



A Report on

**State of Texas Compliance with
Federal Requirements for the
Student Financial Assistance Cluster for the
Fiscal Year Ended August 31, 2017**

February 2018

Report No. 18-019



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State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster for the Fiscal Year Ended August 31, 2017

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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 2017.

As a condition of receiving federal funding, Title 2, Code of Federal Regulations, Section 200, requires non-federal entities that expend \$750,000 or more 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, cash management, 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**, (2) properly calculated the amount of unearned Student Financial Assistance Cluster funds it needed to return to the federal government, or (3) notified the federal government of changes in student statuses in a timely and accurate manner. The Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than \$82,026,747 in federal funds during fiscal year 2017 and (2) other selected federal programs.

From September 1, 2016, through August 31, 2017, the State of Texas expended \$54.7 billion **in federal funds**. **The State Auditor's Office audited compliance with requirements for the Student Financial Assistance Cluster at 18 higher education institutions.** Those 18 higher education institutions spent \$3.1 billion in federal Student Financial Assistance Cluster funds during fiscal year 2017.

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.

This audit was conducted in accordance with Title 31, United States Code, Section 7502.

For more information regarding this report, please contact Jim Timberlake, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

Auditors identified 61 findings for the Student Financial Assistance Cluster, including:

- Fifty-eight findings classified as significant deficiencies and non-compliance.
- Three findings classified as significant deficiencies.

(See text box for definitions of finding classifications.)

Key Points

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

Thirteen higher education institutions audited did **not always report changes in students' enrollment status** to the National Student Loan Data System (NSLDS) in an accurate or timely manner. Those higher education institutions were:

- Prairie View A&M University.
- Sam Houston State University.
- Texas A&M University.
- Texas A&M University - San Antonio.
- Texas Southern University.
- Texas **Woman's University**.
- University of Houston.
- 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 Houston.
- The University of Texas Health Science Center at San Antonio.
- The University of Texas Rio Grande Valley.

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.

The auditor's determination of whether an instance of non-compliance or a control weakness was material for the purpose of reporting an audit finding is in relation to each type of compliance requirement for the Student Financial Assistance Cluster as a whole.

Higher Education Institutions Audited

- Prairie View A&M University.
- Sam Houston State University.
- Stephen F. Austin State University.
- Texas A&M University.
- Texas A&M University - San Antonio.
- Texas Southern University.
- Texas State University.
- Texas Tech University.
- Texas **Woman's 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 Houston.
- The University of Texas Health Science Center at San Antonio.
- The University of Texas Rio Grande Valley.
- 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.

Thirteen higher education institutions audited (1) did not properly identify all withdrawn students for the purposes of calculating the amount of funds to return, (2) did not always accurately calculate the amount of funds to be returned, and/or (3) did not always return funds within the required time frames. Those higher education institutions were:

- Prairie View A&M University.
- Stephen F. Austin State University.
- Texas A&M University.
- Texas A&M University - San Antonio.
- Texas Tech University.
- **Texas Woman's 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 Houston.
- The University of Texas Rio Grande Valley.

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

Twelve higher education institutions audited did not accurately verify all required information on students' financial assistance applications. Those higher education institutions were:

- Prairie View A&M University.
- Texas A&M University.
- Texas A&M University - San Antonio.
- Texas Southern University.
- Texas Tech University.
- **Texas Woman's University.**
- University of Houston.
- University of North Texas.
- The University of Texas at Arlington.
- The University of Texas at El Paso.
- The University of Texas Health Science Center at Houston.
- The University of Texas Rio Grande Valley.

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

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

Five of the higher education institutions audited (1) awarded funds to students who were not eligible to receive those funds or (2) awarded incorrect amounts of funds **based on students' eligibility**. Those higher education institutions were:

- Prairie View A&M University.
- Texas Southern University.
- **Texas Woman's University.**
- University of Houston.
- The University of Texas at El Paso.

Five of the higher education institutions audited inconsistently or incorrectly **calculated the students' cost to attend those higher education institutions**. Those higher education institutions were:

- Texas A&M University - San Antonio.
- Texas Southern University.
- **Texas Woman's University.**
- The University of Texas at El Paso.
- The University of Texas Health Science Center at Houston.

Four of the higher education institutions audited (1) did not consistently follow **their processes to determine students' academic progress** or (2) **did not have** satisfactory academic progress policies and procedures that met federal requirements. Those higher education institutions were:

- Texas Southern University.
- **Texas Woman's University.**
- University of Houston.
- The University of Texas at El Paso.

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

Six higher education institutions audited (1) did not always minimize the time between their drawdowns of federal funds and their disbursement of those funds, (2) did not draw down funds from the correct federal award, and/or (3) did not have adequate internal controls over its cash management processes. Those higher education institutions were:

- Prairie View A&M University.
- The University of Texas at Arlington.
- The University of Texas at El Paso.
- The University of Texas Health Science Center at Houston.
- The University of Texas Health Science Center at San Antonio.
- The University of Texas Rio Grande Valley.

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

Auditors identified inappropriate access to information technology systems, insufficient segregation of duties, or insufficient controls over change management at seven higher education institutions. Those higher education institutions were:

- Texas A&M University - San Antonio.
- Texas Southern University.
- Texas State University.
- **Texas Woman's University.**
- University of North Texas.
- The University of Texas at Arlington.
- The University of Texas at San Antonio.

Auditors followed up on **higher education institutions' corrective action plans for 70** audit findings from prior fiscal years related to the Student Financial Assistance Cluster.

Higher education institutions fully implemented corrective action plans for 30 (43 percent) of those 70 findings and partially implemented corrective action plans for 40 (57 percent) of those 70 findings.

Summary of Management's Response

Management generally concurred with the audit findings. Specific management responses, including the views of responsible officials 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) express an opinion on whether the State complied with federal statutes, regulations, and the terms and conditions of federal awards that may 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, 2016, through June 30, 2017, which is the federal financial assistance award year. The audit work included control and compliance tests at 18 higher education institutions across the state.

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Texas Woman’s University	223
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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, 2017*

Report on Compliance for the Student Financial Assistance Cluster, and
Report on Internal Control Over Compliance Required by the Uniform
Guidance

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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017. 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, 2017. The State does not meet the Uniform Guidance requirements for a program-specific audit and the presentation of the Schedule of Program Expenditures does not conform to the Uniform Guidance 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items:

Higher Education Institution	Compliance Requirement	Finding Number
Prairie View A&M University	Cash Management Reporting	2017-101
	Eligibility	2017-102
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-103
	Special Tests and Provisions - Return of Title IV Funds	2017-104
	Special Tests and Provisions - Enrollment Reporting	2017-105
Sam Houston State University	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	2017-106
	Special Tests and Provisions - Enrollment Reporting	2017-107
Stephen F. Austin State University	Special Tests and Provisions - Return of Title IV Funds	2017-108
Texas A&M University	Special Tests and Provisions - Verification	2017-109

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Return of Title IV Funds	2017-110
	Special Tests and Provisions - Enrollment Reporting	2017-111
Texas A&M University - San Antonio	Eligibility	2017-112
	Reporting	2017-113
	Special Tests and Provisions - Verification	2017-114
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2017-115
	Special Tests and Provisions - Return of Title IV Funds	2017-116
	Special Tests and Provisions - Enrollment Reporting	2017-117
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	2017-118
Texas Southern University	Eligibility	2017-119
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-120
	Special Tests and Provisions - Enrollment Reporting	2017-121
Texas Tech University	Special Tests and Provisions - Verification	2017-123
	Special Tests and Provisions - Return of Title IV Funds	2017-124
Texas Woman's University	Eligibility	2017-125
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-126
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2017-127
	Special Tests and Provisions - Return of Title IV Funds	2017-128
	Special Tests and Provisions - Enrollment Reporting	2017-129
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	2017-130
University of Houston	Eligibility	2017-131
	Activities Allowed or Unallowed	
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-132

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Return of Title IV Funds	2017-133
	Special Tests and Provisions - Enrollment Reporting	2017-134
University of North Texas	Special Tests and Provisions - Verification	2017-135
	Special Tests and Provisions - Return of Title IV Funds	2017-136
University of Texas at Arlington	Cash Management Reporting	2017-137
	Special Tests and Provisions - Verification	2017-138
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2017-139
	Special Tests and Provisions - Return of Title IV Funds	2017-140
	Special Tests and Provisions - Enrollment Reporting	2017-141
University of Texas at Austin	Special Tests and Provisions - Return of Title IV Funds	2017-142
	Special Tests and Provisions - Enrollment Reporting	2017-143
University of Texas at El Paso	Eligibility	2017-145
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-146
	Special Tests and Provisions - Return of Title IV Funds	2017-147
	Special Tests and Provisions - Enrollment Reporting	2017-148
University of Texas Health Science Center at Houston	Eligibility	2017-150
	Special Tests and Provisions - Verification	2017-151
	Special Tests and Provisions - Return of Title IV Funds	2017-152
	Special Tests and Provisions - Enrollment Reporting	2017-153
University of Texas Health Science Center at San Antonio	Cash Management Activities Allowed and Unallowed Reporting	2017-154
	Special Tests and Provisions - Enrollment Reporting	2017-155
University of Texas Rio Grande Valley	Cash Management Reporting	2017-156
	Special Tests and Provisions - Verification	2017-157

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Return of Title IV Funds	2017-158
	Special Tests and Provisions - Enrollment Reporting	2017-159
	Special Tests and Provisions - Student Loan Repayments	2017-160
University of Texas at San Antonio	Special Tests and Provisions - Disbursements To or On Behalf of Students	2017-161

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 the Uniform Guidance, 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 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 have not been 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
Prairie View A&M University	Cash Management Reporting	2017-101
	Eligibility	2017-102
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-103
	Special Tests and Provisions - Return of Title IV Funds	2017-104
	Special Tests and Provisions - Enrollment Reporting	2017-105
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	2017-106
Sam Houston State University	Special Tests and Provisions - Enrollment Reporting	2017-107
Stephen F. Austin State University	Special Tests and Provisions - Return of Title IV Funds	2017-108
Texas A&M University	Special Tests and Provisions - Verification	2017-109
	Special Tests and Provisions - Return of Title IV Funds	2017-110
	Special Tests and Provisions - Enrollment Reporting	2017-111
Texas A&M University - San Antonio	Eligibility	2017-112
	Activities Allowed or Unallowed	
	Cash Management	
	Special Tests and Provisions - Institutional Eligibility Reporting	2017-113
	Special Tests and Provisions - Verification	2017-114
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2017-115
	Special Tests and Provisions - Return of Title IV Funds	2017-116
Special Tests and Provisions - Enrollment Reporting	2017-117	

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	2017-118
Texas Southern University	Eligibility	2017-119
	Special Tests and Provisions - Institutional Eligibility	
	Activities Allowed or Unallowed	
	Cash Management	
	Reporting	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
	Special Tests and Provisions - Return of Title IV Funds	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Verification	2017-120
	Special Tests and Provisions - Enrollment Reporting	2017-121
Texas State University	Activities Allowed or Unallowed	2017-122
	Cash Management	
	Eligibility	
	Reporting	
	Special Tests and Provisions - Verification	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
	Special Tests and Provisions - Return of Title IV Funds	
	Special Tests and Provisions - Enrollment Reporting	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Institutional Eligibility	
Texas Tech University	Special Tests and Provisions - Verification	2017-123
	Special Tests and Provisions - Return of Title IV Funds	2017-124
Texas Woman's University	Eligibility	2017-125
	Special Tests and Provisions - Institutional Eligibility	
	Activities Allowed or Unallowed	
	Cash Management	
	Reporting	
	Special Tests and Provisions - Verification	2017-126
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2017-127

