is performed. Prorating cost of attendance budgets allowed for possible errors.*

- *If a student fails to complete the required Enrollment Certification, no processing or disbursement activity will occur on the student's application request.*
- *Should a student answer the enrollment certification incorrectly, an email is required from the student, indicating requested changes. Emails are directed to a specific advisor team to review, make manual updates to reflect student's actual enrollment and note requested update on RHACOMM.*
- *Beginning with fall 2015, we began utilizing an ad hoc report to identify students whose level (UG, GR) does not match their enrollment. The report is administered at mid-term and also at the end of the term and updates are made to students whose level does not match their enrollment matriculation.*

Implementation Date: Fall 2015

Responsible Persons: Paul Blake, Donna Walker, Connie Brown and Shannon Crossland

Reference No. 2015-117

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144151; CFDA 84.033, Federal Work-Study Program, P033A144151; CFDA 84.063, Federal Pell Grant Program, P063P142328; CFDA 84.268, Federal Direct Student Loans, P268K152328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion status, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 78, Number 114).

Questioned Cost: \$ 0

U.S. Department of Education

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

For 1 (2 percent) of 64 students tested, Texas Tech University's (University) financial aid application system, Banner, did not process changes made to that student's FAFSA; as a result, the student's ISIR was not updated. The University adequately identified and documented in Banner required changes to the student's FAFSA for the number of household members and student income information based on its verification process. However, Banner did not process those required changes and the University disbursed financial aid based on an incorrect ISIR. The University was unable to identify the reason that Banner did not process the changes made for that student.

When auditors brought the error to the University’s attention, it corrected the error, requested an updated ISIR for the student, and determined that it had overawarded \$1,100 in Federal Pell Grant assistance to the student. The University corrected that Federal Pell Grant award; therefore, there were no questioned costs.

Recommendation:

The University should verify that it properly processes and updates all required changes to students’ FAFSAs before it disburses financial aid.

Views of Responsible Officials and Corrective Action Plan:

- We will verify required updates to FAFSA changes prior to disbursement.
- Training and internal reviews will continue to ensure required changes are processed correctly.

Implementation Date: Fall 2015

Responsible Persons: Ben Montecillo, Melissa Mullins and Shannon Crossland

Reference No. 2015-118

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144151; CFDA 84.033, Federal Work-Study Program, P033A144151; CFDA 84.063, Federal Pell Grant Program, P063P142328; CFDA 84.268, Federal Direct Student Loans, P268K152328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

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 (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 institution must return the lesser of the total amount of unearned Title IV grant or loan assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment

period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that had not been earned by the student (Title 34, CFR, Section 668.22(g)).

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)).

Texas Tech University (University) did not consistently determine the amount of Title IV funds to return or apply returned Title IV funds to federal programs as required. For 12 (20 percent) of 60 students tested who had returns of Title IV funds, the University made errors in its return calculations. Specifically:

- For eight students, the University incorrectly calculated the institutional charges used to determine the amounts that should have been returned. In addition, for one of those students, the University used the incorrect academic start and end dates in the calculation.
- For two students, the University used the incorrect withdrawal date in the return calculation.
- For one student, the University incorrectly calculated a partial return. The student withdrew from all courses eligible for financial assistance, and the University should have returned all financial assistance. However, the University included institutional charges in the return calculation and, as a result, returned only a portion of the funds that should have been returned.
- For one student, the University did not include the student's loans in the return calculation and it did not return funds in the prescribed order.

Those errors occurred because of manual errors the University made in performing the return calculation, which resulted in miscalculations in its return worksheet. As a result, for 8 of those 12 students, the University returned incorrect amounts.

For 1 (2 percent) of 60 students tested, the University awarded Title IV funds in error to the student after the student withdrew from all courses. The student withdrew from the Fall term and all aid was correctly returned. However, when the University calculated Federal Pell Grant assistance for the Summer term, it disbursed the remaining Federal Pell Grant amount as a Fall term award in error. That occurred because the University did not lock the student's account for the Fall term after it performed the return calculation.

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

Recommendation:

The University should enhance its internal controls related to its calculation of Title IV funds required to be returned to the U.S. Department of Education. Specifically, it should review its calculations, including the variables it used, for accuracy.

Views of Responsible Officials and Corrective Action Plan:

- *We have updated and implemented our R2T4 procedures to include the following steps as well as implementation of quality control review process:*
 - *Calculate institutional charges using an Accounts Receivable COGNOS report (AR024) based on the date aid is fully disbursed.*
 - *After R2T4 Coordinator completes withdrawal, R2T4 documents are reviewed by a second FA staff member who will validate and confirm.*

- *Include all eligible federal aid in R2T4 calculation.*
- *Confirm institutional charges using AR COGNOS report.*
- *Confirm withdrawal date confirmed per SFAWDRL.*
- *Validate amount returned on R2T4 documents match RPAAWRD and RHACOMM.*
- *Verify required Title IV aid returned has been updated on COD.*

Implementation Date: *Fall 2015*

Responsible Persons: *Paul Blake, Cathy Sarabia and Shannon Crossland*

Reference No. 2015-119

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2014-129, 2013-152, 13-132, 12-138, 11-139, and 09-75)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P142328; CFDA 84.268, Federal Direct Student Loans, P268K152328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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

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

When a student does not re-enroll at an institution for the next regular (non-Summer) term without completing the course of study, the student should be reported as withdrawn. In the case of a student who completes a term and does not return for the next term, leaving the course of study uncompleted, the final day of the term in which the student was last enrolled should be used as the effective date. For three-quarter-time status, half-time status, and less-than-half-time status, the institution must use the effective date on which the student dropped to those particular statuses (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, Appendix C).

Texas Tech University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

For 18 (28 percent) of 64 students tested who had a status change, the University did not report status changes to NSLDS accurately. Specifically:

- For three students who were not enrolled in a term, the University reported those students as having less-than-half-time enrollment instead of being withdrawn with an effective date of the last day of the term last attended. Those errors occurred because of the coding structure in the University's student information system, Banner, which indicates that a student with zero enrolled hours (coded "NH") is a less-than-half-time NSC equivalent.
- For nine students who dropped courses, the University did not report status changes when the students dropped courses between the 13th and 45th class days of a term. As a result, the students' statuses and effective dates were not accurately reflected in NSLDS. The University did not report status changes for students who dropped courses between the 13th and 45th class day because the students would receive a "DG" grade, which counted toward the State's drop limit and enrollment for state funding.
- For six students who had a status change, the University submitted information to NSC regarding the students' change in enrollment; however, NSC did not submit those changes to NSLDS.

For 23 (36 percent) of 64 students tested who had a status change, the University did not report accurate effective dates to NSLDS for those status changes. Sixteen of those students were the students discussed above, and the errors discussed above resulted in incorrect effective dates being submitted to NSLDS. The University also did not accurately report the effective dates of status changes for seven additional students. Specifically:

- The University reported incorrect effective dates for five students who completed a term and did not return for the following term. The University should have reported the final day of the term in which those students were last enrolled as the effective date. However, for four of those students, the University reported the day after the final day of the term in which the students were last enrolled because it did not want to give the appearance that the students were withdrawn from their last enrolled term. For the remaining student, the University reported the effective date as the date the student withdrew before the term began, instead of the last class day of the term that the student last attended.
- The University reported an incorrect effective date for one student who was required to enter into a full-time status after the term had begun because of the doctoral program in which the student was enrolled. The University reported the student's effective date to NSLDS as August 9, 2014, rather than September 19, 2014, which was the date on which the University determined that the student was required to enter into full-time status.
- The University reported an incorrect effective date for one student who dropped to three-quarter-time enrollment. The University reported the effective date as November 21, 2014, to NSLDS; however, the student dropped to three-quarter-time enrollment as of September 9, 2014.

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

Recommendation:

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

Views of Responsible Officials and Corrective Action Plan:

- *We are requesting error reports each time an enrollment file is submitted. Those students' record not transferring from NSC to NSLDS or listed as having errors will be researched and fixed individually.*
- *Any student who enrolls and subsequently withdraws from the University is withdrawn entirely and the record is made inactive. We also run a list of these students and ensure their withdrawal date is the last day of the previous term.*

Implementation Date: *Fall 2015*

Responsible Persons: *Bobbie Brown and Shannon Crossland*

University of Houston

Reference No. 2015-120

Eligibility

Special Tests and Provisions - Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144166; CFDA 84.033, Federal Work-Study Program, P033A144166; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142333; CFDA 84.268, Federal Direct Student Loans, P268K152333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152333

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education, *2014-2015 Federal Student Aid Handbook*). For a graduate program, the maximum time frame is a period defined by the institution that is based on the length of the educational program (Title 34, CFR, Section 668.34(b)).

Questioned Cost: \$ 994,179
U.S. Department of Education

The University of Houston (University) did not configure its student financial assistance system in accordance with its SAP policy. The University’s policy for calculating the maximum time frame for graduate and law students uses 150 percent of a student’s academic program hours to determine the maximum time frame. However, the University’s student financial assistance system, PeopleSoft, was not configured to limit the maximum time frame for some graduate and law programs to 150 percent of the academic program hours. Auditors identified at least 3 academic programs that were configured in PeopleSoft with maximum hours that exceeded 150 percent of the academic program hours.

Auditors did not identify students during testing who were ineligible for student financial assistance as a result of the issue discussed above. However, not determining maximum time frames correctly increases the risk that graduate and law students could receive financial assistance for which they are not eligible or be denied financial assistance for which they are eligible.

Teacher Education Assistance for College and Higher Education

During federal fiscal year 2015, there was a change in the sequester-required percentage reduction that applied to Teacher Education Assistance for College and Higher Education (TEACH) grants first disbursed during fiscal year 2015. The U.S. Office of Management and Budget calculated the sequester-required reduction percentage for the TEACH grant program to be 7.3 percent for a TEACH grant award with a first disbursement date on or after October 1, 2014, and before October 1, 2015 (*Dear Colleague Letter*, GEN-14-10).

Based on a review of the entire population of federal student financial assistance recipients, the University awarded an incorrect amount for TEACH grant assistance to one student. The University awarded that student \$256 more in TEACH grant assistance than allowed by the sequester. That error

occurred because the University manually entered the incorrect amount into PeopleSoft. In addition, because that amount was manually entered, PeopleSoft did not adjust that amount for changes in the sequestration percentage. After auditors brought the error to the University's attention, it adjusted and corrected the TEACH grant award to that student to reflect the correct amount required by the sequester; therefore, there were no questioned costs.

Federal Pell Grant

When awarding Federal Pell Grant assistance to students, for each payment period, an institution may award a Federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)). Institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62(a)). 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 (U.S. Department of Education, *2014-2015 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63(b)).

Based on a review of the entire population of federal student financial assistance, the University incorrectly calculated and disbursed Federal Pell Grant assistance to 237 students. That occurred because of an error in the University's disbursement process for the Summer term. The University did not configure PeopleSoft to consider the amount of Federal Pell Grant assistance students received during the Fall and Spring terms when determining the amount of the Summer disbursement. As a result, some students received more Federal Pell Grant assistance than they were eligible to receive and other students received less Federal Pell Grant assistance than they were eligible to receive.

After auditors brought the errors to the University's attention, it corrected the process in PeopleSoft and recalculated the amount of Federal Pell Grant assistance that students were eligible to receive for the Summer term. The University subsequently adjusted students' award amounts and either disbursed additional funds or returned funds to the U.S. Department of Education. Therefore, there were no questioned costs.

Eligibility and Certification Approval Report

Each institution's most recent *Eligibility and Certification Approval Report* (ECAR) lists the institution's main campus and any additional approved locations. For any other locations at which an institution offers 50 percent or more of an eligible program during the audit period, the institution must either submit an application for approval of that location or notify the U.S. Department of Education of that location (Title 34, CFR, Sections 600.20(c) and 600.21(a)(3)). An institution may not disburse Title IV, HEA Program assistance to students at that location before it reports to the U.S. Department of Education about that location (Title 34, CFR, Section 600.21(d)). Additionally, an institution must report to the U.S. Department of Education, no later than 10 days after the change occurs, any change in the name or address of any branch or previously reported location and the closure of a branch or previously reported location (Title 34, CFR, Section 600.21(a)).

The University's most recent ECAR was not accurate and did not include all additional locations. Specifically:

- The University reported four locations incorrectly on its ECAR. The University did not report the correct name or address for three of those locations. The University closed the fourth location in 2004 but did not remove that location from its ECAR.
- The University has additional locations in Houston, Peru, the United Arab Emirates, Ukraine, and the People's Republic of China that offer 50 percent or more of an eligible program. However, the University did not include those locations on its most recent ECAR. In addition, the University did not notify the U.S. Department of Education about those locations. The University did not disburse any federal financial assistance to students who attended the unreported international locations during the 2014-2015 award year. However, it disbursed a total of \$994,179 in federal student financial assistance to 203 students at the unreported Houston locations during the 2014-2015 award year. Of those disbursements:

- \$549,869 was associated with CFDA 84.268, Federal Direct Student Loans, award number P268K152333.
- \$425,679 was associated with CFDA 84.063, Federal Pell Grant Program, award number P063P142333.
- \$14,000 was associated with CFDA 84.007, Federal Supplemental Educational Opportunity Grants, award number P007A144166.
- \$4,631 was associated with CFDA 84.033, Federal Work-Study Program, award number P033A144166.

All of the above amounts were considered questioned costs.

Those errors occurred because the University did not adequately review its ECAR to ensure that it reported all locations at which it offers more than 50 percent of an eligible program. Not updating the ECAR and not notifying the U.S. Department of Education about additional locations could result in students receiving financial assistance for ineligible programs.

Recommendations:

The University should:

- Configure PeopleSoft to align with its SAP policy by defining a maximum time frame based on 150 percent of the educational program for graduate and law students.
- Award students the correct amount of TEACH grants according to annual limits.
- Award students the correct amount of Federal Pell Grant assistance for an award year.
- Update its ECAR as required and ensure that it does not disburse financial assistance to students at locations that are not on its ECAR.

Views of Responsible Officials and Corrective Action Plan:

Satisfactory Academic Progress

We have modified our policies and procedures to include an annual verification of maximum hours with leadership in each graduate program. We will use this information to configure PeopleSoft to align with our SAP policy of maximum time frame based on 150 percent of the educational program for graduate and law students.

Implementation Date: November 2015

Responsible Persons: Scott Moore and Anushah Ahmed

Teacher Education Assistance for College and Higher Education

We have amended our policies and procedures to include a biennial review of TEACH Grant award amounts at the end of each payment period. This will help ensure that students are awarded the correct amount of TEACH Grant.

Implementation Date: November 2015

Responsible Persons: Scott Moore and Candida Dubose

Federal Pell Grant

To help ensure all students are awarded the correct amount of Federal Pell Grant assistance, we will modify the query used to verify Pell Grant maximum amounts for summer awards and disbursements to include data elements currently missing.