Higher Education Institution	Compliance Requirement	Finding Number
University of Houston	Special Tests and Provisions - Return of Title IV Funds	2017-128
	Special Tests and Provisions - Enrollment Reporting	2017-129
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	2017-130
	Eligibility	2017-131
	Activities Allowed or Unallowed	
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-132
University of North Texas	Special Tests and Provisions - Return of Title IV Funds	2017-133
	Special Tests and Provisions - Enrollment Reporting	2017-134
	Special Tests and Provisions - Verification	2017-135
	Activities Allowed or Unallowed	
	Cash Management	
	Eligibility	
	Reporting	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
	Special Tests and Provisions - Enrollment Reporting	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
University of Texas at Arlington	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Return of Title IV Funds	2017-136
	Cash Management	2017-137
	Reporting	
	Activities Allowed or Unallowed	
	Eligibility	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-138
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2017-139
Special Tests and Provisions - Return of Title IV Funds	2017-140	
Special Tests and Provisions - Enrollment Reporting	2017-141	

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at Austin	Special Tests and Provisions - Return of Title IV Funds	2017-142
	Special Tests and Provisions - Enrollment Reporting	2017-143
University of Texas at El Paso	Cash Management	2017-144
	Eligibility	2017-145
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	2017-146
	Special Tests and Provisions - Return of Title IV Funds	2017-147
University of Texas Health Science Center at Houston	Special Tests and Provisions - Enrollment Reporting	2017-148
	Cash Management	2017-149
University of Texas Health Science Center at San Antonio	Eligibility	2017-150
	Special Tests and Provisions - Verification	2017-151
	Special Tests and Provisions - Return of Title IV Funds	2017-152
	Special Tests and Provisions - Enrollment Reporting	2017-153
University of Health Science Center at San Antonio	Cash Management	2017-154
	Activities Allowed or Unallowed Reporting	
University of Texas Rio Grande Valley	Special Tests and Provisions - Enrollment Reporting	2017-155
	Cash Management Reporting	2017-156
University of Texas Rio Grande Valley	Special Tests and Provisions - Verification	2017-157
	Special Tests and Provisions - Return of Title IV Funds	2017-158
	Special Tests and Provisions - Enrollment Reporting	2017-159
	Special Tests and Provisions - Student Loan Repayments	2017-160
	Special Tests and Provisions - Disbursements To or On Behalf of Students	2017-161
University of Texas at San Antonio	Activities Allowed or Unallowed	
	Cash Management	
	Eligibility	
	Reporting	
	Special Tests and Provisions - Verification	
	Special Tests and Provisions - Return of Title IV Funds	
	Special Tests and Provisions - Enrollment Reporting	

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan) Special Tests and Provisions - Institutional Eligibility	

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 the Uniform Guidance. 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, 2017, 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, 2017*.

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

February 21, 2018

Schedule of Federal Program Expenditures for the
Student Financial Assistance Cluster for the State of Texas
For the Year Ended August 31, 2017

Schedule of Federal Program Expenditures	
Higher Education Institution Audited	Federal Program Direct Expenditures
Prairie View A&M University	\$ 88,107,038
Sam Houston State University	151,292,335
Stephen F. Austin State University	104,300,660
Texas A&M University	353,690,654
Texas A&M University - San Antonio	39,773,835
Texas Southern University	109,158,220
Texas State University	264,176,745
Texas Tech University	205,293,178
Texas Woman's University	99,551,031
University of Houston	257,197,400
University of North Texas	245,446,916
University of Texas at Arlington	273,462,099
University of Texas at Austin	350,247,577
University of Texas at El Paso	147,962,605
University of Texas Health Science Center at Houston	59,009,722
University of Texas Health Science Center at San Antonio	58,358,485
University of Texas Rio Grande Valley	149,128,637
University of Texas at San Antonio	181,928,732
Total Audited Student Financial Assistance Federal Program Expenditures	\$3,138,085,869

Note 1: This schedule of federal program expenditures is presented for informational purposes only. For the State's complete Schedule of Expenditures of Federal Awards, see the *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2017*.

Note 2: Federal expenditures for the Student Financial Assistance Cluster at state entities not included in the scope of this audit totaled \$1,268,140,504 for the fiscal year ended August 31, 2017.

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

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

- CFDA 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG).
- CFDA 84.033 Federal Work-Study Program.
- CFDA 84.038 Federal Perkins Loan (FPL) - Federal Capital Contributions.
- CFDA 84.063 Federal Pell Grant Program.
- CFDA 84.268 Federal Direct Student Loans.
- CFDA 84.379 Teacher Education Assistance for College and Higher Education Grants (TEACH Grants).
- CFDA 84.408 Postsecondary Education Scholarships for **veteran's Dependents (Iraq and Afghanistan Service Grants (IASG))**.

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

- CFDA 93.264 Nurse Faculty Loan Program (NFLP).
- CFDA 93.342 Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students (HPSL/PCL/LDS).
- CFDA 93.364 Nursing Student Loans (NSL).
- CFDA 93.925 Scholarships for Health Professions Students from Disadvantaged Backgrounds (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, 2017*

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, 2017*.

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 Title 2, Code of Federal Regulations, Section 200.516(a)? 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: \$82,026,747

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, 2017*.

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 Title 2, Code of Federal Regulations, Section 200.516(a).

Prairie View A&M University

Reference No. 2017-101

Cash Management Reporting

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award number – CFDA 84.268, Federal Direct Student Loans, P268K172319

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

An institution must use a financial management system that enables it to (1) identify, in its accounts, all federal awards received and expended and the federal programs under which they were received; (2) provide for accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements in Title 2, Code of Federal Regulations (CFR), Sections 200.327 and 200.328; (3) maintain records that adequately identify the source and application of funds for federally funded activities; (4) establish effective internal control, and accountability for, all funds, property, and other assets, and adequately safeguard those assets, and ensure that they are used only for authorized purposes; (5) compare actual expenditures with the approved budget for the federal award; (6) establish written procedures to implement the requirements of Title 2, CFR, Section 200.305; and (7) establish written procedures for determining the allowability of costs in accordance with the applicable federal cost principles and the terms and conditions of the federal award (Title 2, CFR, Section 200.302).

Questioned Cost: \$ 0

U.S. Department of Education

In addition, institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

Prairie View A&M University (University) did not use transaction-level documentation to support the amount of Federal Direct Student Loans it requested at the time it requested drawdowns. The University retained only summary-level documentation from the U.S. Department of Education’s Common Origination and Disbursement (COD) System, which did not include sufficient detail necessary to determine whether the University recognized the appropriate amount of expenditures prior to requesting reimbursement. In addition, the University did not perform procedures to reconcile the amount from COD with the University’s student financial assistance system, Banner. For 4 (50 percent) of 8 Federal Direct Student Loan drawdowns tested, the University requested more funds than it had in expenditures at the time of the request. For one of those drawdowns, the University requested reimbursement on the wrong award year; it corrected that error two weeks later. For the remaining three drawdowns, the University disbursed those funds within three days of the drawdown, thereby minimizing the time between the transfer of funds and disbursement of those funds. As a result, there were no questioned costs and no interest determination was necessary.

The University also did not have adequate, written cash management policies and procedures, and it did not have an adequate review process prior to making drawdown requests. The University had documented procedures on how to request reimbursement from various federal agency payment systems; however, those procedures did not include steps regarding how to determine and document the amount of funds to request.

In addition, the University's review and approval process did not identify that (1) the University made one drawdown on the wrong award year and (2) the draw request amount exceeded the disbursements in Banner as of the draw date.

Not having adequate controls over cash management increases the risk that the University could draw down funds in excess of its needs.

The University uses the U.S. Department of Education's G5 system to request reimbursement of federal funds. For financial reporting purposes, the University is considered to have submitted a financial report at the time it makes a request for reimbursement using the G5 system. Therefore, as a result of the errors discussed above, the University did not accurately report financial information.

Recommendations:

The University should:

- Develop and implement written policies and procedures to ensure compliance with cash management requirements.
- Develop and implement a process to accurately calculate amounts for drawdown requests using its own financial records, including transaction-level documentation.

Views of Responsible Officials:

The University agrees with the findings and recommendations as they relate to cash management for direct loans. The University will develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

The University has developed, documented, and implemented direct loan procedures that will ensure compliance with cash management requirements. The procedures include a process to calculate amounts for direct loan drawdowns from University financial records that include transaction-level documentation.

Implementation Date: January 2018

Responsible Person: Rod Mireles

Reference No. 2017-102

Eligibility

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164098; CFDA 84.033, Federal Work-Study Program, P033A164098; CFDA 84.063, Federal Pell Grant Program, P063P162319; CFDA 84.268, Federal Direct Student Loans, P268K172319; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172319

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Teacher Education Assistance for College and Higher Education Grants

A student 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 Education 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 enrolled in a TEACH grant-eligible institution in a TEACH grant-eligible program; and is completing coursework and other requirements as necessary to begin a career in teaching or plans to complete such coursework prior to graduation. If the student is beyond the first year of a program of undergraduate education, the student must have a cumulative grade point average (GPA) of at least 3.25 on a 4.0 scale based on courses taken at the institution through the most-recently completed payment period (Title 34, CFR, Section 686.11(a)).

Questioned Cost: \$ 465
U.S. Department of Education

Based on a review of the entire population of federal student financial assistance recipients, Prairie View A&M University (University) awarded an incorrect amount of TEACH grant assistance to two students. Specifically:

- One student was a full-time graduate student and was eligible for TEACH grant assistance totaling \$3,724; however, the University awarded that student \$3,000, which was an amount equivalent to three-quarter-time enrollment. After auditors brought that error to the University’s attention, it subsequently disbursed additional TEACH grant assistance to the student.
- One student had half-time enrollment in the Fall term and less-than-half-time enrollment in the Spring term; as a result, the student was eligible to receive \$1,398 in total TEACH grant assistance. However, the University awarded the student based on three-quarter-time enrollment in the Fall term, which resulted in the University’s overawarding the student \$465 associated with CFDA 84.379, award number P379T172319, which was considered questioned costs.

Incarcerated Students

An educational institution does not qualify as an eligible institution if more than 25 percent of the institution's regular enrolled students are incarcerated (Title 34, CFR, Section 600.7(a)(1)(iii)) and institutions must demonstrate compliance with that requirement (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 2, chapter 1).

The University did not have procedures to identify incarcerated students, and it was unable to demonstrate that less than 25 percent of its enrolled students were incarcerated. Auditors did not note any evidence of incarceration for the 62 students tested; however, not having procedures to identify incarcerated students increases the risk that the University (1) may inappropriately award student financial assistance to ineligible students and (2) may not qualify as an eligible institution.

Recommendations:

The University should:

- Accurately award and disburse TEACH grant assistance to students.

- Develop and implement procedures to identify incarcerated students.

Views of Responsible Officials:

The University agrees with the findings and recommendations as it pertains to TEACH grant assistance and incarcerated students. The University will develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

The University has made significant changes as listed below:

- *Financial Aid management has corrected error(s) that were indicated in the audit finding. The cases in which students were awarded incorrectly due to enrollment changes have been updated to reflect the accurate disbursement amounts.*
- *The population of TEACH grant recipients is relatively low, therefore, Financial Aid management has implemented a manual internal quality control check of TEACH grants that will review enrollment, award amounts, and disbursements. Each student awarded the TEACH grant will be evaluated after every term to ensure accuracy of awards.*
- *Financial Aid management has set the appropriate Banner controls to ensure that disbursement amounts coincide with the changes as reflected in the reduction fees as it relates to pre and post October 1 disbursements established by the Department of Education.*
- *Financial Aid management has reviewed the regulations regarding the acceptable methods of identifying incarcerated students and will work with University administration to develop and implement a process to document compliance with the less than 25 percent incarcerated student requirement.*

Implementation Date: July 2018

Responsible Person: Ralph Perri

Reference No. 2017-103

Special Tests and Provisions - Verification

(Prior Audit Issue 2014-102)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164098; CFDA 84.033, Federal Work-Study Program, P033A164098; CFDA 84.063, Federal Pell Grant Program, P063P162319; CFDA 84.268, Federal Direct Student Loans, P268K172319; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172319

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, 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 80, number 123).