Implementation Date: June 2016

Responsible Persons: Scott Moore, Lety Gallegos and Candida Dubose

Eligibility and Certification Approval Report

We have updated the ECAR to accurately reflect all of our locations. To help ensure continued accuracy of reported locations and that financial assistance is not disbursed to students at locations not on the ECAR, we have modified our policies and procedures to include a review 60 days prior to the start of each payment period.

For international locations, we have created a query which will run monthly to ensure that no students at international locations are eligible for federal aid.

Implementation Date: November 2015

Responsible Persons: Chris Stanich and Scott Moore

Reference No. 2015-121

Special Tests and Provisions – Verification

(Prior Audit Issue 2014-139)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144166; CFDA 84.033, Federal Work-Study Program, P033A144166; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142333; CFDA 84.268, Federal Direct Student Loans, P268K152333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152333

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion status, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 78, Number 114).

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

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 from the applicant’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 the applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

For 4 (6 percent) of 62 students tested, the University of Houston (University) did not accurately verify some of the required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs as required. For those four students, the University did not accurately verify one of the following items: education credits, U.S. income taxes paid, and untaxed pension amounts. Those errors occurred because of manual errors the University made during its verification process and because the University does not have an adequate control to monitor verification.

When auditors brought the errors to the University's attention, it made corrections to those four students' ISIRs. Specifically:

- For two students, the original EFC was overstated. One of those students was eligible for an additional \$375 in Federal Pell Grant funds, and the University subsequently disbursed additional Federal Pell Grant funds. There was no change in financial assistance for the other student.
- For two students, the original EFC was understated, which resulted in \$600 in overawards of Federal Pell Grant funds. The University subsequently adjusted those students' awards; therefore, there were no questioned costs.

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

Recommendations:

The University should:

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

Views of Responsible Officials and Corrective Action Plan:

We have changed our process to verify all required FAFSA information for students selected for verification by implementing a second level review for each student with a completed file. This review process will check for accuracy before marking a file "complete" and we will request updated ISIRs when required.

Implementation Date: October 2015

Responsible Persons: Scott Moore and Candida Dubose

Reference No. 2015-122

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

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K152333; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152333; and CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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) Grants 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 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 (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, loan disbursement, TEACH grant, or TEACH grant disbursement (Title 34, Code of Federal Regulations, Section 668.165).

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

For 15 (41 percent) of 37 disbursements tested that required a disbursement notification letter, the University of Houston (University) did not send disbursement notification letters within the required time frames. Those errors occurred for disbursements made late in the Fall term and the Spring term because of errors in the batch processes the University used to (1) identify students to whom it was required to send disbursement notification letters and (2) send those disbursement notification letters. Although auditors did not identify compliance errors related to Perkins Loan or TEACH grant recipients, the University used those same batch processes to identify and send disbursement notification letters to the recipients of those types of financial assistance.

The University identified and corrected the errors in its batch processes in March and sent the required disbursement notification letters at that time to students who received disbursements late in the Fall term and in the Spring term. However, not receiving disbursement notification letters in a timely manner could impair students’ and parents’ ability to cancel their loans.

Recommendation:

The University should strengthen controls over its batch processes to ensure that it sends disbursement notification letters within 30 days before or after crediting a student’s account with loans or a TEACH grant.

Views of Responsible Officials and Corrective Action Plan:

We have strengthened control of our batch processes by generating an email to appropriate staff members when a batch processing instance fails or errors. This will help ensure that disbursement notification letters are sent within 30 days before or after crediting a student’s account with loans or a TEACH grant.

Implementation Date: March 2015

Responsible Persons: Lety Gallegos and Scott Moore

Reference No. 2015-123

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144166; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142333; CFDA 84.268, Federal Direct Student Loans, P268K152333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152333

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 grant or loan assistance that the student earned 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 completion of 60 percent of the payment period or period of enrollment (Title 34, CFR, Section 668.22(e)). The institution must return the lesser of the total amount of unearned Title IV grant or loan assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that had not been earned by the student (Title 34, CFR, Section 668.22(g)).

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 Houston (University) did not correctly determine the 60 percent completion point for the Spring term. Specifically, for 12 (20 percent) of 61 students tested, the University did not correctly calculate the amount of Title IV funds earned or the amount of funds to be returned because of an incorrect determination of the number of days in the payment period. The University incorrectly used 9 days for its spring break period when it determined the length of enrollment for the Spring term, instead of 8 days. As a result, the University incorrectly determined the 60 percent completion point for return calculations and for determining whether students had sufficiently completed the payment period or period of enrollment. The error in the determination of the number of days in the enrollment period impacted the percent completion used in the return calculation by less than half a percent. As a result:

- For eight of those students, the University returned an incorrect amount of Title IV funds.
- Four of those students had a withdrawal date at the 60 percent completion point and had sufficiently completed the payment period and would not be required to return Title IV funds; however, the University calculated and returned Title IV funds for those students.

Auditors identified an additional 9 students who withdrew at the 60 percent completion point who had sufficiently completed the payment period and would not have required a return of Title IV funds.

When auditors brought the errors to University's attention, it performed the return calculation again for the 12 students discussed above and adjusted the amount of funds returned accordingly; therefore, there were no questioned costs.

Auditors determined that the error discussed above affected a total of 91 students in the Spring term. Depending on the withdrawal date, those students may have earned more of their funds than the University determined, or they may have been required to return more funds to the U.S. Department of Education than the University determined.

Not accurately determining the date of scheduled breaks for terms when calculating return amounts increases the risk that the University will not return the correct amount of Title IV assistance to the U.S. Department of Education or may return funds that students have earned.

Recommendation:

The University should accurately determine the number of days in scheduled breaks and calculate returns of Title IV funds correctly based on the period of enrollment excluding scheduled breaks.

Views of Responsible Officials and Corrective Action Plan:

Beginning fall 2015 we implemented the delivered PeopleSoft Return to Title IV Module, which provides the functionality of basing the calendar directly on the Academic Calendar for the University. This will help ensure accurate determination of the number of days in the scheduled breaks, and calculate returns of Title IV correctly based on the period of enrollment excluding scheduled breaks.

Implementation Date: September 2015

Responsible Persons: Scott Moore and Candida Dubose

Reference No. 2015-124

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2014-140, 2013-165, 13-147, 12-153, 11-154, 10-98, 09-87, 08-74, and 07-58)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers - CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142333; and CFDA 84.268, Federal Direct Student Loans, P268K152333

Type of finding – Significant Deficiency and Non-Compliance

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

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

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

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 NSLDS. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

For 6 (10 percent) of 60 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- For five students with status changes, the University did not report the correct effective date to NSLDS. In addition, for one of those students, the University reported an incorrect enrollment status to NSLDS. Those errors occurred because of changes the University made to the query it used to identify students with changes in enrollment levels. The query did not always return the correct status type or effective date for a status change.
- The University did not accurately report to NSLDS one student who graduated in the Fall term and subsequently enrolled in a new program in the Spring term. The University reported that student's graduated and enrollment status to NSC; however, NSC did not report the graduated status correctly to NSLDS. The University does not have a control to ensure that the information it reports to NSC is subsequently submitted to NSLDS.

Not reporting changes and effective dates accurately and completely could affect the determinations that guarantors, 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.

Recommendation:

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

Views of Responsible Officials and Corrective Action Plan:

To accurately report all status changes and effective dates to NSLDS, we have adjusted the query used to pull students with changes to their enrollment schedule to help ensure that enrollment reporting is accurate within the 30 day federal window.

We determined that the reporting error of the student who graduated and re-enrolled was due to timing. The timing of the reporting schedule has been altered to correct this error.

Implementation Date: September 2015

Responsible Person: Debbie Henry

University of North Texas

Reference No. 2015-125

Eligibility

Special Tests and Provisions – Institutional Eligibility

(Prior Audit Issue 2014-146)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144085; CFDA 84.033, Federal Work-Study Program, P033A144085; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142293; CFDA 84.268, Federal Direct Student Loans, P268K152293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152293

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

<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 programs and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

For students who apply for loans, the COA includes the fees required to receive those loans. The COA may also include the fees required for non-federal student loans (that is, non-federal loans that must be considered as estimated financial assistance when packaging a student’s aid). An institution can use either the exact loan fees charged to a student or an average of fees charged to borrowers of the same type of loan at the institution. To be included in the COA, any loan fees for private loans must be charged to the borrower during the period of enrollment for which the loan is intended (U.S. Department of Education, *2014-2015 Federal Student Aid Handbook*).

For 15 (24 percent) of 62 students tested, the University of North Texas (University) incorrectly or inconsistently calculated COA. Specifically:

- For 13 of those students, the University included loan fees for Direct PLUS Loans in the COA for all dependent students, regardless of whether those students received that type of loan. The University asserted that it implemented a process to manually remove the loan fees as part of an end-of-year process for students who did not receive a loan. However, the University had not completed that review for all students with loan fees at the time of the audit. For 12 of those students, the errors did not result in overawards of financial assistance. However, one student was overawarded a total of \$48 as a result of this issue. The University reviewed that student as part of its end-of-year process, and it removed the loan fees for that student; however, it did not evaluate that student’s total financial assistance to ensure that it did not exceed the adjusted COA. After auditors brought that error to its attention, the University corrected the overaward; therefore, there were no questioned costs.

- For two students, the University assigned COAs prior to receiving the students' ISIRs, and its student financial assistance system, PeopleSoft, assigned default values for the COAs. As a result, the COA components for room and board and miscellaneous personal expenses were assigned incorrect values, which resulted in incorrect COAs being calculated. However, those errors did not result in overawards of financial assistance.

Making incorrect COA calculations could result in underawards or overawards of financial assistance.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education 2014-2015 *Federal Student Aid Handbook*).

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

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

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

The University's SAP policy did not meet certain federal requirements at the beginning of the award year. As a result, for 2 (3 percent) of 62 students tested, the University did not correctly determine their SAP status. The policy allowed students to progress through an academic program at a pace that did not ensure that they would graduate within the maximum time frame. The policy specified a minimum number of hours that must be completed based on the number of hours enrolled within each semester of a financial assistance year. However, the policy did not consider cumulative hours, which could result in a pace that would not ensure that a student would graduate within the maximum time frame. In addition, the SAP policy was less strict than the University's academic policy for graduate students. Specifically, the SAP policy allowed graduate students to complete their degrees in a time frame that exceeded the academic policy.

The University incorrectly disbursed financial assistance to the two students discussed above who did not meet SAP requirements. Specifically, the University disbursed \$14,074 in Federal Direct Student Loans and \$1,440 in Federal Pell Grants to those students. After auditors brought those errors to its attention, the University corrected the awards for both of the students. For one student, the University returned \$3,216 in Direct Loans and \$1,440 in Federal Pell Grants to the U.S. Department of Education. For the other student, the University notified the student who then filed a SAP appeal. The student filed the required documentation and the appeal was approved. Therefore, the student was determined to be eligible for the \$10,858 received in Federal Direct Student Loans. As a result, there are no questioned costs.

In November 2014, the University implemented a new SAP policy that corrected the policy errors identified above and, after that correction, the SAP policy met all federal requirements.

Federal Pell Grant

An institution must disburse a Federal Pell Grant to an eligible student who is otherwise qualified to receive that disbursement (Title 34, CFR, Section 690.61). A student may decline all or part of a disbursement of Federal Pell Grant funds that the student is otherwise eligible to receive. To decline Federal Pell Grant funds, a student must deliver to the institution a signed, written statement clearly indicating that the student is declining Federal Pell Grant funds for which he or she is otherwise eligible and that the student understands that those funds may not be available after the award year. The institution must, if necessary, submit any adjustment records for the student to the Common Origination and Disbursement (COD) System (U.S. Department of Education, *Dear Colleague Letter*, GEN-12-18).

The University did not disburse Federal Pell Grant funds to one student who was eligible to receive those funds. The University asserted that the student did not accept the award; therefore, it canceled the award. However, the University did not obtain a written statement from the student declining the Federal Pell Grant funds; therefore, it should have disbursed the funds for which the student was eligible. Based on the student's COA and EFC, the student was eligible to receive \$1,090 for the Fall semester. The student was not eligible to receive financial assistance in the Spring semester because the student did not meet SAP requirements. After auditors brought the error to its attention, the University disbursed the Federal Pell Grant funds to the student.

Recommendations:

The University should:

- Include loan fees in COA only for students who receive loans and ensure that it does not make overawards of financial assistance as a result of removing the loan fees.
- Calculate each student's COA based on the correct budget.
- Continue to ensure that its SAP policy meets federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than an annual basis; ensuring that the policy requires students to graduate within the maximum time frame; and making the SAP policy at least as strict as its academic policy.
- Disburse Federal Pell Grant funds to all eligible students.

Views of Responsible Officials and Corrective Action Plan:

Cost of Attendance (COA)

Management implemented changes last year in August 2014 to include loan fees in the COA budget for students who receive loans and ensure that the changes do not cause overawards of financial assistance as a result of removing the loan fees. Management modified the existing process to make adjustments more frequently throughout the year.

Management implemented changes to identify students who have default values within the COA and have an ISIR to calculate each student's COA based on the correct budget.

Implementation Date: July 2015

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

Satisfactory Academic Progress

Management implemented changes in the middle of the term last year in November 2014, after it was identified by the auditors, to its SAP policy to meet federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than an annual basis; to ensure students graduate within the maximum time frame to make the SAP policy as strict as its academic policy.

Implementation Date: November 2014

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

Pell Grants

Management implemented changes to ensure the disbursement of Federal Pell Grant funds to all eligible students.

Implementation Date: July 2015

Responsible Persons: Abby Goynes and Lacey Thompson

Reference No. 2015-126

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award Numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142293; and CFDA 84.268, Federal Direct Student Loans, P268K152293

Type of finding – Significant Deficiency and Non-Compliance

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

Questioned Cost: \$ 0

U.S. Department of Education

The University of 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 NSLDS. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

For 4 (7 percent) of 60 students who had a status change, the University submitted inaccurate effective dates to NSLDS. That occurred because the University had identified errors in its February 2015 report

submission to NSC and, therefore, delayed submission of its enrollment report. That delay caused the effective dates to be reflected inaccurately in NSLDS.

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

Recommendation:

The University should accurately report effective dates to NSLDS.

Views of Responsible Officials and Corrective Action Plan:

Management is attentive to the U.S. Department of Education requirements regarding reporting dates of student enrollment status changes. Management has implemented a change to the internal National Student Clearinghouse Enrollment Report to help ensure the accuracy enrollment change dates.

Implementation Date: August 2015

Responsible Person: Bryan Heard

University of Texas at Arlington

Reference No. 2015-128

Eligibility

Special Tests and Provisions - Institutional Eligibility

(Prior Audit Issues 2014-148, 2013-170, 13-154, and 12-156)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

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

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 (USC), Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 1087ll).

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, Code of Federal Regulations (CFR), Section 668.2).

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, three-quarter-time, half-time, and less-than-half-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 assigns a full-time COA to students who do not respond to the University’s request for anticipated enrollment. The University adjusts the COA manually if a student indicates enrollment will be anything other than full-time enrollment. Otherwise, the University’s financial aid system, PeopleSoft, updates the COA based on actual enrollment.

For 2 (3 percent) of 63 students tested, the University incorrectly calculated the COA. Specifically, for those two students, the University made manual adjustments to the COAs, which prevented PeopleSoft from adjusting the COA based on actual enrollment. As a result, for one student the COA was higher than it should have been; however, that did not result in an overaward of financial assistance. For the other student, the COA was lower than it should have been; however, that did not affect the amount of financial assistance that student was eligible to receive.

After auditors brought the errors to the University’s attention, it adjusted the students’ COA calculations and determined that neither student was underawarded or overawarded financial assistance. However, incorrect COA calculations could result in underawards or overawards of financial assistance.

Federal Pell Grant

When awarding Federal Pell Grant assistance to students, for each payment period, an institution may award a Federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)). Institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2014-2015 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63(b)).

For 4 (50 percent) of 8 students tested who received Federal Pell Grants, the University did not award those students Federal Pell Grant funds for the Summer term. The University's financial aid year begins with the Summer term, which is the first opportunity for students to receive financial assistance. However, the University awards Federal Pell Grant assistance in the Summer term only if a student requests assistance and meets the eligibility requirements. As a result, the University did not award Federal Pell Grant assistance in the Summer term in which those four students were eligible to receive that assistance; however, all four students received the full amount of Federal Pell Grant assistance they were eligible to receive for the Fall and Spring terms of the financial aid year.

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 the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education *2014-2015 Federal Student Aid Handbook*).

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

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

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

Calculating the pace of progression through an academic program by each financial aid year, rather than by students' cumulative hours, increases the risk that the University could award financial assistance to ineligible students who exceed the maximum hours for an academic program.

Recommendations:

The University should:

- Calculate each student's COA based on the correct budget.

- Award students the correct amount of Federal Pell Grants according to their enrollment status for the Summer, Fall, and Spring terms.
- Update its SAP policy to meet federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than an annual basis, and by ensuring that the policy requires students to graduate within the maximum time frame.

Views of Responsible Officials and Corrective Action Plan:

Cost of Attendance

The University agrees it should assign the correct COA to each student and has reduced the number of budgets for the current award year.

Implementation Date: March 2015

Responsible Person: Karen Krause

Federal Pell Grant

The University agrees it should have awarded Pell to eligible applicant's student for the summer header. An automated process has been implemented to ensure Pell is awarded to eligible students enrolled in the summer term.

Implementation Date: May 2015

Responsible Person: Karen Krause

Satisfactory Academic Progress

The University will review and update our Satisfactory Academic Progress Policy to ensure the correct cumulative hours are used in measuring the pace of progression.

Implementation Date: May 2016

Responsible Persons: Karen Krause and Tanya Vittitow

Reference No. 2015-129

Special Tests and Provisions – Verification

(Prior Audit Issues 2014-149, 2013-171, 13-155, and 12-158)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

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

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement

Questioned Cost: \$ 0

U.S. Department of Education

account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56; and *Federal Register* Volume 78, Number 114). 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 from the applicant's original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

For 15 (25 percent) of 61 students tested, the University of Texas at Arlington (University) did not accurately verify all required items on the students' FAFSAs, and it did not always update its records and request updated ISIRs as required. Specifically:

- For 14 students who were not tax-filers, the University did not verify the students' income. Based on information the University provided, the University did not verify income for a total of 1,408 students who (1) did not indicate they had or would complete an Internal Revenue Service (IRS) tax return on their FAFSA or (2) reported that they were not going to file an income tax return and had no income. Those errors occurred because the University did not configure the verification checklist assignment process in its financial aid system correctly for students who were not tax-filers. In addition, for one of those students, the University also did not accurately verify the parents' tax deferred pension amount due to a manual error. The University followed up with the 14 students tested; the University also asserted that it would follow up with the remaining 1,394 students and make corrections as necessary.
- For one student, the University did not accurately verify income for one parent who submitted IRS Form 4868 *Application for Automatic Extension of time to File U.S. Individual Income Tax Return*. The University permitted the parent to provide a signed statement in lieu of an IRS form W-2; however, the signed statement did not include the parent's source of income or the reason an IRS form W-2 was not available. That occurred due to a manual error the University made during the verification process.

Not properly verifying FAFSA information could result in the University overawarding or underawarding student financial assistance. However, the 15 errors identified during testing did not result in changes to the students' EFCs and did not result in overawards or underawards of financial assistance.

Recommendation:

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

Views of Responsible Officials and Corrective Action Plan:

Non-Tax Filer

The University agrees it should have accurately verified the income of student that identified as non tax-filers. The error occurred in system set-up and has been corrected. All students for the audit period have been reviewed and corrective actions taken if required.

Implementation Date: August 2015

Responsible Person: Jason Young

Income Verification

The University agrees it should accurately verify the income for all parents selected for verification. Additional training has been provided to prevent future manual errors.

Implementation Date: August 2015

Responsible Person: Jason Young

Reference No. 2015-130

Special Tests and Provisions – Disbursements To or On Behalf of Students
(Prior Audit Issue 2014-150)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

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

Type of finding – Significant Deficiency and Non-Compliance

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

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

The University of Texas at Arlington (University) did not always perform required reviews of transfer students prior to disbursing student financial assistance. For one student tested who transferred during the academic year, the University did not obtain updated loan history information from NSLDS for the current year before it disbursed financial assistance. The University did not add that student to its transfer monitoring list because of manual errors it made in identifying transfer students. The University does not have a process to identify all students who transferred during the academic year.

During testing, auditors did not identify students to whom the University overawarded financial assistance as a result of the issue discussed above. However, not obtaining updated NSLDS information prior to disbursing funds increases the risk that the University could overaward financial assistance to students who received financial assistance at another institution.

Recommendation:

The University should develop and implement a process to identify all students who transfer during the award year and review information from NSLDS before it disburses financial assistance.

Views of Responsible Officials and Corrective Action Plan:

The University agrees it should ensure that required students are added to the transfer monitoring list and has implemented and automated procedure for ensuring students are added to the list.

Implementation Date: October 2015

Responsible Person: Beth Reid

Reference No. 2015-131

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2014-152 and 2013-173)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

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

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary 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) and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)). Effective June 2012, enrollment reporting roster files must also include Federal Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

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

Institutions are required to use the date of a student’s withdrawal for purposes of reporting enrollment status changes to the Secretary of the U.S. Department of Education and determining when a refund or return of Title IV funds must be paid (Title 34, CFR, Section 685.305(c)). In addition, the *National Student Loan Data System (NSLDS) Enrollment Reporting Guide* states that, in the absence of a formal withdrawal, the last recorded date of attendance should be reported as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix C).

The University of Texas at Arlington (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS, as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

The University did not report students who unofficially withdraw from all courses for a term to NSLDS. The University determined the last date of attendance for students who withdrew without providing official notification for the purposes of determining when a refund or return of Title IV funds must be paid; however, it did not report those students as withdrawn to NSLDS.

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

Recommendation:

The University should report all student status changes to NSLDS.

Views of Responsible Officials and Corrective Action Plan:

The University is updating its procedures to automate reporting to NSLDS for students that are unofficial withdrawals.

Implementation Date: February 2016

Responsible Person: Dr. Wallace Wasson

University of Texas at Austin

Reference No. 2015-132

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P142336; CFDA 84.268, Federal Direct Student Loans, P268K152336; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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The University of Texas at Austin (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

For 3 (5 percent) of 60 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- For two students, the University accurately reported those students’ less-than-full-time enrollment status and effective dates to NSC; however, NSC did not report the status change to NSLDS. The NSC reported only a graduation status for those two students to NSLDS; however, the University had reported one of those students to NSC as having three-quarter-time enrollment and the other student as having less-than-half-time enrollment.
- For one student, the University inaccurately reported the effective date of the student’s withdrawal to NSLDS because of a manual error it made inputting the student’s withdrawal date into the information that it submitted to NSC.

Those errors occurred because of manual errors the University made in submitting status changes and because the University does not have a process to ensure that the student status changes it reports to NSC are accurately reported to NSLDS.

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

Recommendations:

The University should:

- Accurately report all student status changes to NSLDS.
- Establish and implement a monitoring process to ensure that the status changes it reports to NSC are accurately reported to NSLDS.

Views of Responsible Officials and Corrective Action Plan:

The University concurs with the finding. The Office of the Registrar intermittent enrollment status affecting the determinations made by guarantors and were not reported by NSC have been updated on the NSLDS website on 8/12/2015. The University of Texas at Austin will make sure that the final enrollment changes that are reported to NSC are submitted to NSLDS. Following the submission of this roster to NSLDS, The University of Texas at Austin will submit degree files to NSC for updates and subsequent submission of graduated students to NSLDS.

The Office of the Registrar agrees that a typo with the withdrawal date was reported for a student. The withdrawal date of 2/3/15 was reported instead of 2/13/15. This error was corrected on 8/12/15. Because the date submitted was an earlier date rather than the later date, no interest subsidy would have been lost by the federal government. The Office of the Registrar will have a second staff member review manually updated unofficial withdrawal records.

Implementation Date: August 2016

Responsible Person: Vasanth Srinivasa

Reference No. 2015-133

Special Tests and Provisions – Student Loan Repayments

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

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

Type of finding – Significant Deficiency and Non-Compliance

Under the Federal Perkins Loan Program, institutions are permitted to grant forbearance to the borrower. That forbearance may include temporary cessation of payments, allowing an extension of time for making payments, or temporarily accepting smaller payments than previously were scheduled. The institution is required to receive a request for forbearance and supporting documentation from the borrower. An institution may grant forbearance if (1) the amount of the payments the borrower is obligated to make on Title IV loans each month is collectively equal to or greater than 20 percent of the borrower's total monthly gross income, (2) the institution determines that the borrower should qualify for the forbearance due to poor health or for other acceptable reasons, or (3) the Secretary of the U.S. Department of Education authorizes a period of forbearance due to a national military mobilization or other national emergency (Title 34, Code of Federal Regulations, Section 674.33(d)).

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

For 2 (3 percent) of 62 of students tested, the University of Texas at Austin (University) did not obtain adequate documentation to support its rationale for granting loan forbearance to those students. Those errors occurred because the University did not require supporting documentation at the time of a request for forbearance, as required. Because the University did not have supporting documentation for those students'

requests for forbearance, auditors could not determine whether the students were qualified for forbearance on their Federal Perkins Loan.

By not requiring adequate documentation of the reason for the forbearance request, the University increases the risk that it could grant forbearance to a student who does not qualify for that forbearance.

Recommendation:

The University should strengthen its controls over the forbearance process to require adequate documentation of the reason for the forbearance, and it should retain that documentation as support for granting the forbearance.

Views of Responsible Officials and Corrective Action Plan:

The University concurs with the finding. Student Accounts Receivable (SAR) has changed the forbearance process as of August 12, 2015 to require borrowers to include in their written request for forbearance the reason they are requesting forbearance. Documentation will be retained in the borrowers' loan files.

Implementation Date: August 2015

Responsible Person: Joanna Sollinger

University of Texas at El Paso

Reference No. 2015-141

Eligibility

Special Tests and Provisions – Verification

(Prior Audit Issues 13-164, 11-171, and 11-170)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A144176; CFDA 84.033, Federal Work-Study Program, P033A144176; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142338; CFDA 84.268, Federal Direct Student Loans, P268K152338; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152338; CFDA 93.264, Nurse Faculty Loan Program, E01HP27044; CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, E0AHP18915; and CFDA 93.925, Scholarships for Disadvantaged Students, T08HP25261

Type of finding - Significant Deficiency and Non-Compliance

Cost of Attendance

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

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

The University of Texas at El Paso (University) did not always update the COA in its student financial assistance system, Banner. Specifically, the University did not update the budget group for a full-time, non-resident graduate student living off-campus to the correct amount, which resulted in Banner specifying a COA for that budget group that was \$2,938 more than it should have been. In addition, Banner could not accurately determine the financial need for those students. The University determined that four students were assigned to that budget group for the 2014-2015 award year. Auditors identified at least four other COA budgets that were not updated correctly in Banner. Not updating the COA increases the risk that students in that budget group could be overawarded financial assistance.

Enrollment Level

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

The University assigns all students a COA budget based on full-time enrollment and determines the amount of financial assistance the student is eligible to receive based on that COA budget. The University has an automated control that calculates a student's need and COA at half-time and three-quarter-time enrollment to determine the lowest level of enrollment at which that student's awards could be disbursed without resulting in an overaward of financial assistance. In addition, Banner will not disburse funds to a student whose enrollment level drops below that level.

The University did not always adjust awards for enrollment levels prior to disbursement. For 1 (2 percent) of 66 students tested, the University awarded the student assistance that exceeded the student's COA based on the student's enrollment level. The University assigned the student a full-time COA budget and disbursed student financial assistance for two terms based on full-time enrollment. However, the student was enrolled half-time for one term. As a result, that student's COA budget was overstated by \$1,829. The student received Unsubsidized Direct Loans, Direct PLUS loans, and a nonfederal scholarship. Because the Direct Loan funds had been fully disbursed, the University was not required to adjust the loans for the overaward. Therefore, there were no questioned costs.

That error occurred because the University did not design its automated controls to ensure that students enrolled less than full-time were not overawarded financial assistance based on enrollment level. Specifically, the University did not update the COA budgets correctly in Banner, and automated controls relied on those budgets. As a result, the automated control to determine the need at the lowest enrollment level at which a student would be overawarded would not have determined an accurate need, which increased the risk that a student could be overawarded financial assistance.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education *2014-2015 Federal Student Aid Handbook*).

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

Additionally, credit hours from another institution that are accepted toward a student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

The University's SAP policy did not meet certain federal requirements. The policy allows for students to progress through an academic program at a pace that does not ensure that they will graduate within the maximum time frame. While the policy specifies that students must complete at least 75 percent of attempted hours, it also includes a minimum number of hours that must be completed based on the cumulative number of hours enrolled, and it does not include transfer hours. The University configured Banner to calculate pace based on a minimum number of hours that must be completed based on the cumulative number of hours enrolled, which does not always ensure that students have completed at least 75 percent of attempted hours.

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

Additionally, the University did not always follow its SAP policy. For 1 (2 percent) of 66 students tested, the University awarded student financial assistance to the student when the student was not meeting satisfactory academic progress requirements. The University appropriately placed that student on a

probation status after the student submitted an appeal for the Fall term. However, at the end of that term, the student was not meeting the requirements of the probation and should have been ineligible to receive assistance in the Spring term. That error occurred because the University did not evaluate the student's progress at the end of the Fall term, as required by its policy. That resulted in the student being disbursed a total of \$717 in Federal Pell Grant assistance. The University subsequently returned that overaward to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Supplemental Educational Opportunity Grant

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution shall select those students with the lowest EFC who will also receive Federal Pell Grants in that year (Title 34 CFR, Section 676.10).