Questioned Cost: Unknown U.S. Department of Education
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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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

For 7 (11 percent) of 61 students tested, Prairie View A&M 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 seven students, the University did not accurately verify one or more of the following items: (1) income information for tax filers, including adjusted gross income, U.S. income taxes paid, and education credits; (2) number of household members; (3) Supplemental Nutrition Assistance Program (SNAP) benefits reported; and (4) other untaxed income. Those errors occurred because of manual errors the University made in the verification process. The University also did not have an adequate monitoring process during the award year to ensure that it performed verifications accurately. The University did not make corrections to those students' ISIRs; as a result, auditors could not determine whether there was an effect on the students' EFCs or financial assistance awards.

In addition, for 2 (3 percent) of 61 students tested, the University could not provide evidence that it had accurately verified all required items on the FAFSA. The University's process was to scan all verification documents that students submitted into its imaging system and then shred the original documents. For those two students, the University had not scanned all pages of the supporting documentation into its imaging system and did not retain the original documents; therefore, auditors were unable to confirm whether the University accurately verified all required items. As a result, auditors could not determine whether there was an effect on the students' EFCs or financial assistance awards.

Not verifying FAFSA information appropriately and accurately 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.
- Retain supporting documentation for the verifications it performs.
- Establish and implement an effective monitoring process for verification.

Views of Responsible Officials:

The University agrees with the findings and recommendations as it pertains to verification. The University will develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

The University has developed the following actions:

- *Financial Aid management has made the necessary corrections and returned funds that were a result of discrepancies found during the auditor's tests of verification for the 2016 -2017 aid year.*
- *For the 2017 -2018 aid year, Financial Aid management will conduct a complete desk audit for all students selected for verification. The Associate Director(s) and designated staff will be assigned to validate the accuracy of the verification process as per federal regulations. The desk audits for the 2017-2018 aid year will be completed by May 2018.*
- *Financial Aid management has hired designated staff whose primary duties will be processing verification.*

- *As a part of the verification monitoring process, Financial Aid management will complete verification checks and make the necessary corrections if needed to ensure the accuracy of verification of items before packaging/awarding a student.*
- *Verification checks will be documented and signed off on by the reviewer(s). This documentation will be retained with the students' verification packet.*

Implementation Date: August 2018

Responsible Person: Ralph Perri

Reference No. 2017-104

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164098; CFDA 84.063, Federal Pell Grant Program, P063P162319; CFDA 84.268 Federal Direct Student Loans, P268K172319; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172319

Statistically valid sample – No and not intended to be a statistically valid sample

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)). A student is considered to have withdrawn from a payment period or period of enrollment if the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete (Title 34, CFR, Section 668.22(a)(2)). 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: \$3,303 U.S. Department of Education
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An otherwise eligible student becomes ineligible to receive Title IV program funds on the date that the student is no longer enrolled at the institution as at least a half-time student for the period of enrollment for which the loan was intended. A student who becomes ineligible qualifies for a late disbursement (and the parent qualifies for a parent Direct PLUS Loan disbursement) if, before the date the student became ineligible, (1) the Secretary of the U.S. Department of Education processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution for the student for the relevant award year and (2) for a loan made under the Direct Loan program, the institution originated the loan (Title 34, CFR, Section 668.164(j)).

Identifying Withdrawn Students

Prairie View A&M University (University) did not have a process to identify students who withdrew without providing official notification to the University for the purpose of determining when a return of Title IV funds must be paid. As a result, auditors were unable to determine how many students may have unofficially withdrawn from a term in the 2016-2017 federal award year and whether the University would have been required to return Title IV funds for any of those students.

In addition, the University did not always identify students who officially withdrew. As a result, for 2 (5 percent) of 43 students tested, the University did not perform return of Title IV funds calculations as required. Those two students provided official withdrawal information to the University; however, that information was not fully documented in the University's student financial assistance system. As a result, the University did not perform return calculations for those students. After auditors brought those errors to the University's attention, it performed the calculations and returned funds as required; therefore, there were no questioned costs.

Auditors also identified one student to whom the University disbursed Title IV funds after that student had withdrawn from the term and was no longer eligible to receive those funds. That error occurred because the University did not document the student's withdrawal in its student financial assistance system, as described above, which resulted in \$1,436 in questioned costs associated with CFDA 84.268, Federal Direct Student Loans, award number P268K172319.

Determining the Payment Period

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 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 that the institution determined that the student withdrew (Title 34, CFR, Section 668.22(e)).

The University incorrectly determined the total number of days in the payment period for the Spring 2017 term. Specifically, the University incorrectly used 6 days (instead of 8 days) for its Spring break period when it determined the total number of calendar days in the payment period. As a result, for 4 (21 percent) of 19 students tested for whom the University returned Title IV funds, the University did not correctly calculate the amount of Title IV funds earned or the amount of funds to be returned. Specifically:

- For one student, the University returned \$68 less to the U.S. Department of Education than it was required to return. That resulted in a questioned cost of \$68 for CFDA 84.268, Federal Direct Student Loans, award number P268K172319.
- For three students, the University returned to the U.S. Department of Education more funds than it was required to return; therefore, there were no questioned costs associated with those three students.

Auditors identified one additional student who should have had a return of Title IV funds based on the student's withdrawal date. However, because the University used the incorrect number of days in the payment period in its return calculation, it incorrectly determined that the student completed 60 percent of the payment period; therefore, the University did not return Title IV funds as required. Auditors determined that the University was required to return \$1,799 associated with CFDA 84.268, Federal Direct Student Loans, award number P268K172319, which is considered questioned costs.

The University's use of an incorrect number of total days in the payment period affected all students who withdrew from the Spring 2017 term; as a result, the University performed all return calculations for that term incorrectly. Auditors were unable to determine the total amount of questioned costs associated with that error.

Returning Funds in the Required Order

Unearned funds returned by the institution or the student must be credited to outstanding balances on Title IV loans made to the student or on behalf of the student for the payment period or period of enrollment for which a return of funds is required. Those funds must be credited to outstanding balances for the payment period or period of enrollment for which a return of funds is required in the following order: (1) Unsubsidized Federal Stafford loans; (2) Subsidized Federal Stafford loans; (3) Unsubsidized Federal Direct Stafford loans; (4) Subsidized Federal Direct Stafford loans; (5) Federal Perkins loans; (6) Federal PLUS loans received on behalf of the student; and (7) Federal Direct PLUS received on behalf of the student. If unearned funds remain to be returned after repayment of all outstanding loan amounts, the remaining excess must be credited to any amount awarded for the payment period or period of enrollment for which a return of funds is required in the following order: (1) Federal Pell Grants; (2) Academic Competitiveness Grants; (3) National SMART Grants; (4) FSEOG Program aid; and (5) TEACH Grants (Title 34, CFR, Section 668.22(i)).

For 1 (5 percent) of 19 students tested for whom the University performed a return calculation, the University did not return the Title IV funds in the required order. Specifically, the University returned the student's entire subsidized loan amount first, then it returned the remaining funds from the unsubsidized loan amount. The University made a manual error when returning the funds, and it should have returned the student's unsubsidized loan amounts prior to returning subsidized loan funds.

Recommendations:

The University should:

- Develop, document, and implement a process to identify students who unofficially withdraw from the University and determine whether a return of Title IV funds calculation is required.
- Consistently determine and document the date a student withdraws from the University to ensure that it performs a return of Title IV funds calculation.
- Disburse Title IV aid only to students who are eligible to receive the aid.
- Accurately determine the number of days in scheduled breaks and calculate returns of Title IV funds correctly based on the payment period or period of enrollment.
- Return Title IV funds in the order required by the U.S. Department of Education.

Views of Responsible Officials:

The University agrees with the findings and recommendations as it pertains to the return of Title IV funds. The University will develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

The University has developed the following actions:

- *Financial Aid management has implemented and documented a process to identify unofficial withdrawals (those that have exited the University without official notification). An "All F" report will be ran utilizing the Student Information System (Banner) job that will identify all federal and non-federal aid recipients that have received end of term grades of "F" for all classes. The "All F" report will be reviewed and eligibility will be determined based on the prescribed process. The Banner unofficial withdrawal process will be conducted at the end of every term to identify students who have received "All F's" with a "last date of attendance" that has occurred before the semester has ended. Based on the timely response of the students, the Office of Financial Aid will calculate and process the appropriate amounts of the return of Title IV funds.*
- *The Financial Aid Quality Control and Compliance Officer will work with the Registrar's Office to ensure that all withdrawals are properly documented in the Banner system (SFAWDRL) to ensure that*

federal aid for a student who has withdrawn is accurately calculated, adjusted, and returned to the Title IV programs appropriately.

- *The Financial Aid Quality Control and Compliance Officer will complete the return of Title IV funds calculations and adjustments once a week to capture withdrawals that have occurred for the week.*
- *The Financial Aid Associate Director will complete a full check of all return of Title IV funds calculations and adjustments for accuracy.*
- *Financial Aid management has corrected the payment period days that are reflected in the return of Title IV funds calculations for all terms. The Banner student system has been updated to reflect the number of spring break days to 8 days to accurately calculate the number of days of enrollment for the spring term.*
- *Financial Aid management will continue to train designated staff that complete return of Title IV funds procedures to ensure that there is continuous knowledge of the procedures, including the correct order of returning funds as required by the U.S. Department of Education.*

Implementation Date: August 2018

Responsible Person: Ralph Perri

Reference No. 2017-105

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P162319; and CFDA 84.268, Federal Direct Student Loans, P268K172319

Statistically valid sample – No and not intended to be a statistically valid sample

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

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 *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).

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 (*NSLDS Enrollment Reporting Guide*, Appendix C).

The effective date for a completion/graduation status (“G”) is the date that the institution assigns to the completion/graduation. To protect a student’s interest subsidy, institutions may report a student as withdrawn (enrollment status of “W”) while the student’s academic record is being reviewed to determine whether all graduation requirements have been met (*NSLDS Enrollment Reporting Guide*, Appendix C and chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)).

Prairie View A&M 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).

The University did not report a withdrawn status for students who unofficially withdrew from all courses for a term to NSLDS. The University did not have a process to identify students who withdrew without providing official notification. As a result, auditors were unable to determine how many students may have unofficially withdrawn from a term in the 2016-2017 federal award year.

For 19 (31 percent) of 61 students tested who had enrollment status changes, the University did not report those status changes or the effective dates of those changes to NSLDS accurately. Specifically:

- The University did not report 17 students’ enrollment level reductions to NSLDS. Those errors occurred because the University did not correctly configure its student financial assistance system, Banner, to identify when students dropped courses.
- The University did not report the correct effective date for two students’ status changes when those students completed a term and did not return for the subsequent term. The University reported the first day of the term that the students did not attend as the effective date, instead of the final day of the term in which the students were last enrolled.

The University also did not always report status changes in a timely manner. The University did not submit its first-of-term transmissions to NSC until after the 20th class day. To provide reporting to NSLDS in a timely manner, NSC instructs institutions to send first-of-term transmissions immediately after the end of the registration “add” period. As a result, for 2 (3 percent) of 61 students tested, the University did not report the students’ withdrawn status in a timely manner. The University also reported an incorrect effective date for those withdrawn statuses, as described above.

In addition, for 13 (21 percent) of 61 students tested, the University did not report the students’ graduated status in a timely manner. The University did not report the graduated status because it asserted that it was in the process of conferring degrees, which took six to eight weeks after commencement. In addition, the University did not report those students as withdrawn while it conferred degrees due to the first-of-term transmission issue discussed above.

The errors discussed above occurred because the University did not have adequate controls or monitoring processes to ensure that it reported student status changes accurately to NSLDS in a timely manner. In addition, the University did not review and correct errors or discrepancies NSC identified unless they were considered critical and would prevent a submission.

Not reporting student status changes accurately and in a timely manner 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:

- Establish and implement a process to identify and report unofficially withdrawn students to NSLDS.
- Report accurate student status changes and effective dates to NSLDS in a timely manner.
- Establish and implement a monitoring process to ensure that it reports accurate student status changes to NSLDS in a timely manner.

Views of Responsible Officials:

The University agrees with the findings and recommendations as it pertains to enrollment reporting. The University will develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

The University has developed the following actions:

- *Financial Aid management has implemented and documented a process to identify unofficial withdrawals (those that have exited the University without official notification) and report them to the National Student Loan Data System (NSLDS). An “All F” report will be ran utilizing the Student Information System (Banner) job that will identify all federal and non-federal aid recipients that have received end of term grades of “F” for all classes. The “All F” report will be reviewed and eligibility will be determined based on the prescribed process. The Banner unofficial withdrawal process will be conducted at the end of every term to identify students who have received “All F’s” with a “last date of attendance” that has occurred before the semester has ended.*
- *The Registrar’s Office has updated the appropriate Banner validation form (STVRSTS) and has outlined procedures that will reflect the appropriate time status changes to ensure that all updated time status changes are accurately reported to the Clearinghouse and NSLDS. In addition, this process will be documented and updated when necessary.*
- *Financial Aid management and Registrar’s Office management have developed a monitoring process that includes reviewing the reject reports monthly.*

Implementation Date: March 2018

Responsible Person: Ralph Perri

Reference No. 2017-106

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

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award number – CFDA 84.268, Federal Direct Student Loans, P268K172319

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System (*Federal Register*, volume 81, number 64). Each month, the COD System provides institutions with a School Account Statement (SAS) data file, which consists of a cash summary, cash detail, and loan detail records. The institution is required to reconcile those files to its financial records on a monthly basis (Title 34, Code of Federal Regulations, Section 685.300(b)(5), and U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 4, chapter 6).

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

Prairie View A&M University (University) did not reconcile the required information in its monthly SAS reconciliations. The University performed reconciliations of student loan detail records; however, it did not perform reconciliations of the cash summary or cash detail portions as required. The University had detailed procedures for performing SAS reconciliations; however, those procedures did not include steps for reviewing the cash summary or cash detail portions of the SAS reconciliations.

Although auditors did not identify instances of non-compliance in the reporting of student level detail to the COD System for Federal Direct Student Loans, not preparing reconciliations in accordance with federal requirements increases the risk that inaccurate or incomplete Direct Loan disbursement data could be reported to the DLSS.

Recommendation:

The University should perform required monthly reconciliations between its financial records and DLSS, including the cash summary and cash detail portions.

Views of Responsible Officials:

The University agrees with your finding and recommendation as it pertains to Borrower Data Transmission and Reconciliation (Direct Loans). The University will develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

The University has developed the following actions:

- *Financial Aid management and Business Office management have met and developed a communication plan that will allow both areas to address reconciliation issues in a timely manner. Working together, office representatives will determine how the monthly reconciliation responsibilities will be divided among each office. Representatives from each office will meet bi-weekly to ensure that all of the required reconciliations are being completed, documented, and reviewed and that the process is streamlined and efficient.*
- *Financial Aid management has evaluated the current student account summary (SAS) reports and reconciliation process and have identified the issues related to how Banner produces the output of the SAS reports that are utilized for the direct loan quality control process. Financial Aid management and Business Office management will review this process and make the necessary adjustments to the Banner process.*

- *Financial Aid management and Business Office management will ensure that the appropriate accesses are granted to staff so that they can accurately perform the direct loan reconciliation process (i.e. Banner, Common Originations and Disbursements, etc.).*

Implementation Date: March 2018

Responsible Persons: Ralph Perri and Rod Mireles

Sam Houston State University

Reference No. 2017-107

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162301; and CFDA 84.268, Federal Direct Student Loans, P268K172301

Statistically valid sample – No and not intended to be a statistically valid sample

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b), 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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Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1). 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 (*NSLDS Enrollment Reporting Guide*, Appendix C).

Sam Houston State 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. 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 the status change or effective date to NSLDS accurately. Specifically:

- The University did not report one student’s graduated status and the effective date of that status to NSLDS. The University asserted that it reported the graduated status to NSC; however, that status was not reported to NSLDS. The University did not detect that error because it did not have an adequate monitoring process to ensure that student status changes were accurately reported to NSLDS.
- The University incorrectly reported the effective date of one student’s withdrawn status as the first day of the Spring 2017 term; that occurred because of a coding error in the University’s student financial assistance system, Banner. That student completed the Fall 2016 term but did not return for the Spring 2017 term; therefore, the effective date of the withdrawn status should have been the last day of the Fall 2016 term.

In addition, the University did not report one student's withdrawn status in a timely manner because of a coding error in Banner. That student's withdrawal was reported 76 days after the University became aware of it.

Not reporting student status changes accurately and in a timely manner 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 status changes and effective dates to NSLDS in a timely manner.
- 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:

Sam Houston State acknowledges and agrees with the findings. Through thorough analysis of the audit findings Sam Houston State is developing and implementing corrective actions to ensure timely and accurate reporting through NCS to the NSLDS.

Corrective Action Plan:

The Registrar's Office will develop a policy and procedures manual for internal processes, which will include detailed steps of the student withdraw process. All necessary staff will be trained on the proper procedures (including appropriate dates to be used). In addition, an internal audit process will be developed to review data changes in an effort to ensure accuracy.

The Registrar's Office is exploring the possibilities of submitting enrollment files to the National Clearing House (NSC) every two weeks throughout the semester beginning after census date to ensure accurate and timely reporting to NSLDS. A process will be developed to ensure reporting is completed by the required dates.

Implementation Date: February 2018

Responsible Person: Teresa Ringo

Stephen F. Austin State University

Reference No. 2017-108

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164129; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162315; CFDA 84.268, Federal Direct Student Loans, P268K172315; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172315

Statistically valid sample – No and not intended to be a statistically valid sample

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)). A student is considered to have withdrawn from a payment period or period of enrollment if the student does not

Questioned Cost: \$ 0

U.S. Department of Education

complete all the days in the payment period or period of enrollment that the student was scheduled to complete (Title 34, CFR, Section 668.22(a)(2)). 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)).

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 that the institution determined 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 as described 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)).

Stephen F. Austin State University (University) incorrectly determined the total number of days in the payment period for the Fall 2016 and Spring 2017 terms. As a result, for 12 (29 percent) of 42 students tested for whom the University returned Title IV funds, the University did not correctly calculate the amount of Title IV funds earned or the amount of funds to be returned. Specifically:

- For six students, the University incorrectly determined the number of days in the payment period for the Fall 2016 term because it used 0 days (instead of 5 days) for its Thanksgiving break. As a result, it returned more funds to the U.S. Department of Education than was required; therefore, there were no questioned costs. After auditors brought that issue to the University's attention, it re-performed the return calculations for all six students tested. The University asserted that it identified and corrected a total of 23 returns that were affected by the error in Thanksgiving break days for the Fall 2016 term.

- For six students, the University incorrectly determined the number of days in the payment period for the Spring 2017 term because it used 0 days (instead of 9 days) for Spring break. The University identified that error in April 2017 and asserted that it identified, recalculated, and corrected a total of 63 returns for Spring 2017 that were affected by the error in Spring break days. Auditors reviewed those recalculations for the six students tested, and identified the following errors related to two of those students:
 - For one student, the University incorrectly disbursed \$4 in Direct Loan funds that the student was not eligible to receive. After auditors brought that error to the University's attention, the University returned those funds to the U.S. Department of Education; therefore, there were no questioned costs.
 - For one student, the University incorrectly returned \$1,706 in Pell Grant funds when it should have returned \$1,706 in Direct Loan funds. In addition, the University incorrectly returned \$139 in Pell Grant funds that would have been protected under grant protection requirements. After auditors brought those errors to its attention, the University corrected the student's financial assistance awards; therefore, there were no questioned costs.

In addition, for 3 (9 percent) of 32 students tested for whom the University did not return Title IV funds, the University should have returned Title IV funds. Specifically:

- The University correctly identified two students as withdrawn, but did not perform a return calculation or return required Title IV funds because it did not determine those students' last dates of attendance. After auditors brought those errors to the University's attention, it returned the required funds to the U.S. Department of Education; therefore, there were no questioned costs.
- For one student, the University did not perform a return calculation because it did not consider the student's enrollment in all modules within the payment period. After auditors brought that error to the University's attention, it returned the required funds to the U.S. Department of Education; therefore, there were no questioned costs.

Further, for two students tested, the University incorrectly returned all financial assistance received rather than performing a return of Title IV funds calculation. Those students began attendance, but they withdrew prior to the census date. The University cancelled all financial assistance, rather than performing a return calculation to determine the amount of financial assistance those students had earned. Because the amount the University returned was more than required, there were no questioned costs.

The University had a process to review a sample of the return calculations it performed during the award year; however, that review did not detect the errors discussed above.

Recommendations:

The University should:

- Accurately determine the number of days in scheduled breaks and calculate returns of Title IV funds correctly based on the payment period or period of enrollment.
- Accurately determine the amount of Title IV funds earned and to be returned for all students who withdraw.
- Strengthen its process to review return calculations.

Views of Responsible Officials:

Stephen F. Austin State University management acknowledges and agrees with the audit findings. The University will implement the appropriate corrective action.

Corrective Action Plan:

The University will strengthen controls for Return of Title IV Funds including:

- *Strengthen procedures to accurately determine the number of days in scheduled breaks and calculate returns accordingly.*
- *Strengthen procedures to determine the amount of Title IV funds earned and the amount of return for students who withdraw.*
- *Strengthen the review process for return calculations.*

In addition, the University has retrained staff.

Implementation Date: January 31, 2018

Responsible Person: H. Rachele' Garrett

Texas A&M University

Reference No. 2017-109

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164136; CFDA 84.033, Federal Work-Study Program, P033A164136; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P165286; CFDA 84.268, Federal Direct Student Loans, P268K175286; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T175286

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, 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 80, number 123).

<p>Questioned Cost: Unknown</p> <p>U.S. Department of Education</p>

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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

Household size for a dependent student includes (1) the student; (2) the student’s parents; (3) the student’s siblings and children, if they will receive more than half their support from the student’s parent(s) for the entire award year; and (4) other persons who live with and receive more than half their support from the student’s parent(s) and will receive more than half support for the entire award year. The number in college always includes (1) the student and (2) those in the household who are or will be enrolled at least half time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook, Application and Verification Guide*, chapter 2). Acceptable documentation for verifying household size and the number of household members who are in college includes a statement signed by the applicant, and if the applicant is a dependent student, by one of the applicant’s parents, that lists the name and age of each household member, the relationship of that household member to the applicant, and the name of the educational institution for each household member who is or will be attending at least half-time in a program that leads to a degree or certificate (Title 34, CFR, Sections 668.57(b) and (c), and *Federal Register*, volume 80, number 123).

For 5 (8 percent) of 60 students tested, Texas A&M University (University) did not accurately verify certain required items on the FAFSA or made unsupported changes to FAFSA items. Specifically:

- For four students, the University inappropriately reduced the number of household members in college. Each of those students certified the number of household members and the number in college; however, the University removed siblings from the number in college without requesting information from the students to show that the household members it removed did not receive at least half of their support from the family. The University’s policy was to remove from the number in college siblings who were in college and age 24 and older, and their practice also included removing siblings enrolled as a graduate student. After auditors brought those errors to the University’s attention, it did not make corrections to

those students' ISIRs; therefore, auditors were unable to determine whether there were any questioned costs.

- For one student, the University did not accurately verify an education credit in the amount of \$1,472. That error occurred because of a manual error the University made during the verification process. The University corrected the student's ISIR, which reduced the student's EFC; however, the change in EFC did not affect that student's financial assistance awards.

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

Recommendation:

The University should accurately verify required FAFSA information for applicants selected for verification and make changes based only on the supporting documentation that students provide.

Views of Responsible Officials:

Texas A&M University acknowledges the findings in Verification. We will continue to work on improvements to mitigate and eliminate audit findings.