Based on a review of all federal student financial assistance recipients, the University awarded 66 students FSEOG assistance when those students did not also receive Federal Pell Grant assistance. Those students were incorrectly awarded a total of \$43,500 in FSEOG. Those errors occurred because the University's identification of FSEOG recipients did not consider students who had exceeded their Federal Pell Grant lifetime eligibility limit but were otherwise eligible to receive FSEOG assistance. After auditors brought those errors to the University's attention, it corrected the FSEOG assistance awarded to those students; therefore, there were no questioned costs.

Nurse Faculty Loan Program

Students who receive a Nurse Faculty Loan Program (NFLP) loan must be enrolled full-time or part-time in an eligible advanced education nursing degree program (master's or doctoral) that offers an education component to prepare qualified nurse faculty. The total amount of NFLP loans made to a student should cover the full or partial tuition and fees for the academic year. Full support includes the cost of tuition, fees, books, laboratory expenses, and other reasonable education expenses. NFLP loans do not include stipend support (for example, living expenses, student transportation cost, room/board, and personal expenses) (Title 42, United States Code, Sections 297n-1(b)(4) and 297n-1(c)(4), and Health Resources and Services Administration (HRSA) Announcement HRSA 14-072).

For 2 (67 percent) of 3 students who received NFLP loans, the University disbursed loans to those students in amounts that exceeded their qualified educational expenses. Those errors occurred because the University makes NFLP awards manually, and University staff were not aware of the requirements for NFLP loans. After auditors brought those errors to the University's attention, it determined actual tuition and fees and other necessary education expenses for those students and canceled the portion of the loans that exceed that amount. Therefore, there were no questioned costs.

Federal Pell Grant Program

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 enrollment levels (U.S. Department of Education *2014-2015 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63(b)).

For 1 (2 percent) of 66 students tested, the University did not award and disburse a Federal Pell Grant for which the student was eligible. Specifically, that student was eligible to receive \$717 in Federal Pell Grant assistance. That occurred because the University's process is to award student financial assistance for only the Summer term to students who submit an application to the financial aid office. That student did not submit an application for Summer assistance; therefore, the University did not award Federal Pell Grant assistance to that student for the Summer term.

Other Compliance Requirements

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

General Controls

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

The University did not consistently maintain high-profile user accounts at the application level for its student financial assistance application system, Banner. Specifically, one student worker had inappropriate access to update certain fund rules in Banner, which establishes awarding rules and eligibility requirements for federal financial assistance. That occurred because the University did not periodically review user access to the application, database, and servers for Banner to determine the appropriateness of users' access based on their job responsibilities. The University also did not periodically review administrative access to its network.

In addition, auditors identified accounts for users whose employment had been terminated on the database server. The University had not disabled those accounts in accordance with its policy. That occurred because the University upgraded server hardware for the database and did not complete the process of updating file settings, which included user settings such as account lockouts and default passwords. After auditors brought that issue to the University's attention, it locked the accounts for the users whose employment had been terminated and restored the password parameters. Auditors reviewed the server access log and confirmed that the users whose employment had been terminated had not logged into the server since the hardware upgrade.

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:

- Update Banner with accurate COA budgets.
- Design its automated controls to prevent overawards to students based on their levels of enrollment.
- Update its SAP policy to meet federal requirements by requiring students to graduate within the maximum time frame.
- Apply its SAP policy consistently to all students.
- Award FSEOG assistance only to eligible students.
- Verify that the amounts of NFLP loans it awards do not exceed students' qualified educational expenses for the year.
- Award Federal Pell Grants to students who are eligible for those grants.
- Limit access to its information systems based on job responsibilities.
- Establish and implement a documented process to perform a formal, periodic review of user access to its key information systems.

Views of Responsible Officials and Corrective Action Plan:

Cost of Attendance for all budget groups will be developed by the Director and/or Associate Director of Financial Aid. The Assistant Director will input the COA's into Banner and check for accuracy. The Assistant Director will review COA weekly and any discrepancies will be reviewed and modified if necessary.

Implementation Date: January 2016

Responsible Persons: Ron Williams and Hilda Pena

Please see Cost of Attendance... once the University improves the way in which COA is reviewed and modified, then the automated system controls should pick up the correct enrollment status and the correct corresponding Cost of Attendance for all students.

Implementation Date: January 2016

Responsible Persons: Ron Williams and Hilda Pena

The University understands the complexity of the 75% calculation and will take this into account when it updates its policy for the 2016-2017 award year which will ensure that an undergraduate student will complete their required degree plan (usually 120 credit hours) within the 150% maximum time frame.

In addition, current University policy removes academic history for students who take an administrative withdrawal for a semester. A change will be made to the SAP calculation to add the disbursement hours for the administratively withdrawn semester to the total cumulative attempted hours in order to account for the missing term.

Implementation Date: March 2016

Responsible Person: Ron Williams

System disbursement rules have been updated to not allow the disbursement of FSEOG if the student is not eligible for a Pell Grant unless eligibility was lost due to LEU within the award year.

Implementation Date: November 2015

Responsible Person: Ron Williams

UTEP will automate awarding of NFLP funds. In the meantime, all NFLP will be manually reviewed by the Assistant Director for Loan Processing to ensure accuracy.

Implementation Date: March 2016

Responsible Persons: Ron Williams and Maria Carrizales

The University will run a listing of all Summer enrolled Pell eligible applicants with remaining eligibility. Awards will be calculated and posted to the students' accounts.

Implementation Date: May 2016

Responsible Person: Ron Williams

Enterprise Computing will work with the Financial Aid office to establish what job codes within the University's structure should belong to the Banner security classes that control access to the data.

Implementation Date: January 2016

Responsible Person: Edgar Luna

Enterprise Computing will work with the Financial Aid office to establish a quarterly review process to ensure that membership in those "controlled" Banner security classes up-to-date and adjust as necessary.

Implementation Date: February 2016

Responsible Person: Edgar Luna

University of Texas Medical Branch at Galveston

Reference No. 2015-147

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154177; CFDA 84.033, Federal Work-Study Program, P033A154177; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P140485; CFDA 84.268, Federal Direct Student Loans, P268K150485; CFDA 93.342, Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students, Award Number Not Applicable; CFDA 93.364, Nursing Student Loans, Award Number Not Applicable; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP25312

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 (USC), Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 1087II).

Questioned Cost: \$ 4,911
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 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).

The University of Texas Medical Branch at Galveston (Medical Branch) uses full-time COA budgets for all students receiving student financial assistance, regardless of each student’s academic workload. As a result, for 20 (32 percent) of 62 students tested, the Medical Branch based the students’ COA on full-time enrollment when those students were enrolled 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 awarding financial assistance that exceeds financial need.

Because the Medical Branch 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 2014-2015 award year.

Federal 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 *2014-2015 Federal Student Aid Handbook*).

For 1 (2 percent) of 62 students tested, the Medical Branch did not award and disburse a Federal Pell Grant for which that student was eligible. Specifically, that student was eligible to receive \$4,297 in Federal Pell Grant assistance. According to the Medical Branch, that occurred because of manual errors in the award packaging process. After auditors brought the issue to the Medical Branch's attention, it reviewed the entire population of students and identified an additional 11 students who did not receive Federal Pell Grant assistance totaling \$20,991 that they were eligible to receive. Subsequently, the Medical Branch awarded and disbursed Federal Pell Grant assistance to all 12 students.

Federal Award Limits

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

The U.S. Department of Education has established annual, and in some cases aggregate, limits for awarded federal aid (Title 34, CFR, Section 685.203). 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 *2014-2015 Federal Student Aid Handbook*).

The U.S. Department of Health and Human Services has established annual and aggregate limits for the Nursing Student Loan (NSL) program (Health Resources and Services Administration (HRSA), *Student Financial Aid Guidelines*, Chapter 4). Annual limits are determined for students depending on their academic year in the program, and an overall aggregate limit is established that students' total loans for all years may not exceed (Title 42, USC, Chapter 6A, Subchapter VI, Part E, Section 297b).

For 3 (5 percent) of 62 students tested, the Medical Branch disbursed Direct Loans in amounts that exceeded the aggregate limits. The Medical Branch exceeded the aggregate limits of the combined subsidized and unsubsidized loans for a graduate student, the undergraduate subsidized limit for an undergraduate student, and the combined subsidized and unsubsidized loans for another undergraduate student.

The Medical Branch's financial assistance system, PeopleSoft, appropriately identified those students as exceeding their aggregate limits based on the students' ISIRs; however, financial aid staff cleared a hold placed on those students' assistance without checking the aggregate limits. That occurred because the Medical Branch did not have a process during the award year to review students' aggregate limits prior to awarding and disbursing Direct Loans. After auditors identified those overawards, the Medical Branch contacted the students and obtained a reaffirmation confirmation from one of those student's loan servicers. Therefore, there were no questioned costs associated with that student's overaward. However, the overawards associated with the remaining two students resulted in questioned costs totaling \$4,911 associated with CFDA 84.268, Federal Direct Student Loans, award number P268K150485.

Additionally, the Medical Branch does not have a process to review students' aggregate NSL assistance prior to awarding and disbursing NSL funds. Auditors identified 5 students (in the sample of 62 students tested) who received NSL funds in the 2014-2015 award year. The Medical Branch asserts that it is unlikely a student would exceed the aggregate limit based on the annual limits and the length of its nursing programs; however, auditors were unable to determine whether those five students exceeded the aggregate limit.

Not having a process to review students' aggregate awards increases the risk that students could be awarded more financial assistance than they are eligible to receive.

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. An institution's SAP policy should specify (1) 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 and (2) 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. It should also describe how a student's GPA and pace of completion are affected by incompletes, withdrawals, repetitions of courses, and transfers of credits from other institutions. An institution calculates the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted. In making this calculation, 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 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)). A student is making satisfactory progress if, at the end of the second year, the student has a 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(a)(4)(ii)).

The Medical Branch evaluates SAP for all students at the end of each term. If a student is not meeting SAP requirements, the Medical Branch places the student in a warning status for financial assistance, which allows the student to continue to receive financial assistance for one term. A student who continues to not meet SAP requirements for a second term is suspended from financial assistance and is not eligible to receive Title IV assistance until the student either meets SAP requirements or submits an appeal. If the Medical Branch approves an appeal, the student is placed on probation for financial assistance and is eligible to receive financial assistance for one term.

The Medical Branch's SAP policy does not meet certain federal requirements. Specifically:

- The SAP policy does not specify a qualitative measure or a pace requirement for students in the Medical Branch's School of Medicine.
- The SAP policy does not specify how a student's GPA is affected by repeated courses.
- The SAP policy does not specify how pace of completion is affected by course incompletes, withdrawals, repetitions, or transfers of credit from other institutions. In addition, the Medical Branch does not include credit hours from other institutions that are accepted towards the student's education program in its pace calculation.
- The SAP policy incorrectly requires the Medical Branch to calculate the pace at which a student is progressing using the number of hours a student attempted and completed in a term, rather than the cumulative number of hours the student attempted and completed.
- The SAP policy does not specify the basis on which a student may file an appeal.

In addition, the Medical Branch did not evaluate SAP for all students as required by its policy. The Medical Branch did not identify 6 (10 percent) of 62 students tested who did not meet SAP requirements. Those errors occurred because (1) the Medical Branch did not evaluate SAP for all students at the end of the Fall term, as required by its policy, and (2) the reports the Medical Branch used to evaluate SAP were not adequately designed or operating effectively to identify students who were not meeting SAP requirements. Although those six students were not meeting SAP, they would have been placed in a warning status for financial assistance in accordance with the Medical Branch's policy and would have been eligible for the financial assistance they received; therefore, there were no questioned costs.

In addition, the Medical Branch did not have a process to evaluate SAP for students in the School of Medicine. While auditors did not identify any students in the School of Medicine who were not meeting SAP requirements, there is a risk that this group of students could receive financial assistance for which they are not eligible.

Recommendations:

The Medical Branch should:

- Establish COA budgets for students enrolled less than full-time and determine each student's COA and financial need based on the student's academic workload.
- Award Federal Pell Grants to students who are eligible for those grants.
- Establish and implement a process that ensures students' total awards do not exceed aggregate award limits.
- Ensure that its SAP policy meets federal requirements and that it evaluates SAP for all students.

Views of Responsible Officials and Corrective Action Plan:

Following the census date of each term, UTMB will identify students enrolled less than full-time and revise the tuition/fee component of COA to actual cost. In addition, for students enrolled less than half-time, the COA will be revised to include only tuition/fees, books, and supplies. An audit report will be run toward the end of each term to ensure that all Pell eligible students have been awarded and disbursed the correct Pell Grant awards. An additional audit report will be run weekly to identify students with a SAR comment code indicating that they are close to or may have exceeded their aggregate loan or Pell Grant limits. The Director will review student awards against NSLDS and make corrections to the student's awards as necessary. Monitoring of Federal Perkins Loan aggregate limits is done manually by accessing data in NSLDS for Perkins borrowers to ensure they have not reached or exceeded the limit. To determine if nursing students have reached or exceeded the aggregate limit for the NSL loan, the NCAS application is reviewed for all students awarded NSL to determine if they ever attended another nursing school. If they have, we will then contact that school to find out how much, if any, NSL funds the student has borrowed. The SAP policy and procedures have been revised to meet all federal requirements.

Implementation Date: September 2015

Responsible Person: Carol Cromie

Reference No. 2015-148

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154177; CFDA 84.033, Federal Work-Study Program, P033A154177; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P140485; and CFDA 84.268, Federal Direct Student Loans, P268K150485

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement

Questioned Cost: \$ 4,080
U.S. Department of Education

account deductions, other untaxed income, high school completion status, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 78, Number 114).

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

For 6 (24 percent) of 25 students tested, the University of Texas Medical Branch at Galveston (Medical Branch) did not accurately verify certain required items on students' FAFSAs, and it did not always update its records and request updated ISIRs as required. The Medical Branch did not accurately verify one or more of the following items for those students: number of household members, number of household members who are in college, adjusted gross income, income taxes paid, child support paid and other untaxed income.

Those errors occurred because of manual errors the Medical Branch made during the verification process. The Medical Branch's monitoring of completed verifications did not identify those errors. When auditors brought the errors to the Medical Branch's attention, it made corrections to some of those students' ISIRs. Specifically:

- For one student, the EFC was understated. As a result, the student was overawarded \$4,050 in Federal Pell Grant assistance. The Medical Branch subsequently made corrections to the student's ISIR and adjusted the Federal Pell Grant award amount; therefore, there were no questioned costs.
- For one student, the Medical Branch did not make required corrections to the student's ISIR based on information it received during the verification process. The student received \$4,080 in financial assistance associated with CFDA 84.063, Federal Pell Grant Program, P063P140485, which are considered questioned costs.
- For four of those students, the errors did not result in changes to the students' EFCs, and there was no overaward or underaward of financial assistance.

In addition, the Medical Branch does not have a process to verify other untaxed income for students in the household resources verification tracking group. Based on a review of the entire population of students selected for verification and information provided by the Medical Branch, auditors identified a total of six students in the household resources verification group whose FAFSAs were not properly verified. That total includes one of the group of six students initially discussed above.

For 1 (4 percent) of 25 students tested, the Medical Branch did not complete verification before it disbursed financial assistance to the student. The student was assigned to the custom verification tracking group on the ISIR, which requires an institution to obtain the student's high school completion status, identity, and statement of educational purpose. The Medical Branch disbursed financial assistance to the student on May 12, 2015; however, it did not obtain an identity and statement of educational purpose form from the student until June 3, 2015. According to the Medical Branch, that error occurred because it did not configure the verification checklist assignment process correctly in its financial aid system for students assigned the custom verification tracking group. Based on a review of the entire population of students selected for verification and information provided by the Medical Branch, auditors identified five additional students in the custom verification tracking group to whom the Medical Branch disbursed financial assistance prior to completing its verification.

Not properly verifying FAFSA information could result in the Medical Branch overawarding or underawarding financial assistance.

Recommendations:

The Medical Branch should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Strengthen its monitoring of the verification process.
- Strengthen its processes to verify all required items for the household resources verification tracking group and the custom verification tracking group.

Views of Responsible Officials and Corrective Action Plan:

The verification document has been updated to include all verification items. In addition, our process for updating checklists to ensure all items requiring verification are documented and students are not disbursed aid prior to satisfying verification requirements have been completed. The Director is now reviewing 100% of students selected for verification prior to disbursement to ensure accuracy and completion.

Implementation Date: September 2015

Responsible Person: Carol Cromie

University of Texas at San Antonio

Reference No. 2015-149

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K153294; CFDA 84.063, Federal Pell Grant Program, P063P143294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T153294; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144169; and CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable

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 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)).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(j)).

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

The University of Texas at San Antonio (University) did not always return Title IV funds within the required time frames. Specifically, for 2 (5 percent) of 38 students tested who unofficially withdrew, the University did not identify those students as unofficial withdrawals and subsequently did not return funds for those students within required time frames. Those errors occurred because the University’s review process for returning Title IV funds did not identify those students as requiring a return. After auditors brought those errors to the University’s attention, it returned the Title IV funds for those students to the U.S. Department of Education; therefore, there were no questioned costs.

Recommendation:

The University should strengthen its review process to ensure that it processes within the required time frames all returns of Title IV funds for students who unofficially withdraw.

Views of Responsible Officials and Corrective Action Plan:

The Return of Title IV review team will use the processor’s unofficial withdrawal report to ensure that all students who unofficially withdrew are analyzed and processed accordingly. The reviewer will cross-check processed files to the unofficial withdrawal report to make sure no files are missed.

Implementation Date: *March 2016*

Responsible Person: Diana S. Martinez

Reference No. 2015-150

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2014-168 and 2013-191)

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P143294; CFDA 84.268, Federal Direct Student Loans, P268K153294; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Sections 685.309(b) and 682.610(c) and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)). Effective June 2012, enrollment reporting roster files must also include Federal Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Questioned Cost: \$ 0

U.S. Department of Education

The *National Student Loan Data System (NSLDS) Enrollment Reporting Guide* states that, when a student graduates, an institution should use the date the student completed the course requirements, not the presentation date of the diploma or certificate, as the date of completion of the course of study. In addition, in the absence of a formal withdrawal, the last recorded date of attendance should be reported as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix C).

The University of Texas at San Antonio (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

For 14 (23 percent) of 61 students tested, the University did not accurately report the effective dates of the students' withdrawal to NSLDS. Specifically:

- The University determined at the end of a semester that six of those students had never attended or unofficially withdrew that semester, but it reported incorrect effective dates for those status changes. The University reported as the effective date of withdrawal either the commencement date of the prior semester or the commencement date of the current semester, when it should have reported the last dates of attendance as the effective date. One of the six students unofficially withdrew, and the University initially reported as the effective date of withdrawal the correct withdrawal date; however, it subsequently reported the withdrawal date as the commencement date for the semester.
- The University incorrectly reported as the effective date of withdrawal the commencement date for students who graduated in the 2014-2015 award year when it should have reported the last class day.

That error affected eight students in the sample tested, and it also affected all 2,648 students who graduated during the Fall and Spring semesters.

Those errors occurred because the University had inadequate or incorrect policies and practices to accurately report student status changes. 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.

Recommendations:

The University should:

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

Views of Responsible Officials and Corrective Action Plan:

The Registrar's Office realized during the AY1415 that the commencement date was being reported as the graduation date instead of the last day of classes. They corrected the dates used as of the summer 2015 term.

Implementation Date: June 2015

Responsible Person: Joe DeCristoforo

Once the Return of Title IV processor has determined which students' enrollment status needs to be updated manually, documentation of the last dates of attendance will be provided to the appropriate Registrar's office staff for them to modify the enrollment records in the National Student Clearinghouse database. The updated enrollment data will then be correctly reported to the NSLDS.

Implementation Date: March 2016

Responsible Person: Joe DeCristoforo

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 2014 Schedule of Findings and Questioned Costs.
- Each finding in the 2014 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, 2015) 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, CFDA 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.

Views of Responsible Officials 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.

Views of Responsible Officials and Corrective Action Plan 2012:

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

Views of Responsible Officials and Corrective Action Plan 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.

Views of Responsible Officials and Corrective Action Plan 2014:

Immediate corrective action: *Angelo State University has implemented a process to identify students who are enrolled for hours less than full time. There is a tracking requirement placed on the student's Banner account that will prohibit any awards from crediting until the costs of attendance (COA) are adjusted to*

reflect actual enrollment. We have rechecked all 2013-2014 students enrolled less than full time, identifying and correcting random isolated values that were manually inputted with errors. While we have reviewed COA for 2014-2015 students, we will be conducting a second phase check of all manually inputted budget values for all 2014-2015 terms and adjusting COA budgets using one-quarter time, half-time, three-quarters time, and full-time as appropriate.

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

Views of Responsible Officials and Corrective Action Plan 2015:

We have implemented an immediate corrective action from a year ago to identify students who are enrolled in less than full time status and a process to manually adjust those budgets in a uniform manner consistent with actual costs incurred. We believe this interim process is working and the two findings from this last audit were based on human error, not system error. Corrective actions were taken and documented in both cases including education of the employee and correcting the cost of attendance of the student. We are implementing our long term corrective action this spring and will be in place for this 2015/2016 award year. The long term corrective action is the implementation of an algorithmic budgeting process that will adjust the student's cost of attendance based on enrolled hours and a designed value. This will nearly eliminate the human error element to the process.

Implementation Date: January 2016

Responsible Person: William Bloom

Lamar Institute of Technology

Reference No. 2013-101

Eligibility

(Prior Audit Issue 11-101)

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

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

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

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

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

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

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

- For one student, the Institute incorrectly budgeted the student's COA for Spring 2013. The student was ineligible for assistance in Fall 2012. When the student regained eligibility for assistance in Spring 2013, the Institute applied a budget for Spring only; however, it used incorrect amounts for tuition, fees, and books. As a result, the student's budget was understated by \$303.

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

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 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.

Recommendation:

The Institute should 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.

Views of Responsible Officials and Corrective Action Plan 2013:

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.

Views of Responsible Officials and Corrective Action Plan 2014:

General Controls

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

Management will review and update its Information Security policies to adequately address (A) the sharing of administrative access accounts among users, (B) the documentation of exemptions for generic administrative accounts that are required by the information technology systems, and (C) periodic review of user access.

Implementation Date: March 2016

Responsible Person: Susan Cook

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

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

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 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.

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 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.

Recommendation:

The Institute should 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.

Views of Responsible Officials and Corrective Action Plan 2013:

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.

Views of Responsible Officials and Corrective Action Plan 2014:

General Controls

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

Management will review and update its Information Security policies to adequately address (A) the sharing of administrative access accounts among users, (B) the documentation of exemptions for generic administrative accounts that are required by the information technology systems, and (C) periodic review of user access.

Implementation Date: March 2016

Responsible Person: Susan Cook

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).

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

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

Corrective Action:

Corrective action was taken.

Lamar University

Reference No. 2013-105

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

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

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

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

Corrective Action:

Corrective action was taken.

Prairie View A&M University

Reference No. 2014-101

Eligibility

(Prior Audit Issue 10-33)

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2009 Status: Partially Implemented U.S. Department of Education

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

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

- For 6 (43 percent) of those 14 students, the University made errors when manually adjusting the students’ COA for the tuition and fees, room and board, travel, and summer budget components. Additionally, for two of those six students, the University did not update COA to reflect actual enrollment. These errors did not result in an overaward or underaward of financial assistance, but they increase the risk of an underaward or overaward of student financial assistance.
- For 8 (57 percent) of those 14 students, the University based graduate and doctoral students’ COA on full-time enrollment, when those students attended less than full-time for one or more semesters during the award year. The University uses full-time COA budgets to determine COA for all graduate and doctoral students receiving financial assistance, regardless of each student’s actual enrollment. That increases the risk of overawarding financial assistance. Because the University developed only full-time COA budgets to determine COA for graduate students, auditors could not determine whether the graduate students in the sample tested, who were attending less than full-time, were overawarded financial assistance for the 2013-2014 award year.

Satisfactory Academic Progress

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

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

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

Recommendations:

The University should:

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

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

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

reflect actual enrollment. In addition, system modifications have been developed that will only allow to Director or Associate Directors the authority to make manual component adjustments to student COAs. If there are manual adjustments that are made to specific components, there will be documentation required to support the adjustments and policies and procedures are in place to indicate as such.

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

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

As indicated above, the Office of Financial Aid & Scholarships has implemented a number of internal controls to monitor and revise cost of attendances for students based on actual enrollment. Weekly spreadsheets are provided to the supervisory staff to make adjustments to COA's when there are changes in enrollment statuses throughout the semester. The Banner "Mixed Enrollment" feature is used to accurately assign cost of attendances to students who are enrolled at different levels during the aid year. COA budgets for all cohorts have been correctly updated for the 2014-2015 & 2015-2016 aid year using the COA calculation spreadsheet. In addition, over awards are monitored and revised as needed. In conducting their follow-up audit work, the auditor identified three out of fifteen students whose COA was not calculated correctly due to using the wrong on- or off-campus budget or residency status. Based on their findings, the office will ensure that when corrections are made to the budget group that the appropriate corrections are made to the ISIR information in Banner on the RNANAx form.

The Office has also written a residency check program to identify any students who have been paid aid to determine if there has been any residency status changes in the student record (SGASTDN). This program will be run monthly to identify possible changes.

Implementation Date: January 2016

Responsible Person: Ralph Perri

As indicated above, the Office of Financial Aid & Scholarships has updated the Satisfactory Academic Policy and Procedures to reflect the current institutional policy. Banner SAP rules are reviewed every award cycle and updated, if necessary. The Associate Director reviews the SAP check that is provided by the Director of Student Financial Aid & Scholarships; this spreadsheet is used to ensure that SAP statuses have been calculated correctly. The Banner SAP rules and population selections have been updated to reflect the current SAP policy and is used to ensure accuracy before aid is packaged and/or disbursed. In conducting their follow-up audit work, the auditor identified one out of fifteen students whose manual

review of the student's SAP was not documented for the Spring 2015 semester. The office will continue to monitor and review to ensure all SAP reviews are documented.

Implementation Date: January 2016

Responsible Person: Ralph Perri

Reference No. 2014-102

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

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

Initial Year Written: 2014 Status: Partially Implemented U.S. Department of Education

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

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

Verification Policies and Procedures

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

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

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

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

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

Recommendations:

The University should:

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

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

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

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

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

Financial Aid management will update the Verification SOP to include:

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

Views of Responsible Officials and Corrective Action Plan 2015:

As indicated above, the Office of Financial Aid & Scholarships revised its verification policies and procedures to reflect the verification processes and to document controls and communications as it relates to the verification processes. Additionally, the office returned funds and made necessary corrections as a result of discrepancies found during their tests of verification. In conducting their follow-up work, the auditor identified a few issues related to the verification of specific pieces of student information for three out of fifteen students tested. To address the issues noted, for the 2015 - 2016 aid year, the Office of Financial Aid and Scholarships completed verification checks to ensure the accuracy of verification of items before packaging. In addition, the Associate Director conducted a secondary check by performing desk audits on a selected pool of students with federal aid disbursements for the 2015-2016 aid year.

Implementation Date: January 2016

Responsible Person: Ralph Perri

Reference No. 2014-103

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

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

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

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

Initial Year Written: 2007 Status: Partially Implemented U.S. Department of Education

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

Recommendation:

The University should establish and implement controls to send disbursement notification letters within 30 days before or after crediting a student’s account with a TEACH Grant.

Views of Responsible Officials and Corrective Action Plan 2014:

Financial Aid management staff agrees with your finding and recommendations as it pertains to Disbursement of Funds. Financial Aid management has reviewed Disbursement business practice and policy for 14-15 aid years and has implemented the following change:

- *Controls have been implemented and a process has been put in place to electronically send disbursement notification letters within 30 days before or after crediting a student’s account with TEACH grants.*

Views of Responsible Officials and Corrective Action Plan 2015:

The Office of Financial Aid and Scholarships worked with IT to develop TEACH grant notifications to undergraduate and graduate students when TEACH grant funds are disbursed. This process was implemented in May 2015 to become effective for the 2015 - 2016 aid year. Fall 2015 TEACH grant recipients received the automated notifications.

Implementation Date: May 2015

Responsible Person: *Ralph Perri*

Disbursement of Funds Prior to Enrollment

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

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

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

Corrective Action:

Corrective action was taken.

Sam Houston State University

Reference No. 2013-121

Eligibility

Student Financial Assistance Cluster

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

Award number – CFDA 84.063, Federal Pell Grant Program, P063P122301

Type of finding – Significant Deficiency and Non-Compliance

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, Code of Federal Regulations (CFR), Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, estimated family contribution (EFC), and cost of attendance (COA). There are separate schedules for three-quarter-time, half-time, and less-than-half-time students. Additionally, a student’s eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance, such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200). Students who are enrolled less-than-half-time are eligible for Pell based on the Pell disbursement tables, which include calculations based on less-than-half-time enrollment. Institutions do not have the discretion to refuse to provide Pell funds to an eligible part-time student, including during a summer term or intersession (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

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

An institution must establish a reasonable satisfactory academic progress (SAP) policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, Higher Education Act programs. The Secretary of the U.S. Department of Education considers the institution’s SAP policy to be reasonable if it meets certain conditions. To be considered reasonable, the policy must be at least as strict as the policy the institution applies to a student who is not receiving federal financial assistance and provide for consistent application of standards to all students within categories of students (for example, full-time, part-time, undergraduate, and graduate students). The policy also must specify the grade point average that a student must achieve at each evaluation and the pace at which a student must progress through his or her educational program. An institution calculates the pace at which a student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted (Title 34, CFR, Section 668.34).

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

Sam Houston State University (University) did not disburse federal student financial assistance to students enrolled in fewer than six course hours in a semester, even when those students were eligible to receive financial assistance. As a result, for 1 (2 percent) of 60 students tested, the University underawarded the student \$694 in federal Pell Grant assistance for which the student was eligible. That underaward was associated with award number P063P122301.