Corrective Action Plan:

Concerning the four students, the university reduced the number of household members in college. The university had interpreted their ability under the Department of Education (ED's) Quality Assurance Program to set their own verification criteria. In doing so, the university reduced the number of household members in college based on information presented on a students' verification form; for academic year 2017-2018, the university began following the ED's verification guidelines, as the Quality Assurance Program was ending. Following ED's verification guidelines rectified the issue noted above.

Continue following ED's verification guidelines.

Concerning the issue of one student that university did not accurately verify an education credit for \$1472.00, this was a manual error.

We have worked with our verification team to retrain and continue to complete quality checks on a sample of verification files on a regular basis to mitigate findings.

Implementation Date: Following ED's verification guidelines – November 2016

Responsible Person: Delisa Falks

Reference No. 2017-110

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164136; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P165286; CFDA 84.268, Federal Direct Student Loans, P268K175286; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T175286; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A165286

Statistically valid sample – No and not intended to be a statistically valid sample

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 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 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. For purposes of this calculation, “institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are always the charges that were assessed to the student for the entire payment period or period of enrollment, as applicable, prior to the student’s withdrawal. Initial charges may only be adjusted by those changes the institution made prior to the student’s withdrawal (for example, dropping or adding a class or changing enrollment status) (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 5, chapter 1).

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 A&M University (University) made errors in Title IV return calculations for 4 (7 percent) of 60 students tested. Specifically:

- For three students, the University incorrectly included institutional charges after the students withdrew or omitted institutional charges from the calculation. Two of those errors resulted in the University returning \$13 less than it should have returned. After auditors brought those errors to the University’s attention, it returned those funds to the U.S. Department of Education; therefore, there were no questioned costs. One of those errors resulted in the University returning more than it should have returned; therefore, there were no questioned costs for that student.

- For one student, the University incorrectly calculated the total number of class days in the semester, which resulted in the University returning \$39 less than it should have. After auditors brought that error to the University's attention, it returned those funds to the U.S. Department of Education; therefore, there were no questioned costs.

The University did not have an effective monitoring process to identify the errors discussed above. Having a process that does not consistently calculate and return the correct amount of Title IV funds increases the risk that the University could return less Title IV funds than it is required to return.

Recommendations:

The University should:

- Calculate institutional charges correctly and consistently in accordance to U.S. Department of Education requirements.
- Use the correct number of class days in its return of Title IV calculations.
- Strengthen its monitoring process to help ensure that it accurately calculates returns.

Views of Responsible Officials:

Texas A&M University acknowledges the findings in Return of Title IV. We will continue to work on improvements to mitigate and eliminate audit findings.

Corrective Action Plan:

Concerning the three students, the university included institutional charges for after the students' withdrew or omitted institutional charges from the calculation. For one of these students who was an unofficial withdraw, the student had dining charges added after the last date of attendance-the charges should have not be included in the calculation. For two of these students the university did not include certain fees as institutional charges, which resulted in those fees being excluded in the Return of Title IV calculation.

Additional training has been provided to staff to ensure they do not include charges that are added after the last date of attendance in their Return of Title IV calculations. The University is also reviewing all charges to ensure those that should be included in the calculation are coded correctly.

Implementation Date: September 2017/review of codes February 2018

Responsible Person: Delisa Falks

Concerning the one student, the university incorrectly calculated the total number of class days in the semester, which resulted in the university returning \$39 less than it should have. After auditors brought that error to the University's attention, it returned those funds to the U.S. Department of Education; therefore, there were no questioned cost.

Additional training has been provided to the individuals who process Return of Title IV, and additional information to be reviewed has been included in the quality check process to mitigate errors.

Implementation Date: September 2017

Responsible Person: Delisa Falks

Reference No. 2017-111

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2015-106 and 2016-108)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P165286; and CFDA 84.268, Federal Direct Student Loans, P268K175286

Statistically valid sample – No and not intended to be a statistically valid sample

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

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

Institutions must report students on whose behalf a loan was certified or awarded who were admitted, may have enrolled, but never attended classes at the institution as never attended to NSLDS. Institutions must report the effective date of a student’s full-time enrollment status as the date on which the student most recently began uninterrupted enrollment on a full-time basis (*NSLDS Enrollment Reporting Guide*, Appendix C).

Texas A&M 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 62 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- For one student who enrolled but never attended the Fall 2016 term, the University correctly reported the student’s never attended status to NSLDS. However, NSC changed that student’s status to withdrawn in a subsequent report submission. The University had a monitoring process for the information it reported to NSC; however, the University did not have a process to ensure that NSC reported accurate information to NSLDS.
- For one student, the University incorrectly reported the effective date for the student’s enrollment status in the Spring 2017 term due to a manual error it made in reporting the term start date.

Not reporting student status changes accurately could affect determination 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 and effective dates to NSLDS.
- Strengthen its monitoring process to ensure that status changes are accurately reported to NSLDS.

Views of Responsible Officials:

Texas A&M University acknowledges the findings in Enrollment Reporting. We will continue to work on improvements to mitigate and eliminate audit findings.

Corrective Action Plan:

Concerning the one student enrolled but never attended the fall 2016 term, in which we correctly reported the student never attended to NSLDS, however NSC changed the student's status to withdrawn in a subsequent report submission.

Students with a "Never Attended" status will have their NSLDS enrollment history records updated with this status on two consecutive days. Reporting these students twice to NSLDS as "Never Attended" will result in their being dropped from the SSCR and their enrollment status will no longer be requested from the NSC. This will prevent any overwrite of a manually entered status by one reported by the NSC.

As an added measure, students with these status updates directly to NSLDS will be monitored for accuracy throughout the semester.

Implementation Date: October 2017

Responsible Person: Venesa Heidick

For the one student the University incorrectly reported the effective date for the student's enrollment status in the Spring 2017 term due to a manual error it made in reporting the term start date.

Term start and end dates will be verified within the student information system and cross-checked with Scholarships & Financial aid prior to the start of each term to ensure all dates are correct and consistent when enrollment reporting begins for that term.

Implementation Date: May 2017

Responsible Person: Venesa Heidick

Texas A&M University – San Antonio

Reference No. 2017-112

Eligibility

Activities Allowed or Unallowed

Cash Management

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P168324; and CFDA 84.268, Federal Direct Student Loans, P268K178324

Statistically valid sample – No and not intended to be a statistically valid sample

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).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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Texas A&M University – San Antonio (University) established different COA budgets for each term based on a student’s classification (for example undergraduate and graduate); residency (in-state and out-of-state); living status (on-campus, off-campus, and living with parents); and enrollment level (full-time, three-quarter-time, half-time, and less-than-half-time). The University used a student’s enrollment level as of the census date to calculate a student’s final COA.

For 8 (13 percent) of 61 students tested, the University incorrectly or inconsistently calculated COA. Specifically:

- For five students, the University did not calculate COA based on their actual enrollment as of the census date.
- For two students, the University calculated the COA using incorrect amounts for the budget components because it incorrectly set up the Summer 2017 budget tables in its student financial assistance system, Banner. The University identified that issue and corrected the budget tables in Banner in May 2017; however, the University did not recalculate the COA for those two students. That occurred because the University manually updated and locked the COAs for those two students in Banner before it corrected the budget tables.
- For one student, the University manually input an incorrect COA budget into Banner because, at that time, it did not have less-than-half-time COA amounts established in Banner.

The errors discussed above did not result in overawards of financial assistance; therefore, there were no questioned costs. However, by incorrectly calculating COA, the University increases the risk of overawarding or underawarding financial assistance to students.

Other Compliance Requirements

Although the general controls weaknesses described below apply to activities allowed or unallowed, cash management, and special tests and provisions – institutional eligibility, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, Code of Federal Regulations, Section 200.303).

The University did not appropriately restrict access at the server and database levels for its student financial assistance system, Banner. The University granted high-profile access to its database and servers to an excessive number of contractor employees.

The University hired a contractor to host and maintain Banner. According to the University, the contractor provided all of those users high-profile access as part of its business model to support all of its customers (including the University).

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

Recommendations:

The University should:

- Consistently follow its process to correctly calculate students' COAs.
- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited.

Views of Responsible Officials:

Cost of Attendance

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

General Controls

The University acknowledges the findings. The University recognizes the importance of strong system access controls, whether the system is hosted on-site or by third parties such as Ellucian. Accordingly, the University will work to develop and implement improved access controls to Banner servers and databases, limiting access to the fewest number of people practicable.

Corrective Action Plan:

Cost of Attendance

As of May 2017, the University appointed a new Director of Scholarships and Financial. With new leadership, the inaccuracy and inconsistency with calculating Cost of Attendance were identified and immediately corrected. Additionally, new budget tables were established and new practices, as well as strategies, were developed and implemented to streamline budgeting for proper awarding. The following corrective actions will also be implemented to address all findings related to Cost of Attendance: (1) To further improve consistency, the Office of Scholarships and Financial Aid will develop monitoring reports to be run after census date to conduct Quality Control and identify any students whose budget information is

not consistent with census enrollment statuses, and (2) The management team in the Office of Scholarships and Financial Aid will also conduct Quality Control on COA budgets that were manually adjusted to ensure accuracy and consistency with the department's established budget tables.

Implementation Date: February 2018

Responsible Person: Angelika Williams

General Controls

The University will continue to work with the A&M System Chief Information Officer and Chief Information Security Officer to improve existing security controls in order to appropriately limit the number of employees and contractors with server and database access in Banner. While the University currently monitors the contractor to help ensure that access to the information systems is appropriately limited to users based on their job responsibilities, additional steps will be taken to determine the appropriate number of contractor employees with access to Banner servers and databases.

Implementation Date: June 2018

Responsible Person: Sarah LeNoir

Reference No. 2017-113

Reporting

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award number – CFDA 84.063, Federal Pell Grant Program, P063P168324

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Federal Pell Grant Reporting

Institutions must report all Federal Pell Grant disbursements and submit required records to the Common Origination and Disbursement (COD) system no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement. Institutions must also report any change in the amount of a grant for which a student qualifies, including payment data changes that disclose the basis and result of the change in award for each student. Reporting this information will help ensure that institutions have the most accurate information available about students' lifetime eligibility used and help prevent an institution from overawarding students (Title 34, Code of Federal Regulations (CFR), Section 690.83(b); U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 3, chapter 1; and *Federal Register*, volume 81, number 64).

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

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

Texas A&M University – San Antonio (University) did not have adequate controls over its reporting of Federal Pell Grant information to the COD system. The University had a process to reconcile Federal Pell Grant disbursement information on a monthly basis; however, it did not review and resolve discrepancies between its financial assistance system, Banner, and the COD system. As a result, the University did not identify that for 1 (2 percent) of 60 students tested, it did not accurately report that student's Federal Pell Grant disbursement amount to the COD system. Auditors confirmed that the student's Federal Pell Grant

disbursement information in Banner was correct; therefore, there were no questioned costs. In addition, the University did not have adequate, detailed policies and procedures for reporting to COD and performing monthly reconciliations.

Not accurately reporting information to the COD system could result in the institution overawarding Federal Pell Grant funds.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access at the server and database levels for its student financial assistance system, Banner. The University granted high-profile access to its database and servers to an excessive number of contractor employees.

The University hired a contractor to host and maintain Banner. According to the University, the contractor provided all of those users high-profile access as part of its business model to support all of its customers (including the University).

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

Recommendations:

The University should:

- Develop and implement controls to reconcile Federal Pell Grants to help ensure that the information it reports to the COD system is accurate.
- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited.

Views of Responsible Officials:

Federal Pell Grant Reporting

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

General Controls

The University acknowledges the findings. The University recognizes the importance of strong system access controls, whether the system is hosted on-site or by third parties such as Ellucian. Accordingly, the University will work to develop and implement improved access controls to Banner servers and databases, limiting access to the fewest number of people practicable.