The University requires that students be enrolled in at least six hours each semester to make satisfactory academic progress toward a degree and be eligible to receive financial aid. The University has implemented

a disbursement rule in its financial aid system that prevents disbursement to students who are enrolled in fewer than six hours for a semester. However, that policy contradicts federal requirements related to Pell Grant eligibility determination and does not meet federal requirements for a reasonable SAP policy. As a result, students enrolled in fewer than six course hours may not receive financial assistance for which they are eligible.

Additionally, for 11 (18 percent) of 60 students tested, the University did not determine the students' COA based on tuition and fees normally assessed for students carrying the same academic workload. Those students were enrolled in fewer than six hours in one or more semesters, and the University assigned them COA budgets that did not reflect their actual enrollment. Because the University does not disburse federal student financial assistance to students enrolled in fewer than six hours, it did not have correct COA budgets to assign to those students. Incorrectly calculating COA increases the risk that students may be overawarded or underawarded assistance.

Recommendation:

The University should revise its COA budgets to include a less-than-half-time enrollment category.

Views of Responsible Officials and Corrective Action Plan 2013:

Sam Houston State University acknowledges and agrees with the finding. As of August 2013, Pell was disbursed to all eligible students enrolled in less than half time for the 2012-2013 academic year. Management has modified disbursement rules to allow Pell disbursement for eligible students enrolled in less than half.

Management concurs with the State Auditor's Office (SAO) regarding the Satisfactory Academic Progress Policy (SAP). The SAP policy has been modified as of June 2013 to meet federal requirements for reasonableness. In the future, the Financial Aid and Scholarships Office will conduct an annual review of the policy.

Management recognizes the need for less than half time cost of attendance (COA) budgets. As indicated by the finding, Sam Houston State University identified all affected students and has taken corrective action as necessary. As of August 2013, COA budgets for less than half-time have been implemented. In the future, the Financial Aid and Scholarships Office will conduct an annual, secondary review of both the programmatic and business elements to ensure correct calculations.

2014 Update:

The University awarded federal Pell Grant funds to eligible part-time students and updated its SAP policy to meet federal requirements for reasonableness. The University also revised its COA budgets to include a less than half-time enrollment category; however, the less-than-half-time budgets include a component for personal/miscellaneous expenses which is not allowable per Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087 II (4).

Views of Responsible Officials and Corrective Action Plan 2014:

Corrective action taken concerning Pell eligible students. Software awarding and disbursement rules were modified to allow Pell awarding and disbursement for less than half time. Pell was paid to students enrolled in less than half time for Fall 2012, Spring 2013, and Summer 2013 terms.

Cost of Attendance budgets created for less than half time enrollment August 2013 and will be modified to comply with Federal Regulation for the 15-16 academic year.

Views of Responsible Officials and Corrective Action Plan 2015:

Cost of Attendance budgets modified to exclude component for personal/miscellaneous for less than half time enrollment for summer 2015 and 15-16 academic year.

Implementation Date: May 2015

Responsible Person: Lydia Hall

Texas A&M International University

Reference No. 2014-114

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2014
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 Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

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

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

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

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

Pell Grant Awards

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

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

Corrective Action:

Corrective action was taken.

Texas A&M University

Reference No. 2014-115

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

Initial Year Written: 2014
Status: Implemented
U.S. Department of Education

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

Corrective Action:

Corrective action was taken.

Texas A&M University - Commerce

Reference No. 2013-141

Eligibility

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

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

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124016; CFDA 84.063, Federal Pell Grant Program, P063P130384; CFDA 84.268, Federal Direct Student Loans, P268K130384; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T130384; CFDA 84.033, Federal Work Study Program, P033A124016; and CFDA 84.038, Federal Perkins Loan Program - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency

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

Initial Year Written: 2013
Status: Implemented

U.S. Department of Education

Texas A&M University - Commerce (University) did not have sufficient change management controls for its student financial aid system, Banner. For all five system changes that auditors tested, the University did not have sufficient documentation supporting that (1) the changes were properly tested and authorized prior to being migrated to the production environment or (2) the changes were migrated to the production environment by authorized personnel. That increases the risk of unauthorized programming changes being made to critical information systems.

The University also did not consistently maintain appropriate administrator-level access. Specifically, one employee who was responsible for making programming changes for Banner had inappropriate access to the Banner production database. After auditors brought this to the University’s attention, the University removed the inappropriate access. Allowing users inappropriate or excessive access increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

University management asserted that it reviews user access at the database level every six months; however, it does not document that review. The University also did not have a process to periodically review user access on application or server user accounts. This is not in compliance with the University’s user account management policy, which requires data owners to review access privileges to information resources at least biannually and for those reviews to be documented.

Although the general control weaknesses described above apply to eligibility and special tests and provisions – verification, auditors identified no compliance issues regarding those compliance requirements.

Corrective Action:

Corrective action was taken.

Texas A&M University - Kingsville

Reference No. 2014-118

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2014 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 workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

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

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

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

students assigned to a mixed enrollment budget in the 2013-2014 aid year. Two students tested were affected by that issue.

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

Recommendation:

The University should correctly update and maintain COA budgets within the financial aid system to ensure that it uses the correct budgets in the COA calculation.

Views of Responsible Officials and Corrective Action Plan 2014:

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

Views of Responsible Officials and Corrective Action Plan 2015:

Cost of Attendance:

- *Created an excel spread sheet to extract all cost of attendance budgets utilized for the Kingsville & San Antonio campuses*
- *Updated existing Cost of Attendance components for all possible attendance patterns.*
- *Updating Summer budgets to include all components existing within the developed cost of attendance patterns.*
- *Inclusion of new budget components will eliminate manual calculation of tuition and fees for summer enrollment.*
- *Developing a weekly monitoring process to be enable the FA staff to evaluate student enrollment and revise cost of attendance patterns if needed.*
- *Will utilize excel spread sheet to review all COA components for revisions, as needed for the Banner Financial Aid COA New Year Set Up.*

Implementation Date: March 2016

Responsible Persons: Darylann Thomas and Bill Saenz

Satisfactory Academic Progress

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

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

The University's SAP policy did not meet all federal requirements. The University's SAP policy for calculating the maximum time frame for undergraduate students uses 195 hours as the maximum number of

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

Corrective Action:

Corrective action was taken.

Federal Direct Student Loan

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-119

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

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

Initial Year Written: 2014 Status: Partially Implemented U.S. Department of Education

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

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

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

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

Corrective Action:

Corrective action was taken.

Verification Policies and Procedures

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

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

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

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

Recommendation:

The University should include all required elements in its written verification policies and procedures.

Views of Responsible Officials and Corrective Action Plan 2014:

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

Views of Responsible Officials and Corrective Action Plan 2015:

Financial Aid management staff agrees with your findings and recommendations as it pertains to Federal Verification and the administrative capability to perform this review.

- *The 2014-2015 Verification policies and procedures have been updated.*
- *The Financial Aid Website has been updated to include the required elements as defined under 34 CFR Chapter 6 Part 668 Subpart E*
- *The 2015-2016 Verification policies and procedures were created in accordance with 34 CFR 668.54 to include:*
 - *The required time period within which an applicant must provide any documentation requested by Texas A&M University – Kingsville*
 - *Consequences of a student applicant's failure to provide the requested documentation within a the specified time period;*
 - *The Method by which TAMUK notifies the student of the results of verification, changes to the student's EFC and monetary awards.*
 - *The procedures the Financial Aid Officer uses to correct the FAFSA information and/or errors.*
 - *Documentation required to satisfy the verification requirements.*
 - *Consequences if the student fails to meet the required deadlines.*
- *Develop a compliance check to ensure that all verification procedures are being met within the required timeline and that communication has been sent to the student.*
- *Train Financial Aid Officers, Associate Director and the Compliance officer for the review of and completion of Federal verification.*
- *Train Financial Aid support staff for form completion and identification as a required form.*

Implementation Date: June 2016

Responsible Person: Darylann Thomas

Texas A&M University - Texarkana

Reference No. 2014-120

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2014 Status: Partially Implemented U.S. Department of Education

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

Corrective Action:

Corrective action was taken.

Satisfactory Academic Progress

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

The University’s SAP policy requires a graduate student receiving federal aid to (1) maintain a minimum 3.00 cumulative grade point average (GPA); (2) successfully complete at least 67 percent of the student’s credit hours over the course of his or her attendance at all educational institutions, regardless of whether

financial aid was received; and (3) meet the student's degree objectives within 54 total attempted hours. If a student does not meet those requirements, the student may be placed on financial aid probation or financial aid suspension. If the student is placed under financial aid suspension, the student may appeal the suspension. If an appeal is denied, the student will not be eligible for financial aid until he or she meets SAP requirements.

The University did not always apply its SAP policy consistently. For 1 (2 percent) of 60 students tested, the University disbursed aid to a student who did not meet the University's SAP policy. The student did not meet the University's minimum GPA requirement and did not successfully complete 67 percent of the credit hours attempted. The student had received warnings but did not maintain satisfactory progress while on probation. After auditors brought this matter to its attention, the University returned all federal aid provided to that student; therefore, there were no questioned costs.

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

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

Recommendation:

The University should develop and implement processes to determine whether students meet all SAP policy requirements prior to the disbursement of financial assistance.

Views of Responsible Officials and Corrective Action Plan 2014:

SATISFACTORY ACADEMIC PROGRESS

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

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

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

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

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

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

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

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

Further revisions have been made to this policy as we fine tune the SAP program in Banner. On November 4, 2015, this policy was revised to include all classes attempted in determination of the maximum time frame, pace, and GPA requirement. In addition, we have included SAP terms that match the definition set forth in the financial aid handbook in relation to warning, probation, and academic plan. Other additions to this policy include changing eligibility requirement from years to credit hours for second bachelor, second masters and doctoral students.

Implementation Date: August 2014

Responsible Person: Michael Fuller

General Controls

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

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

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

Recommendation:

The University should limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.

Views of Responsible Officials and Corrective Action Plan 2014:

USER ACCESS

Action Item: *User Access*

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

Action Plan: *Enhance Processes*

Banner Security

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

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

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

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

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

Offices that need to be involved: Information Technology

Views of Responsible Officials and Corrective Action Plan 2015:

The original implementation target of March 2015 for the project to review Banner access assignment and consolidate access rights through profiles by designated job function/responsibility was not met due to the unanticipated complexity and sheer size of the project. The project, however, was completed and implemented on June 1st, 2015. The action plan for process enhancement is now implemented.

Implementation Date: June 2015

Responsible Person: Jeff Hinton

Reference No. 2014-121

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Verification

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

Initial Year Written: 2014 Status: Partially Implemented U.S. Department of Education

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

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

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

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

Recommendation:

The University should include all required elements in its written verification policies and procedures.

Views of Responsible Officials and Corrective Action Plan 2014:

VERIFICATION

Action Item:

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

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

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

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

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

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

Action Plan:

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

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

Texas A&M University updated its verification policies and procedures to include the following elements:

- The time period within which an applicant must provide any documentation requested by the institution.

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

The policy is now available on the website at <http://www.tamut.edu/Admissions/Enrollment-Services/Financial-Aid/Verification/index.html>.

Implementation Date: June 2015

Responsible Person: Michael Fuller

General Controls

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

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

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

Recommendation:

The University should limit user access to Banner to current employees, and ensure that access is appropriate based on job responsibilities.

Views of Responsible Officials and Corrective Action Plan 2014:

USER ACCESS

Action Item: *User Access*

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

Action Plan: *Enhance Processes*

Banner Security

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

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

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

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

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

Offices that need to be involved: Information Technology

Views of Responsible Officials and Corrective Action Plan 2015:

The original implementation target of March 2015 for the project to review Banner access assignment and consolidate access rights through profiles by designated job function/responsibility was not met due to the unanticipated complexity and sheer size of the project. The project, however, was completed and implemented on June 1st, 2015. The action plan for process enhancement is now implemented.

Implementation Date: June 2015

Responsible Person: Jeff Hinton

Texas Southern University

Reference No. 11-127

Eligibility

Student Financial Assistance Cluster

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

Award numbers – CFDA 84.063 P063P092327, CFDA 84.007 P007A094145, CFDA 84.033 P033A094145, CFDA 84.375 P375A09327, CFDA 84.376 P376S092327, CFDA 84.379 P379T102327, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, and CFDA 84.268 Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

General Controls

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

Initial Year Written: 2010
Status: 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.

Corrective Action:

Corrective action was taken.

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: 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.

Corrective Action:

Corrective action was taken.

Texas State Technical College - Harlingen

Reference No. 2013-142

Eligibility

Student Financial Assistance Cluster

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

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P133162; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134149; CFDA 84.268, Federal Direct Student Loans, P268K133162; and CFDA 84.033, Federal Work-Study Program, P033A134149

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase “cost of attendance” refers to the “tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll). A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, Code of Federal Regulations (CFR), Section 668.2).

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

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

A federal Pell Grant is calculated by determining a student’s enrollment for the term, and then based on that enrollment status, determining the annual award from a disbursement schedule. The amount of a student’s award for an award year may not exceed his or her scheduled federal Pell Grant award for that award year (Title 34, CFR, Sections 690.63 (b) and (g)). No federal Pell Grant can exceed the difference between the EFC for a student and the COA at the institution in which the student is in attendance (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1070b).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower’s cost of attendance, the borrower’s maximum borrowing limit, or the borrower’s unmet financial need (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

For 6 (10 percent) of 60 students tested, Texas State Technical College – Harlingen (College) did not calculate the students’ COA in accordance with its published COA schedule. Specifically:

- For 5 students, the College did not remove room and board and personal expense charges for terms the students did not attend, which resulted in the students’ COA being overstated. However, the College did not overaward assistance to those students as a result of that error.

- For 1 student, the College increased the student's COA by \$2,500 in miscellaneous fees to offset a merit-based scholarship the student received, but it did not document its rationale for exercising that professional judgment. However, the College did not overaward assistance to that student as a result of that error.

In addition, for 2 (3 percent) of 60 students tested, the College overawarded need-based financial assistance and awarded financial assistance in excess of the students' COA. Specifically:

- Through a manual process, the College awarded one student \$794 in Subsidized Direct Loans. That assistance exceeded the student's need by \$794; therefore, the amount of questioned costs associated with award P268K133162 was \$794. Additionally, that student's total assistance exceeded the student's COA by \$650. The \$650 overaward was associated with Direct Plus Loans, which also means that the student's assistance exceeded the Direct Plus Loan limit.
- The College awarded one student \$1,388 in Pell Grant funds even though the student's COA was only \$1,284. That resulted in a \$104 overaward of Pell Grant funds; therefore, the amount of questioned costs associated with award P063P133162 was \$104. The College awarded Pell Grant funds based on the student's Pell COA, which the College calculates differently from its institutional COA. The methodology the College used to determine Pell COA overstated the student's COA and resulted in the overaward of assistance.

These errors occurred because for the 2012-2013 award year, the College initially packaged student assistance based on full-time enrollment, regardless of students' actual enrollment. In summer 2013, the College redesigned its automated COA process and retroactively adjusted students' COA to reflect their actual enrollment for each term of the 2012-2013 award year. However, the College did not retroactively adjust COA for students whose COA budgets the College had locked following previous manual adjustments. Incorrectly calculating COA increases the risk that students may be overawarded or underawarded financial assistance.

The College's automated controls over Direct Loans and Pell Grant awards do not ensure that manually entered awards comply with federal assistance limits. In addition, the College awarded all Direct Loans through manual processes during the 2012-2013 award year. Thirteen staff members at the College have the ability to modify or override eligibility rules. That increases the risk of awards exceeding limits.

Recommendation:

The College should calculate students' COA in accordance with its published COA schedule.

Views of Responsible Officials and Corrective Action Plan 2013:

The College will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process will be run to adjust the cost of attendance based on the student's actual enrollment levels. Awards will be adjusted as needed in according to student's actual enrollment at official census date.

The Financial Aid Office will implement procedures to ensure that programming and setup of annual COA budgets is verified and correctly calculated. Training will be provided to the Financial Aid staff to be able trouble shoot, report, and/or correct errors in the financial aid management system.

Views of Responsible Officials and Corrective Action Plan 2014:

The College will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process will be run to adjust the cost of attendance based on the student's actual enrollment levels. Awards will be adjusted as needed in according to student's actual enrollment at official census date.

In order to implement the plan above Financial Aid Office will work closely with IT to implement additional procedures to ensure that programming and setup of annual COA budgets are verified and correctly calculated. This collaboration will allow the Financial Aid Office to test student's records to ensure compliance. As procedures are updated training will be provided to the Financial Aid staff in order to troubleshoot, report, and/or correct errors in the financial aid student information system. Initial Cost of Attendance will be based on full time [36 credit hours (12 per semester)] and use actual enrolled credits after census date. Student's not at least half time status for the term will have the Tuition/Fees and Books components adjusted accordingly.

Together with IT we will create an automated process that will reduce the Room/Board, and Personal Expenses budget components in the COA for students that are enrolled less-than half time. With the transition of a new Financial Aid System Analyst these procedures and processes will be closely monitored.

Views of Responsible Officials and Corrective Action Plan 2015:

The College calculates initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process is run to adjust the tuition and book components of the cost of attendance based on the student's actual enrollment levels. Awards are adjusted as needed according to the students' actual enrollment at official census date.

We met with our IT department programmer to request an automated process that will remove the Room/Board and Personal Expenses budget components in the COA for students who are enrolled less-than half time. TSTC Tracker Ticket #4567 was created on January 21, 2016 for this process and we expect to have this fully implemented before the start of the Summer, 2016 term. We will then be able to utilize this new functionality to properly adjust the cost of attendance for all students who are enrolled during the 2015-16 award year. The Financial Aid System Analyst who was hired in January 2015 will be in charge of these procedures and will develop reports to assure that the process has calculated the cost of attendance figures accurately.

During this period of time the Texas State Technical College System Board approved the merger of all Texas State Technical Colleges into One College statewide with 11 locations. The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) approved the consolidation/merger as of June 11, 2015 and receive the Program Participation Agreement from The Department of Education on August 20, 2015.

Implementation Date: August 2016

Responsible Person: Federico Peña, Jr., Javier Nieto and April Falkner

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.

Corrective Action:

Corrective action was taken.

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

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)).

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

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.

Corrective Action:

Corrective action was taken.

Texas State Technical College - Marshall

Reference No. 2014-122

Eligibility

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2014
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).

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

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

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

Additionally, the College’s COA budgets are not consistent with federal requirements. The College’s COA budgets include a personal expense component for all students. However, the personal expense component is not allowable for students who are enrolled less than half-time. Two (3 percent) of 60 students

tested were enrolled less than half-time, but the College assigned them a personal expense COA component that they were not eligible. That occurred because the College was not aware that less-than-half-time students were not eligible for a personal expense component. Although those two students were not overawarded student financial assistance, including COA components for which students are not eligible increases the risk that students could be overawarded student financial assistance.

Recommendations:

The College should:

- Adjust COA accurately and consistently for students with less-than-full-time enrollment.
- Include COA budget components, such as personal expenses, in the COA calculation only for students who are eligible for those components.

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

The College calculates initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process is run to adjust the tuition and book components of the cost of attendance based on the student's actual enrollment levels. Awards are adjusted as needed according to the students' actual enrollment at official census date.

We met with our IT department programmer to request an automated process that will remove the Room/Board and Personal Expenses budget components in the COA for students who are enrolled less-than half time. TSTC Tracker Ticket #4567 was created on January 21, 2016 for this process and we expect to have this fully implemented before the start of the Summer, 2016 term. We will then be able to utilize this new functionality to properly adjust the cost of attendance for all students who are enrolled during the 2015-16 award year. The Financial Aid System Analyst who was hired in January 2015 will be in charge of these procedures and will develop reports to assure that the process has calculated the cost of attendance figures accurately.

During this period of time the Texas State Technical College System Board approved the merger of all Texas State Technical Colleges into One College statewide with 11 locations. The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) approved the consolidation/merger as of June 11, 2015 and receive the Program Participation Agreement from The Department of Education on August 20, 2015.

Implementation Date: August 2016

Responsible Person: Federico Peña, Jr., Javier Nieto and April Falkner

Pell Grant and Direct Loan Limits

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

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

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

Corrective Action:

Corrective action was taken.

Other Compliance Requirement

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

General Controls

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

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

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

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

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

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

Corrective Action:

Corrective action was taken.

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

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)).

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

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.

Corrective Action:

Corrective action was taken.

Reference No. 2013-145

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

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

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122321; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124147; CFDA 84.268, Federal Direct Student Loans, P268K132321; and CFDA 84.033, Federal Work-Study Program, P033A124147

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

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

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

For 8 (13 percent) of 60 applicants tested, Texas State Technical College – Waco (College) did not accurately verify all required information in student financial assistance applications and did not always correct applicant ISIR information when required. Specifically, the College did not always accurately verify the applicants’ education credits, income tax paid, or household members. According to the College, that resulted in an overaward of \$150 to one student and underawards totaling \$101 to two students in federal Pell Grant funds associated with award P063P122321.

For the eight students discussed above, the College also did not correct the students’ ISIRs to reflect the accurate information at the time of verification. The College was unable to request updated ISIRs for those students when auditors brought the errors to its attention because that occurred after the U.S. Department of Education’s due date for corrections. Therefore, the effects on EFC and assistance noted above, including the questioned costs, are based on the College’s assertion. The errors occurred because of manual errors the College made in verification.

General Controls

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

The College did not maintain adequate user access controls over its Colleague student financial assistance application. Specifically:

- Fifteen individuals had inappropriate access based on their job responsibilities to either award or post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

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

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

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

Corrective Action:

Corrective action was taken.

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

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)).

Initial Year Written: 2013
Status: Implemented

U.S. Department of Education

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.

Corrective Action:

Corrective action was taken.

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

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)).

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

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.

Corrective Action:

Corrective action was taken.

Texas State University

Reference No. 2014-123

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

Initial Year Written: 2014
Status: Implemented
U.S. Department of Education

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

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-124

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

Initial Year Written: 2014 Status: Partially Implemented U.S. Department of Education

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

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

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2015-114.

Reference No. 2014-125

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2013-148)

Student Financial Assistance Cluster

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

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

Type of finding – Non-Compliance

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

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

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

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2015-115.

Texas Tech University

Reference No. 2014-126

Cash Management

Student Financial Assistance Cluster

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

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

Type of finding – Non-Compliance

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

Initial Year Written: 2014
Status: Implemented
U.S. Department of Education

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-127

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

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

Initial Year Written: 2014 Status: Implemented U.S. Department of Education

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

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

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

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

Teacher Education Assistance for College and Higher Education

During federal fiscal year 2014, there was a change in the sequester-required percentage reduction that applied to Teacher Education Assistance for College and Higher Education (TEACH) grants first disbursed

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-128

Special Tests and Provisions – Verification

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

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

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

For 3 (5 percent) of 60 students tested, Texas Tech University (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs as required. For those three students, the University did not accurately verify one or more

of the following items: the number of household members, the number of household members who are in college, income earned from work for non-tax filers, and education credits.

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-129

Special Tests and Provisions – Enrollment Reporting

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

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

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

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

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

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2015-119.

University of Houston

Reference No. 2014-139

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

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

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

Type of finding –Non-Compliance

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

Initial Year Written: 2014
Status: Partially Implemented

U.S. Department of Education

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2015-121.

Reference No. 2014-140

Special Tests and Provisions – Enrollment Reporting

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

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

Initial Year Written: 2006
Status: Partially Implemented
U.S. Department of Education

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2015-124.

University of Houston - Downtown

Reference No. 2014-144

Eligibility

(Prior Audit Issue 11-158)

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2010
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 Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

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

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

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

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

“with parents with dependent” living status. As a result, the students’ COA budgets were understated by \$370 and \$185.

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

Satisfactory Academic Progress

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

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-145

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual

Initial Year Written: 2014 Status: Implemented U.S. Department of Education

retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of a student's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 from the student's original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student's FAFSA information changes as a result of verification, an institution must recalculate the student's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

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

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

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

Corrective Action:

Corrective action was taken.

University of Houston - Victoria

Reference No. 2013-167

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

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

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P123632; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124901; and CFDA 84.268, Federal Direct Student Loans, P268K133632

Type of finding – Significant Deficiency and Non-Compliance

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

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

For 10 (17 percent) of 60 applicants tested, the University of Houston - Victoria (University) did not retain supporting documentation for some of the information required to be verified or did not accurately verify certain required items on the FAFSA. Specifically:

- For three applicants, the University did not accurately verify the applicants’ AGI or education credit; therefore, it did not subsequently update its records and request updated ISIRs as required. Based on the information the University provided, that resulted in a \$125 overaward of a Federal Pell Grant for one applicant and a \$900 Federal Pell Grant overaward for another applicant (both overawards were associated with award number P063P123632). After auditors brought those issues to the University’s attention, the University provided evidence that it corrected the overawards; therefore, there are no questioned costs associated with those errors.
- For seven applicants, the University could not provide supporting documentation for some of the information it was required to verify; therefore, auditors could not determine whether the FAFSA amounts the applicants reported were correct. For those applicants, the University did not retain support for one or more of the following amounts: AGI, Supplemental Nutrition Assistance Program benefits, child support paid, IRA deductions, and education credits.

The above errors occurred because of manual errors the University made in verification. Not properly verifying FAFSA information could result in the University overawarding or underawarding student federal financial assistance.

Corrective Action:

Corrective action was taken.

University of North Texas

Reference No. 2014-146

Eligibility

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Material Weakness and Material Non-Compliance

Cost of Attendance

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

Initial Year Written: 2014
 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).

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

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

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

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

Satisfactory Academic Progress

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

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

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

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

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

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

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

In addition, the University's SAP policy is less strict than its academic policy for graduate students. The University's Institutional Academic Policy in its graduate catalog specifies that master's degree students have five to seven years to complete their degree, and doctoral students have eight years to complete their

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

Corrective Action:

This finding was reissued as current year reference number 2015-125.

Reference No. 2014-147

Special Tests and Provisions - Verification

(Prior Audit Issue 2013-168)

Student Financial Assistance Cluster

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

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

Type of finding – Non-Compliance

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

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

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

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

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

Corrective Action:

Corrective action was taken.

University of Texas at Arlington

Reference No. 2014-148

Eligibility

Activities Allowed or Unallowed

Cash Management

Period of Availability of Federal Funds

Reporting

Special Tests and Provisions – Separate Funds

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

Special Tests and Provisions – Institutional Eligibility

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

Student Financial Assistance Cluster

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

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

Type of finding – Material Weakness and Material Non-Compliance

Eligibility and Certification Approval Report

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

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

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

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

Cost of Attendance

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

an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Subchapter IV, Section 10871l).

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).

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 students do not respond to a request for anticipated enrollment. However, the University does not adjust the budget for actual enrollment; therefore, that increases the risk of awarding assistance in excess of a student's financial need or COA budget and awarding Pell assistance incorrectly.

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

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

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

Nurse Faculty Loan Program

Students who receive a Nurse Faculty Loan Program (NFLP) loan must be enrolled full-time or part-time in an eligible advanced education nursing degree program (master's or doctoral) that offers an education component to prepare qualified nurse faculty. The total amount of NFLP loans made to a student should cover the full or partial tuition and fees for the academic year, not to exceed \$35,500 during fiscal year 2014. Full support includes the cost of tuition, fees, books, laboratory expenses, and other reasonable education expenses. NFLP loans do not include stipend support (for example, living expenses, student transportation cost, room/board, and personal expenses) (Title 42, USC, Section 297n-1(b)(4) and 297n-1(c)(4) and Health Resources and Services Administration (HRSA), Announcement HRSA-14-072).

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

Federal Pell Grant

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

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

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

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

Teacher Education Assistance for College and Higher Education

Under the Budget Control Act of 2011, additional sequester funding reductions took effect with the start of the 2014 federal fiscal year. For grants for which the first disbursement is made on or after October 1, 2013, Teacher Education Assistance for College and Higher Education (TEACH) grant awards must be reduced by 7.2 percent from the original statutory amounts. For grants first disbursed after March 1, 2013, and before October 1, 2013, the award amount must be reduced by 6 percent from the award amount for which a recipient would otherwise have been eligible (*Dear Colleague Letter*, GEN-13-22).

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

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

Satisfactory Academic Progress

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2015-128.

Other Compliance Requirements

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

General Controls

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-149

Special Tests and Provisions - Verification

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

Student Financial Assistance

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

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

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school

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

completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of a student's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 from the student's original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the student's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if a student's FAFSA information changes as a result of verification, the institution must recalculate the student's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2015-129.

General Controls

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-150

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

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Transfer Monitoring

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

Initial Year Written: 2014 Status: Partially Implemented U.S. Department of Education U.S. Department of Health and Human Services
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The University of Texas at Arlington (University) did not perform required reviews of transfer students prior to disbursing student financial assistance. For 4 (80 percent) of 5 students tested who transferred during the academic year, the University did not obtain updated loan history information from NSLDS for the current year before it disbursed funds. The University did not add those students to its transfer monitoring list because of manual errors it made in identifying transfer students. The University asserted that it performed a check of NSLDS prior to disbursing funds for all students; however, it did not have documentation of that check.

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

Corrective Action:

This finding was reissued as current year reference number 2015-130.

General Controls

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-151

Special Tests and Provisions – Return of Title IV Funds

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

Student Financial Assistance

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

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

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Calculations

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

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(e)).

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

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

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

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

Timeliness of Returns

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

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

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

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

General Controls

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-152

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2013-173)

Student Financial Assistance

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

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

Type of finding – Significant Deficiency and Non-Compliance

Enrollment Reporting

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

Initial Year Written: 2013
 Status: Partially Implemented

 U.S. Department of Education

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

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

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

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

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

student was not considered to be continuously enrolled and should have been reported to NSLDS within the required time frame.

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2015-131.

General Controls

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

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

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

Corrective Action:

Corrective action was taken.