Corrective Action Plan:

Federal Pell Grant Reporting

As of May 2017, the University appointed a new Director of Scholarships and Financial. With new leadership, concerns with Federal Pell Grant reconciliation were identified and a monitoring report was immediately implemented. Additionally, new practices, as well as strategies, were developed and implemented for correcting the process of Federal Pell Grant Reporting. The following corrective actions will also be implemented to improve Federal Pell Grant Reconciliation: (1) The Office of Scholarships and Financial Aid will continue monitoring Federal Pell Grant disbursements from Banner to COD for ensuring

disbursement records are reported to COD within 15 business days, (2) The Office of Scholarships and Financial Aid will also develop a process and procedures for reviewing the COD Grant Data reports, (3) The management team in the Office of Scholarships and Financial Aid will review and compare the monitoring reports from Banner against the COD Grant Data reports to identify and resolve any discrepancies and (4) The Office of Scholarships and Financial Aid will work collaboratively with other offices, such as Accounting Services and Student Business Services, to reconcile between the financial systems and COD.

Implementation Date: February 2018

Responsible Person: Angelika Williams

General Controls

The University will continue to work with the A&M System Chief Information Officer and Chief Information Security Officer to improve existing security controls in order to appropriately limit the number of employees and contractors with server and database access in Banner. While the University currently monitors the contractor to help ensure that access to the information systems is appropriately limited to users based on their job responsibilities, additional steps will be taken to determine the appropriate number of contractor employees with access to Banner servers and databases.

Implementation Date: June 2018

Responsible Person: Sarah LeNoir

Reference No. 2017-114

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P168324; and CFDA 84.268, Federal Direct Student Loans, P268K178324

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, 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 80, number 123).

Questioned Cost: Unknown
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 subsidized financial aid awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

Household size for a dependent student includes (1) the student; (2) the student's parents; (3) the student's siblings and children, if they will receive more than half their support from the student's parent(s) for the entire award year; and (4) other persons who live with and receive more than half their support from the student's parent(s) and will receive more than half support for the entire award year. Household size for an independent student includes (1) the student; (2) his or her spouse; (3) the student's children if they will receive more than half their support from the student for the entire award year; and (4) other persons who live with and receive more than half their support from the student and will receive more than half support for the entire award year. Number in college always includes (1) the student and (2) those in the household size who are or will be enrolled at least half time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook, Application and Verification Guide*, chapter 2). Acceptable documentation for verifying household size and the number of household members who are in college includes a statement signed by the applicant, and if the applicant is a dependent student, by one of the applicant's parents, that lists the name and age of each household member, the relationship of that household member to the applicant, and the name of the educational institution for each household member who is or will be attending at least half-time in a program that leads to a degree or certificate (Title 34, CFR, Sections 668.57(b) and (c), and *Federal Register*, volume 80, number 123).

For 6 (10 percent) of 61 students tested, Texas A&M University – San Antonio (University) did not accurately verify certain required items on the students' FAFSAs, or it made unsupported changes to FAFSA items. Specifically:

- The University incorrectly reduced the household size and/or the number of household members in college for four students. Those students certified their household size and the number of household members in college on their verification forms, but the University removed household member(s) from the household size and/or the number of household members in college without obtaining additional support from those students. In addition, for one of those students, the University incorrectly increased that student's AGI, but it did not obtain documentation for that change from the student. When auditors brought those errors to the University's attention, the deadline to submit corrections for the award year had passed. However, the University performed procedures in its student financial assistance system, Banner, to correct the errors. For two students, the University asserted those errors did not result in changes to the students' EFCs or financial assistance awards. For the remaining two students, the University asserted those errors resulted in changes to the students' EFCs and that, as a result, both students were underawarded financial assistance.
- For one student, the University incorrectly verified the parents' income tax paid because it reviewed the incorrect field on the tax return transcript. When auditors brought that error to the University's attention, the deadline to submit corrections for the award year had passed. However, the University performed procedures in Banner to correct the error and asserted that the error resulted in a change to the student's EFC and that, as a result, the student was overawarded \$200 in Pell Grant funds. The University subsequently returned the overawarded amount to the U.S. Department of Education.
- For one student, the University did not obtain supporting documentation from the student for income information and inappropriately waived the request for that information from the student. As a result, auditors were not able to determine whether there were any questioned costs for that student.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access at the server and database levels for its student financial assistance system, Banner. The University granted high-profile access to its database and servers to an excessive number of contractor employees.

The University hired a contractor to host and maintain Banner. According to the University, the contractor provided all of those users high-profile access as part of its business model to support all of its customers (including the University).

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

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and make changes based only on the supporting documentation that students provide.
- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited.

Views of Responsible Officials:

Verification of Applications

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

General Controls

The University acknowledges the findings. The University recognizes the importance of strong system access controls, whether the system is hosted on-site or by third parties such as Ellucian. Accordingly, the University will work to develop and implement improved access controls to Banner servers and databases, limiting access to the fewest number of people practicable.

Corrective Action Plan:

Verification of Applications

Additional training will be provided to Financial Aid staff on verification procedures and required documentation needed from students/parents to ensure all information is required and received in order to accurately complete verification of student files. On a monthly basis, the Associate Director will conduct Quality Control of sample/selected files to ensure accuracy and make certain all required information/documentation has been received.

Implementation Date: February 2018

Responsible Persons: Angelika Williams and Sylvia Alafa

General Controls

The University will continue to work with the A&M System Chief Information Officer and Chief Information Security Officer to improve existing security controls in order to appropriately limit the number of employees and contractors with server and database access in Banner. While the University currently monitors the contractor to help ensure that access to the information systems is appropriately limited to users based on their job responsibilities, additional steps will be taken to determine the appropriate number of contractor employees with access to Banner servers and databases.

Implementation Date: June 2018

Responsible Person: Sarah LeNoir

Reference No. 2017-115

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

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P168324; and CFDA 84.268, Federal Direct Student Loans, P268K178324

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Transfer Monitoring

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

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

For 2 (3 percent) of 61 students tested, Texas A&M University – San Antonio (University) disbursed funds to transfer students before it reviewed the students’ financial aid history. While the University obtained those students’ loan histories from NSLDS, it reviewed that information and updated those students’ records after it disbursed financial assistance to those students. The University did not overaward student financial assistance as a result of that issue. However, not reviewing updated NSLDS information prior to disbursing funds increases the risk that the University could overaward financial assistance to students who had received financial assistance at another institution.

Disbursement Notification Letters

If an institution credits a student’s ledger account with Direct Student Loan funds, the institution must notify the student or parent of (1) the anticipated date and amount of the disbursement, (2) the student’s or parent’s right to cancel all or a portion of that loan and have the loan proceeds returned to the U.S. Department of Education, and (3) the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The institution must provide the notice in writing no earlier than 30 days before, and no later than 30 days after, crediting the student’s ledger account at the institution. (Title 34, CFR, Section 668.165).

The University did not send disbursement notification letters or did not send disbursement notification letters in accordance with required time frames for 34 (83 percent) of 41 students tested who received Direct Student Loans. Specifically, it did not send any disbursement notification letters to 27 students; for the remaining 7 students, the University sent disbursement notification letters 78 days after crediting the students’ ledger accounts. Those errors occurred because the University (1) did not perform its manual process to generate the disbursement notification letters and (2) had weaknesses in its monitoring process that prevented it from detecting that it had not sent disbursement notification letters.

Not receiving disbursement notifications or receiving them late impairs students’ and parents’ ability to cancel their loans.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access at the server and database levels for its student financial assistance system, Banner. The University granted high-profile access to its database and servers to an excessive number of contractor employees.

The University hired a contractor to host and maintain Banner. According to the University, the contractor provided all of those users high-profile access as part of its business model to support all of its customers (including the University).

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

Recommendations:

The University should:

- Review NSLDS financial assistance history prior to disbursing funds.
- Strengthen its controls to help ensure that it sends disbursement notifications within the required time frames.
- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited.

Views of Responsible Officials:

Transfer Monitoring and Disbursement Notification Letters

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

General Controls

The University acknowledges the findings. The University recognizes the importance of strong system access controls, whether the system is hosted on-site or by third parties such as Ellucian. Accordingly, the University will work to develop and implement improved access controls to Banner servers and databases, limiting access to the fewest number of people practicable.

Corrective Action Plan:

Transfer Monitoring

The management team within the Office of Scholarships and Financial Aid will implement procedures for ensuring students' NSLDS history is reviewed prior to disbursements.

Implementation Date: February 2018

Responsible Person: Angelika Williams

Disbursement Notification Letters

The generation of Disbursement Notification Letters has been moved to an automated process. The disbursement notification jobs are scheduled to run daily at 10:30 p.m. As a result, this job is no longer a manual process. Additionally, the new automated process generates email notifications that allow the Office of Scholarships and Financial Aid Management Team and Financial Aid System Analysts to confirm the successful process of the disbursement notification jobs. After the job processes, a student log is also generated and will be evaluated via Quality Control by the Office of Scholarships and Financial Aid Management Team and Financial Aid System Analysts.

Implementation Date: February 2018

Responsible Person: Angelika Williams

General Controls

The University will continue to work with the A&M System Chief Information Officer and Chief Information Security Officer to improve existing security controls in order to appropriately limit the number of employees and contractors with server and database access in Banner. While the University currently monitors the contractor to help ensure that access to the information systems is appropriately limited to users based on their job responsibilities, additional steps will be taken to determine the appropriate number of contractor employees with access to Banner servers and databases.

Implementation Date: June 2018

Responsible Person: Sarah LeNoir

Reference No. 2017-116

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P168324; and CFDA 84.268, Federal Direct Student Loans, P268K178324

Statistically valid sample – No and not intended to be a statistically valid sample

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 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 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 that the institution determined 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 as described 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. For purposes of this calculation, “institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (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 A&M University – San Antonio (University) made errors in its return of Title IV funds calculations for 26 (42 percent) of 62 students tested. Specifically:

- For 24 students, the University incorrectly determined the number of days in the payment period. The University incorrectly used 6 days (instead of 8 days) for its Spring break period when it determined the payment period for the Spring 2017 term. In addition, for two of those students the University also made manual errors in its calculation of institutional charges.
- For 2 students, the University made manual errors in its calculation of institutional charges.

As a result of those errors, the University returned less than it was required to return for 10 students. However, after auditors brought the issues to the University’s attention, it corrected the return calculations and returned the additional funds; therefore, there were no questions costs. For the remaining students, the University returned more than it was required to return or the errors did not affect the amount of funds to be returned.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access at the server and database levels for its student financial assistance system, Banner. The University granted high-profile access to its database and servers to an excessive number of contractor employees.

The University hired a contractor to host and maintain Banner. According to the University, the contractor provided all of those users high-profile access as part of its business model to support all of its customers (including the University).

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

Recommendations:

The University should:

- Accurately determine the number of days in scheduled breaks and calculate returns of Title IV funds correctly based on the payment period excluding scheduled breaks.
- Calculate institutional charges correctly and consistently in accordance with U.S. Department of Education requirements.
- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited.

Views of Responsible Officials:

Return of Title IV Calculations

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

General Controls

The University acknowledges the findings. The University recognizes the importance of strong system access controls, whether the system is hosted on-site or by third parties such as Ellucian. Accordingly, the University will work to develop and implement improved access controls to Banner servers and databases, limiting access to the fewest number of people practicable.

Corrective Action Plan:

Return of Title IV Calculations

Additional training will be provided to Financial Aid staff on federal regulations related to the number of days in the payment period while considering scheduled breaks. Also, Financial Aid staff will receive training on calculating institutional charges. The management team in the Office of Scholarships and Financial Aid will conduct monthly quality control to ensure the accuracy of Return of Title IV calculations.

Implementation Date: February 2018

Responsible Person: Angelika Williams

General Controls

The University will continue to work with the A&M System Chief Information Officer and Chief Information Security Officer to improve existing security controls in order to appropriately limit the number of employees and contractors with server and database access in Banner. While the University currently monitors the contractor to help ensure that access to the information systems is appropriately limited to users based on their job responsibilities, additional steps will be taken to determine the appropriate number of contractor employees with access to Banner servers and databases.