University of Texas at Austin

Reference No. 2014-153

Eligibility

Student Financial Assistance Cluster

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

Award numbers – CFDA 93.264, Federal Nurse Faculty Loan Program, E01HP24620 and CFDA 84.038,

Federal Perkins Loan Program, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Nurse Faculty Loan Program

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

Initial Year Written: 2014 Status: Implemented U.S. Department of Education U.S. Department of Health and Human Services
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For 2 (67 percent) of 3 students who received NFLP loans tested, the University of Texas at Austin (University) awarded loans to students who were not eligible. Specifically:

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

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

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

Federal Perkins Loans

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-154

Special Tests and Provisions – Student Loan Repayments

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

Initial Year Written: 2014 Status: Implemented U.S. Department of Education

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

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

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

month. For those 13 students, that resulted in the notices being sent more than 240 days after the beginning of the grace period.

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

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

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
U.S. Department of Health and
Human Services

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.

Corrective Action:

This finding was reissued as current year reference number 2015-141.

University of Texas of the Permian Basin

Reference No. 2014-166

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress Policy

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

Initial Year Written: 2014
Status: Partially Implemented
U.S. Department of Education

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

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

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

Recommendation:

The University should update its SAP policy and financial aid system to include transfer hours as both attempted and completed hours in its SAP calculations.

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

The Financial Aid office has updated the official SAP policy to ensure compliance with federal requirements. Deadlines for SAP appeal submissions have been added, as well as revision of policy to include transferred hours in the overall SAP calculation and maximum timeframe calculation. In response to this finding the SAP officer now manually updates all earned hours accepted during admission evaluation of transfer work and calculates completion percentage and maximum timeframe with all reported hours on the spreadsheet produced from the POISE SAP program. Internal controls within the current operating system are not capable of accurately determining SAP. Although modifications were made to address the finding, management acknowledges that fully addressing the finding and long term corrective action will not be possible until implementation of the SAP module within in the new operating system is live. Conversion to this new system will begin in the fall of the upcoming 15-16 federal aid year.

Implementation Date: June 2015

Responsible Person: Jennifer Taveras

Pell Grants

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

Based on a review of the entire population of Title IV assistance recipients, the University disbursed Pell Grants to two students who were not eligible for that assistance. Those students were undergraduate students in the Fall semester and admitted into graduate and post-baccalaureate programs for the Spring semester. The University awarded a total of \$2,017 in Pell grant assistance to those students in the Fall semester, which was disbursed in the Spring semester, and did not adjust the assistance based on the students' admission to the new programs. When auditors brought those errors to the University's attention, the University corrected the errors, adjusted the students' awards, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Recommendation:

The University should award Pell Grant assistance only to eligible students.

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

The Financial Aid office has revised procedures regarding determination of eligibility for undergraduate Pell Grant students who may become ineligible within a payment period. In response to this finding the Financial Aid office requests an official graduation roster from the Registrar's office at the end of each term to verify status so that awards can be changed prior to the beginning of the following payment period, if a student decides to re-enroll. Internal controls within the current operating system are not capable of accurately notifying the financial aid office of a change in status. Although modifications were made to address the finding, management acknowledges that fully addressing the finding and long term corrective action will not be possible until implementation of the new operating system. Conversion to this new system will begin in the fall of the upcoming 15-16 federal aid year.

Implementation Date: August 2015

Responsible Person: Jennifer Taveras

Federal Direct Subsidized Loan

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

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

Corrective Action:

Corrective action was taken.

Federal Award Limits

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

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

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

The University's financial aid system, POISE, does not have automated controls for aggregate assistance limits and is not adequately designed for some annual assistance limits to ensure that those limits are enforced. Specifically, POISE does not have controls to ensure that annual award limits for Direct Loans and Teacher Education Assistance for College and Higher Education Grants (TEACH) are not

exceeded. In addition, the University's automated controls over federal financial aid do not ensure that manually entered awards comply with federal assistance limits. When awards are manually entered, POISE does not apply automated packaging rules to those awards. Not having controls for aggregate and annual assistance limits increases the risk that students could be overawarded student financial assistance.

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

Recommendations:

The University should:

- Ensure that its financial aid system enforces aggregate and annual award limits.
- Notify students when their loan limits have been reduced.

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

The financial Aid office has revised manual awarding procedures to address this finding. Officers were instructed to package new applicants in the spring and summer using full amounts of subsidized and unsubsidized loans with regard to COA. Although modifications were made to address the finding, management acknowledges that fully addressing the finding and long term corrective action will not be possible until implementation of the new operating system. Conversion to this new system will begin in the fall of the upcoming 15-16 federal aid year.

Implementation Date: September 2015

Responsible Person: Jennifer Taveras

General Controls

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

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

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

Recommendation:

The University should maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Views of Responsible Officials and Corrective Action Plan 2014:

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

Views of Responsible Officials and Corrective Action Plan 2015:

The existing change control policy was re-implemented by the end of January 2015. All programming staff were trained on the policy and all elevated privileges were removed. Due to the migration effort to Peoplesoft, there have been zero requests for changes since the policy was re-implemented.

Implementation Date: February 2015

Responsible Person: Ken Bridges

Reference No. 2014-167

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

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

Initial Year Written: 2014 Status: Partially Implemented U.S. Department of Education

educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register* Volume 77, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

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

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

Recommendation:

The University should accurately verify all required FAFSA information for the students it selects for verification and correct students' ISIR when required.

Views of Responsible Officials and Corrective Action Plan 2014:

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

Views of Responsible Officials and Corrective Action Plan 2015:

The Financial Aid office has revised the verification process to address oversights caused by human error. Any incorrect paperwork submitted is marked incomplete, and the student is contacted for changes. Any changes to the verification worksheet will be marked with the officer's initials and comments will be noted along with dates for tracking and audit purposes. Training guides have been created to assist officers in the verification process and training has been conducted to follow up with audit findings.

Implementation Date: April 2015

Responsible Person: Jennifer Taveras

Verification Policies and Procedures

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

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

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

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

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

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

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

Recommendation:

The University should maintain documentation of all change requests related to critical information systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Views of Responsible Officials and Corrective Action Plan 2014:

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

Views of Responsible Officials and Corrective Action Plan 2015:

The existing change control policy was re-implemented by the end of January 2015. All programming staff were trained on the policy and all elevated privileges were removed. Due to the migration effort to Peoplesoft, there have been zero requests for changes since the policy was re-implemented

Implementation Date: February 2015

Responsible Person: Ken Bridges

University of Texas at San Antonio

Reference No. 2014-168

Special Tests and Provisions – Enrollment Reporting

Prior Audit Issue 2013-191

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

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

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

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

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

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

For 5 (8 percent) of 60 students tested, the University did not accurately report the effective dates of the students’ withdrawal to NSLDS. Three of those students were the students discussed above, and the errors discussed above resulted in incorrect effective dates of withdrawal being submitted to NSLDS. The

University also did not accurately report the effective dates of students' withdrawal to NSLDS for two additional students. At the end of the semester, the University identified those two students as never attending. For those two students, the University should have reported the last dates of attendance as the last effective enrollment dates. However, the dates it submitted to NSLDS were those students' withdrawal dates during the semester.

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

Corrective Action:

This finding was reissued as current year reference number 2015-150.

West Texas A&M University

Reference No. 2014-169

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Pell Grant Awards

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

Initial Year Written: 2014 Status: Partially Implemented U.S. Department of Education

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

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

Pell Grant and Direct Loan Limits

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

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

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

Comment Codes

The U.S. Department of Education's Central Processing System (CPS) adds comment codes and text to students' Institutional Student Information Record (ISIR) transactions to provide information to the students and institutions about the students' processed Free Application for Federal Student Aid (FAFSA) (U.S. Department of Education 2013-2014 *Technical Reference for Electronic Data Exchange (EDE)* and *Companion to the EDE Technical Reference SAR Comment Codes and Text*). For some comment codes and text, there will also be a comment (C) code, which institutions must resolve before disbursing financial assistance to students (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

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

Recommendation:

The University should:

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

Views of Responsible Officials and Corrective Action Plan 2014:

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

Views of Responsible Officials and Corrective Action Plan 2015:

Pell Grant Awards

The awarding department at West Texas A&M University began implementing the Update Mode process in December 2014. The automatic packaging process is run on every ISIR imported from the Department of Education with the exception of those students who are changing from undergraduate classification to graduate classification and for summer terms which are still a manual process. This automatically updates each student's package and eliminates any manual awarding.

Implementation Date: December 2014

Responsible Person: Rebecca Rutkowski

Pell Grant and Direct Loan Limits

Packaging is manual in the summer terms and for other students on an exception basis as needed. There are four reviews that the awards are subject to before the funds are available to the students. First NSLDS is reviewed by the loan department for the balance of Pell and Direct Loans that may be available for summer awarding. Second, it goes to packaging and the amount of eligibility is awarded after being

reviewed. Third, it goes to the loan department to certify the loans and to check that no one has been over-awarded. Fourth, all funds are then reviewed after being rolled onto the student's account, before the funds are released to the student.

Implementation Date: April 2015

Responsible Person: Charissa Harden

In addition, the finding that we were out of compliance regarding summer Pell awards not being awarded due to an eligible student not submitting a Financial Aid Summer Application, which was part of WTAMU's Policies and Procedures has been addressed. The Financial Aid Office will run a query of all students enrolled for summer courses and review the students to see if they have any Pell eligibility, regardless of whether a Financial Aid Summer Application is submitted. This finding was not part of the initial 2014 report and therefore was not addressed in 2014. It will be implemented beginning with the summer 2016 semesters.

Implementation Date: April 2016

Responsible Person: Charissa Harden

Comment Codes

Packaging does not occur until all the comment codes are resolved. There are rules in place to pull the comment codes from the ISIR's into our communication section as information needed and they show incomplete until the comment (C) codes are resolved and marked complete. Once all the information requested and the C codes have been resolved, the file complete flag is populated with the date that it is file complete and it is then selected to be running through the automatic packager to be awarded. If the file is not marked completed, then the file is rejected out of the automatic packaging process until it becomes complete.

Implementation Date: May 2015

Responsible Person: Rebecca Rutkowski

Reference No. 2014-170

Special Test and Provisions – Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

Initial Year Written: 2014
Status: Partially Implemented
U.S. Department of Education

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

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

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

Recommendations:

The University should:

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

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

Finding 1: Verification is not completed until all discrepancies are resolved. If a dependent student answers the question on the FAFSA that they will not file but on the Verification Worksheet they answer the question another way, such as they will file or they did not answer any part of Section B, Student's Income to be Verified, then we will send it back to the student to get confirmation or ask additional questions of the student until all conflicts are resolved. This new process began August, 2014.

Finding 2: An additional rule was created by our IT department and added to each individual federal and state award to prevent the transmittal of funds if the verification status field was not a "7", which means the file has been verified or "" (null), which means the student was not chosen for verification.

Implementation Date: June 2015

Responsible Person: Rachel Williams

Appendix

Objectives, Scope, and Methodology

Objectives

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

Scope

The audit scope covered federal funds that the State spent for the Student Financial Assistance Cluster from July 1, 2014, through June 30, 2015, which is the federal financial assistance award year. The audit work included control and compliance tests at 14 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 Single Audits* dated February 1, 2015. In determining the sample sizes for control and compliance test work, auditors assessed risk levels for inherent risk of noncompliance, control risk of noncompliance, risk of material noncompliance, detection risk, and audit risk of noncompliance by compliance requirement. Auditors selected samples primarily through random selection designed to be representative of the population. In those cases, results may be extrapolated to the population, but the accuracy of the extrapolation cannot be measured. In some cases, auditors used professional judgment to select additional items for compliance testing. Those sample items generally are not representative of the population and, therefore, it would not be appropriate to extrapolate those results to the population.

Auditors conducted tests of compliance and of the controls identified for each direct and material compliance area and performed analytical procedures when appropriate.

Auditors assessed the reliability of data that each audited higher education institution provided and determined that the data was sufficiently reliable for the purpose of expressing an opinion on compliance with the provisions of laws, regulations, and contracts or grants that have a direct and material effect on the Student Financial Assistance Cluster.

Information collected and reviewed included the following:

- Higher education institution financial assistance, eligibility, disbursement, cash management, reporting, return of federal funds, student enrollment information, and loan repayment data.
- Federal award letter notifications.
- Student cost of attendance budgets.
- National Student Loan Data System records.
- Common Origination and Disbursement System records.
- Transactional support related to expenditures and revenues.
- Policies and procedures related to student financial assistance.
- Higher education institution-generated reports and data used to support reports, revenues, and other compliance areas.
- Information system support related to general controls over information systems that affected the control structure related to federal compliance.

Procedures and tests conducted included the following:

- Analytical procedures performed on expenditure data to identify instances of noncompliance.
- 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 supported the control structure related to federal compliance.

Criteria used included the following:

- The Code of Federal Regulations.
- U.S. Office of Management and Budget Circular A-133.
- Higher education institution policies and procedures.
- U.S. Department of Education *Federal Student Aid Handbook*.
- National Student Loan Data System *Enrollment Reporting Guide*.

Project Information

Audit fieldwork was conducted from June 2015 through November 2015. Except as discussed above in the Independent Auditor's Report, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The following members of the State Auditor's staff performed the audit:

- Jennifer Brantley, MS, CPA (Project Manager)
- Jennifer Lehman, MBA, CIA, CFE, CGAP (Assistant Project Manager)
- Kelsey A. Arnold, MEd (Student Financial Assistance Coordinator)
- Tessa Mlynar, CFE (Prior Year Findings Coordinator)
- Valeria Aguirre, MPA
- Scott Armstrong, CGAP
- Ileana Barboza, MBA, CGAP
- Frances Mikus Barker, MSA
- Ryan Marshall Belcik, MBA
- Pamela A. Bradley, CPA

- Jeffrey D. Criminger
- Michelle Lea DeFrance, CPA
- Andrea Focht-Williams, CPA
- Naima Hafeez, MBA
- Jerod Heine, MBA
- Norman G. Holz II, CPA
- Anna Howe
- Ashlee C. Jones, MAcy, CFE, CGAP, CICA
- Joseph A. Kozak, CPA, CISA
- Scott Labbe, CPA
- Lisa Lack
- Karen S. Mullen, CGAP
- Joy Myers, MPP
- Matthew M. Owens, CFE
- Fred Ramirez
- Michelle Rodriguez
- Armando S. Sanchez, MBA
- Nakeesa Shahparasti, CPA
- Varinder Singh
- Lilia C. Srubar, CPA
- Steven M. Summers, CPA, CISA, CFE
- Tony Thomas
- Martin Torres
- Jessica Volkmann
- Scott Weingarten, CPA, CGAP

- Tammie Wells, MBA, CIA
- Colleen F. West
- Tony White, CFE
- Charles Wilson, MPAff
- Brenda Zamarripa, CGAP
- Becky Beachy, CIA, CGAP (Quality Control Reviewer)
- George D. Eure, CPA (Quality Control Reviewer)
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- Brianna C. Lehman, CPA (Quality Control Reviewer)
- Dana Musgrave, MBA (Quality Control Reviewer)
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- James Timberlake, CIA, CFE (Audit Manager)

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