Implementation Date: June 2018

Responsible Person: Sarah LeNoir

Reference No. 2017-117

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P168324; and CFDA 84.268, Federal Direct Student Loans, P268K178324

Statistically valid sample – No and not intended to be a statistically valid sample

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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

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

period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Sections 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

Texas A&M University - San Antonio (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 14 (23 percent) of 62 students tested who had a status change, the University (1) did not report status changes to NSLDS when required, (2) did not accurately report effective dates of status changes to NSLDS, or (3) did not report status changes to NSLDS in a timely manner. Specifically, the University:

- Did not report six students' enrollment status changes.
- Reported incorrect effective dates for four students' enrollment status changes and did not report those status changes in a timely manner.
- Did not report one student's withdrawn status.
- Did not report one student's never attended status.
- Reported an incorrect effective date for one student's withdrawal.
- Did not report one student's status change in a timely manner. Specifically, the University reported that student's enrollment status change 68 days after that change occurred.

Those errors occurred because the University incorrectly configured its student financial assistance system, Banner, or because it made manual errors. Not reporting student status changes or the effective dates of those changes accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access at the server and database levels for its student financial assistance system, Banner. The University granted high-profile access to its database and servers to an excessive number of contractor employees.

The University hired a contractor to host and maintain Banner. According to the University, the contractor provided all of those users high-profile access as part of its business model to support all of its customers (including the University).

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

Recommendations:

The University should:

- Accurately report all student status changes and effective dates to NSLDS in a timely manner.
- Strengthen controls to ensure that it identifies changes in enrollment status.
- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited.

Views of Responsible Officials:

Enrollment Reporting

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

General Controls

The University acknowledges the findings. The University recognizes the importance of strong system access controls, whether the system is hosted on-site or by third parties such as Ellucian. Accordingly, the University will work to develop and implement improved access controls to Banner servers and databases, limiting access to the fewest number of people practicable.

Corrective Action Plan:

Enrollment Reporting

The University has already implemented significant process enhancements in this area. Additional reports will be processed to compare actual statuses and status changes to enrollment reports submitted to the National Student Clearinghouse. Also, the Registrar's Office and Office of Scholarships and Financial Aid will work collaboratively to ensure withdrawal dates are reported in a timely manner.

Implementation Date: January 2018

Responsible Persons: Rachel Montejano and Angelika Williams

General Controls

The University will continue to work with the A&M System Chief Information Officer and Chief Information Security Officer to improve existing security controls in order to appropriately limit the number of employees and contractors with server and database access in Banner. While the University currently monitors the contractor to help ensure that access to the information systems is appropriately limited to users based on their job responsibilities, additional steps will be taken to determine the appropriate number of contractor employees with access to Banner servers and databases.

Implementation Date: June 2018

Responsible Person: Sarah LeNoir

Reference No. 2017-118

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

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award number – CFDA 84.268, Federal Direct Student Loans, P268K178324

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Borrower Data Transmission and Reconciliation

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System (*Federal Register*, volume 81, number 64). Each month, the COD system provides institutions with a School Account Statement (SAS) data file, which consists of a cash summary, cash detail, and loan detail records. The institution is required to reconcile those files to its financial records on a monthly basis (Title 34, Code of Federal Regulations (CFR), Section 685.300(b)(5), and U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 4, chapter 6).

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

Texas A&M University – San Antonio (University) did not accurately or completely reconcile required loan information. The University performed monthly reconciliations of Direct Student Loan information in its student financial assistance information system (Banner), financial accounting system, drawdown information from the U.S. Department of Education’s G5 system, and COD system loan disbursement data. However, when it performed those reconciliations, it did not use data for the same time period from each system or the SAS files provided by the U.S. Department of Education. In addition, the University did not document its identification and resolution of discrepancies between its records and SAS data. The University’s reconciliations also did not include a required review of the cash detail or summary reports.

Although auditors did not identify instances of non-compliance in the reporting of student-level detail to the COD System for Federal Direct Student Loans, not preparing reconciliations in accordance with federal requirements increases the risk that the University could report inaccurate or incomplete Direct Loan disbursement data to the DLSS.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access at the server and database levels for its student financial assistance system, Banner. The University granted high-profile access to its database and servers to an excessive number of contractor employees.

The University hired a contractor to host and maintain Banner. According to the University, the contractor provided all of those users high-profile access as part of its business model to support all of its customers (including the University).

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

Recommendations:

The University should:

- Perform and document complete monthly reconciliations, including reviews of cash detail and cash summary records, between the financial assistance information in Banner and the monthly SAS files it receives.

- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited.

Views of Responsible Officials:

Borrower Data Transmission and Reconciliation

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

General Controls

The University acknowledges the findings. The University recognizes the importance of strong system access controls, whether the system is hosted on-site or by third parties such as Ellucian. Accordingly, the University will work to develop and implement improved access controls to Banner servers and databases, limiting access to the fewest number of people practicable.

Corrective Action Plan:

Borrower Data Transmission and Reconciliation

As of May 2017, the University appointed a new Director of Scholarships and Financial. With new leadership, concerns with Federal Direct Loans reconciliation were identified and a monitoring report was immediately implemented. Additionally, new practices, as well as strategies, were developed and implemented for correcting the process of Federal Direct Loans Reporting. The following corrective actions will also be implemented to improve Federal Direct Loan Reconciliation: (1) The Office of Scholarships and Financial Aid will continue monitoring Federal Direct Loan disbursements from Banner to COD for ensuring disbursement records are reported to COD within 15 business days, (2) The Office of Scholarships and Financial Aid will also develop a process and procedures for reviewing the SAS files by the U.S. Department of Education, (3) The management team in the Office of Scholarships and Financial Aid will review and compare the monitoring reports from Banner against the SAS data to identify and resolve any discrepancies and (4) The Office of Scholarships and Financial Aid will work collaboratively with other offices, such as Accounting Services and Student Business Services, to reconcile between the financial systems and COD.

Implementation Date: February 2018

Responsible Person: Angelika Williams

General Controls

The University will continue to work with the A&M System Chief Information Officer and Chief Information Security Officer to improve existing security controls in order to appropriately limit the number of employees and contractors with server and database access in Banner. While the University currently monitors the contractor to help ensure that access to the information systems is appropriately limited to users based on their job responsibilities, additional steps will be taken to determine the appropriate number of contractor employees with access to Banner servers and databases.

Implementation Date: June 2018

Responsible Person: Sarah LeNoir

Texas Southern University

Reference No. 2017-119

Eligibility

Special Tests and Provisions – Institutional Eligibility

Activities Allowed or Unallowed

Cash Management

Reporting

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

Special Tests and Provisions – Return of Title IV Funds

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

(Prior Audit Issues 2016-109, 2016-111, 2016-112, and 2016-114)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164145; CFDA 84.033, Federal Work-Study Program, P033A164145; CFDA 84.063, Federal Pell Grant Program, P063P162327; CFDA 84.268, Federal Direct Student Loans, P268K172327; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172327

Statistically valid sample – No and not intended to be a statistically valid sample

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

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 (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook, Application and Verification Guide*, chapter 1, and Title 34, Code of Federal Regulations (CFR), Sections 668.2, 673.5, and 685.301).

Texas Southern University (University) established different COA budgets based on a student’s classification (for example undergraduate and graduate); residency (in-state and out-of-state); living status (on-campus, off-campus, and commuter); and enrollment level (full-time, three-quarter-time, half-time, and less-than-half-time). The University’s student financial assistance system, Banner, initially budgeted students for full-time enrollment. At the census date, the University locked a student’s enrollment level for financial aid purposes and used the student’s actual enrollment level to calculate a revised COA, if applicable.

For 16 (26 percent) of 62 students tested, the University incorrectly calculated the COA. Specifically, the University:

- Assigned incorrect loan fee budgets to 11 students’ COAs. As a result, nine of those students’ COAs were understated. The other two students’ COAs were overstated; however, the University did not overaward those students financial assistance; therefore, there were no questioned costs.

- Assigned one student a COA for a term in which the student was not enrolled. As a result, the University overawarded that student a Federal Direct PLUS Loan in the amount of \$6,353. After auditors brought that error to the University's attention, it returned the loan funds to the U.S. Department of Education; therefore, there were no questioned costs.
- Did not assign one student the correct COA for the program in which the student was enrolled. As a result, the student's COA was understated; however, the University did not underaward financial assistance to that student because that student had already received the maximum financial assistance.
- Applied an incorrect room and board budget to the COA for two students for the Summer term. That error occurred because the University incorrectly established the Summer term room and board component for the COA in Banner. As a result, those students' COAs were overstated; however, the University did not overaward those students financial assistance. Therefore, there were no questioned costs.
- Did not assign one student a COA in Banner for the Summer term. As a result, the University awarded Federal Direct PLUS Loans in excess of that student's financial need. Specifically, the University awarded and disbursed a \$22,093 Graduate Direct PLUS Loan that exceeded the student's COA minus other estimated financial assistance. After auditors brought that error to the University's attention, it corrected the award and returned funds to the U.S. Department of Education; therefore, there were no questioned costs.

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 668.34 (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 of hours attempted (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 1, chapter 1). 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)).

For 2 (3 percent) of 62 students tested, the University did not assign a correct SAP status. Specifically:

- One student did not meet the pace at which the student must progress through a program to ensure that the student would graduate within the maximum time frame. The University erroneously assigned that student a SAP status that indicated that student met SAP requirements. That error occurred because the University made a manual error when it updated the SAP status for that student.
- One student exceeded the maximum time frame required to complete that student's program; however, the University did not identify that student as not meeting its SAP policy. That error occurred because the University did not record in Banner and consider that student's transfer hours prior to that student's graduation in December 2016.

Because those students were not meeting the University's SAP policy, they were not eligible to receive the Title IV assistance that the University disbursed to them. After auditors brought those errors to the University's attention, it returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Teacher Education Assistance for College and Higher Education Grants

A student who has submitted a completed application and meets the requirements of Title 34, CFR, Part 668, Subpart C, is eligible to receive a Teacher Education 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

enrolled in a TEACH grant-eligible institution in a TEACH grant-eligible program; and is completing coursework and other requirements as necessary to begin a career in teaching or plans to complete such coursework prior to graduation. If the student is beyond the first year of a program of undergraduate education, the student must have a cumulative grade point average (GPA) of at least 3.25 on a 4.0 scale based on courses taken at the institution through the most-recently completed payment period (Title 34, CFR, Section 686.11(a)).

The University awarded TEACH grant funds to one student who was not eligible to receive those funds. That student had a cumulative GPA that was below the required 3.25 GPA. That error occurred because the University checked the GPA at the time it awarded TEACH grant funds in the Spring of 2016, but it did not confirm that student's eligibility at the time it disbursed those funds and at the completion of the Spring 2016 term. After auditors brought that error to the University's attention, it corrected the award and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, reporting, special tests and provisions – disbursements to or on behalf of students, special tests and provisions – return of Title IV funds, and special tests and provisions – borrower data transmission and reconciliation (direct loan), auditors identified no compliance issues regarding those compliance areas.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Eleven contractor employees had inappropriate high-level administrative access at the network level. After auditors brought those issues to its attention, the University removed the inappropriate access.
- Nine contractors had inappropriate access to screens in Banner that control budget tables, fund rules, disbursement dates, and other programmed rules. After auditors brought those issues to its attention, the University removed the inappropriate access.
- The University's contractor was not able to identify which employees had access to two database administrator-level service accounts.
- Five former contractor employees had inappropriate access to the Web and application servers and the database server; the University did not disable their network access promptly after their termination dates. One current contractor employee also had inappropriate access to the database server. In addition, the University did not disable an unused test account on the Web and application servers.

The University shares responsibility for administration of its network—as well as the server, database, and application levels of Banner—with its contractor.

Those errors occurred because the University and its contractor did not appropriately review users' access based on their job responsibilities and employment status. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Recommendations:

The University should:

- Strengthen controls to ensure that it properly assigns COA components and does not overaward financial assistance to students.

- Consistently and accurately apply its SAP policy to ensure that it assigns students the correct SAP status.
- Disburse TEACH grant funds only to eligible students.
- Appropriately limit access to its student financial assistance information system to users based on their job responsibilities and employment status.
- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited to users based on their job responsibilities and employment status.

Views of Responsible Officials:

Texas Southern University agrees with the finding. The corrective active plan to improve the processes based on the stated recommendations are provided below.

Corrective Action Plan:

Cost of Attendance

Texas Southern University has updated the batch posting process to ensure students in each category are properly identified when posting loan fees. The University is developing a monitoring report to assist in reviewing the accuracy of the budget components for consistency and accuracy based on program, term of enrollment, level and classification.

Implementation Date: April 2018

Responsible Person: Ms. Linda Ballard

Satisfactory Academic Progress

For one student the Financial Aid Counselor manually updated the SAP status from suspension to meeting satisfactory academic progress for the term. Texas Southern University will provide enhanced, specialized training of the Financial Aid staff on Satisfactory Academic Progress.

For one student the academic record for a prior institution was not reported until the following academic year. The SAP status was not retroactively calculated for the prior year and the financial aid left in state. The student was accurately placed on SAP suspension in the active aid year. The University is researching best practices within the industry and consulting with the U.S. Department of Education to develop a policy that will address any future occurrences of this same nature.

Implementation Date: May 2018

Responsible Person: Ms. Linda Ballard

TEACH Grant

The financial aid unit will strengthen disbursement controls to ensure GPA is monitored and validated at the time of disbursement to ensure that eligibility requirements are met when awarding TEACH Grant funds.

Implementation Date: May 2018

Responsible Person: Ms. Linda Ballard

General Controls

The Office of Information Technology will perform a weekly security review with the technology service provider, Ellucian. The Office of Technology will verify on a monthly basis, that all terminated contractor

accounts with system and/or administrative access are removed and that existing accounts have the appropriate access, which will be evident in the job description/responsibilities for such roles/profiles or end users.

Implementation Date: March 2018

Responsible Persons: Mr. Luis Villarreal and Ms. Robin Brown

The Office of Information Technology is currently in the process of conducting a review of all database administrator-level service accounts held by contractors, Ellucian. The Office of Information Technology will work with its contractor to change all accounts that should not have database administrator-level service access. The Office of Information Technology will implement controls to ensure that Ellucian identifies end users with access to all of the remaining database administrator-level service accounts, and that the purpose for such access is identified/documentated in the job description.

Implementation Date: February 2018

Responsible Persons: Mr. Luis Villarreal and Ms. Robin Brown

Reference No. 2017-120

Special Tests and Provisions – Verification

(Prior Audit Issue 2016-110)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164145; CFDA 84.033, Federal Work-Study Program, P033A164145; CFDA 84.063, Federal Pell Grant Program, P063P162327; CFDA 84.268, Federal Direct Student Loans, P268K172327; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172327

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program (SNAP) benefits, 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 80, number 123).

Questioned Cost: Unknown
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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

For 8 (13 percent) of 61 students tested, Texas Southern University (University) did not accurately update its records when it performed verification. For those eight students, the University did not correct those students’ ISIRs for one or more of the following items: adjusted gross income; U.S. income taxes paid;

number of household members; number of household members in college; and SNAP benefits. Those errors occurred because the University did not update its student financial assistance system with the appropriate information after it had reviewed documentation that the students had submitted. The University also did not have an adequate monitoring process to help ensure that it accurately documented verification information in its student financial assistance system.

When auditors brought those errors to the University's attention, the deadline to submit corrections for the award year had passed. As a result, the University did not make corrections to those students' ISIRs and auditors could not determine whether there was an effect on those students' EFCs or financial assistance awards. The University asserted that those errors resulted in changes to three of those students' EFCs and it returned the Federal Pell Grant funds that it overawarded. Auditors confirmed that the University returned Federal Pell Grant funds to the U.S. Department of Education but could not confirm whether the amounts it returned were accurate.

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

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Eleven contractor employees had inappropriate high-level administrative access at the network level. After auditors brought those issues to its attention, the University removed the inappropriate access.
- Nine contractors had inappropriate access to screens in Banner that control budget tables, fund rules, disbursement dates, and other programmed rules. After auditors brought those issues to its attention, the University removed the inappropriate access.
- The University's contractor was not able to identify which employees had access to two database administrator-level service accounts.
- Five former contractor employees had inappropriate access to the Web and application servers and the database server; the University did not disable their network access promptly after their termination dates. One current contractor employee also had inappropriate access to the database server. In addition, the University did not disable an unused test account on the Web and application servers.

The University shares responsibility for administration of its network—as well as the server, database, and application levels of Banner—with its contractor.

Those errors occurred because the University and its contractor did not appropriately review users' access based on their job responsibilities and employment status. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Recommendations:

The University should:

- Accurately update its records when it performs verification and request updated ISIRs when required.
- Strengthen its monitoring of the verification process to ensure that it makes corrections when required.
- Appropriately limit access to its student financial assistance information system to users based on their job responsibilities and employment status.

- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited to users based on their job responsibilities and employment status.

Views of Responsible Officials:

Texas Southern University agrees with the finding. The corrective active plan to improve the processes based on the stated recommendations are provided below.

Corrective Action Plan:

Verification

Currently, the ISIRS are exported on every student that has an update to the file for changes affecting 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, Supplemental Nutrition Assistance Program (SNAP) benefits, 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 80, number 123). The records not sent during the auditing period exceeded September 9, 2017 due to the timing of the review. September 9 is the official cut-off date for submitting corrections to the Common Origination and Disbursements. No exceptions were identified or found with the actual transmission/receipt of corrections for files (a technical control managed by Ellucian).

Texas Southern will enhance monitoring controls in this area of compliance and implement modifications where appropriate based on regulatory updates and/or best practices within the industry. Additionally, the BANNER system is monitored throughout the year. Corrections are not accepted and paid until the BANNER generated system EFC and the EFC returned on the ISIR record are equal to ensure the BANNER system continues to produce accurate calculations. Validation checks will be performed when the EFC and ISIR data changes.

Texas Southern University will performed enhanced training of its Scholarships & Financial Aid staff on these verification controls. Additionally, a quality assurance process will be implemented a (sample) portion of the total verification population to identify errors more readily.

Implementation Date: March 2018

Responsible Person: Ms. Linda Ballard

General Controls

The Office of Information Technology will perform a weekly security review with the technology service provider, Ellucian. The Office of Technology will verify on a monthly basis, that all terminated contractor accounts with system and/or administrative access are removed and that existing accounts have the appropriate access, which will be evident in the job description/responsibilities for such roles/profiles or end users.

Implementation Date: March 2018

Responsible Persons: Mr. Luis Villarreal and Ms. Robin Brown

The Office of Information Technology is currently in the process of conducting a review of all database administrator-level service accounts held by contractors, Ellucian. The Office of Information Technology will work with its contractor to change all accounts that should not have database administrator-level service access. The Office of Information Technology will implement controls to ensure that Ellucian identifies end users with access to all of the remaining database administrator-level service accounts, and that the purpose for such access is identified/documentated in the job description.

Implementation Date: February 2018

Responsible Persons: Mr. Luis Villarreal and Ms. Robin Brown

Reference No. 2017-121

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2016-113)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P162327; and CFDA 84.268, Federal Direct Student Loans, P268K172327

Statistically valid sample – No and not intended to be a statistically valid sample

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b) and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

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, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses. For students who registered but never attended classes at an institution, the institution must report a never attended status (*NSLDS Enrollment Reporting Guide*, Appendix C). To protect a student's interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*NSLDS Enrollment Reporting Guide*, Appendix C and chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)).

Texas Southern 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 25 (38 percent) of 65 students tested who had a status change, the University did not (1) report status changes to NSLDS when required or (2) accurately report status changes to NSLDS. Specifically, the University:

- Reported 19 students as enrolled half-time when those students were enrolled as three-quarter time. That occurred because the University did not have a process to report three-quarter-time statuses to NSLDS.
- Reported two students as withdrawn when it should have reported those students as never attended to NSLDS.
- Did not report three students' graduated status to NSLDS.
- Did not report one student's enrollment status to NSLDS.

For 5 (8 percent) of 65 students tested who had a status change, the University did not accurately report the effective date of the status change to NSLDS. Specifically:

- For four students who did not begin attendance for the term, the University did not report the final day of the term in which the students were last enrolled as the effective date of the withdrawal.
- For one student, the University reported a graduation date that differed from the graduation date recorded in the University's financial assistance system, Banner.

For 2 (3 percent) of 65 students tested who had a status change, the University did not report the status change to NSLDS in a timely manner. Specifically, the University reported those students' status changes 62 days and 77 days after the status changes occurred.

The University did not have adequate controls to help ensure that status changes were reported to NSLDS accurately and in a timely manner. Not reporting student status changes or not reporting status changes accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Eleven contractor employees had inappropriate high-level administrative access at the network level. After auditors brought those issues to its attention, the University removed the inappropriate access.
- Nine contractors had inappropriate access to screens in Banner that control budget tables, fund rules, disbursement dates, and other programmed rules. After auditors brought those issues to its attention, the University removed the inappropriate access.
- The University's contractor was not able to identify which employees had access to two database administrator-level service accounts.
- Five former contractor employees had inappropriate access to the Web and application servers and the database server; the University did not disable their network access promptly after their termination dates. One current contractor employee also had inappropriate access to the database server. In addition, the University did not disable an unused test account on the Web and application servers.

The University shares responsibility for administration of its network—as well as the server, database, and application levels of Banner—with its contractor.

Those errors occurred because the University and its contractor did not appropriately review users' access based on their job responsibilities and employment status. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Recommendations:

The University should:

- Develop and implement a process to report three-quarter-time enrollment statuses to NSLDS.
- Accurately report status changes and effective dates to NSLDS in a timely manner.
- Establish and implement controls to help ensure that status changes are reported to NSLDS accurately and in a timely manner.
- Appropriately limit access to its student financial assistance information system to users based on their job responsibilities and employment status.
- Appropriately monitor its contractor to help ensure that access to its information systems is appropriately limited to users based on their job responsibilities and employment status.

Views of Responsible Officials:

Enrollment Reporting

Texas Southern University agrees with the finding. The corrective active plan to improve the processes based on the stated recommendations are provided below. Accurately Report status changes and effective dates to NSLDS in a timely manner.

General Controls

Texas Southern University agrees with the finding. The corrective active plan to improve the processes based on the stated recommendations are provided below.

Corrective Action Plan:

Enrollment Reporting

Texas Southern has conducted a review to ensure the three-quarter time course load for graduate and undergraduate time statuses are correctly established in the BANNER system. The reporting process has been updated to capture the enrollment status. To further enhance the reporting capabilities, key personnel have been granted direct access to the National Student Loan Database to enhance the on-line reporting capabilities. Deadlines have been imposed and monitored to ensure the timely reporting of grades lessening the possibility of late reporting. TSU is also researching best practices to determine how it may further enhance the timely reporting of grade changes based on industry standards in higher education.

Implementation Date: May 2018

Responsible Person: Mrs. Marilyn Square

General Controls

The Office of Information Technology will perform a weekly security review with the technology service provider, Ellucian. The Office of Technology will verify on a monthly basis, that all terminated contractor accounts with system and/or administrative access are removed and that existing accounts have the appropriate access, which will be evident in the job description/responsibilities for such roles/profiles or end users.

Implementation Date: March 2018

Responsible Persons: Mr. Luis Villarreal and Ms. Robin Brown

The Office of Information Technology is currently in the process of conducting a review of all database administrator-level service accounts held by contractors, Ellucian. The Office of Information Technology will work with its contractor to change all accounts that should not have database administrator-level service access. The Office of Information Technology will implement controls to ensure that Ellucian identifies end users with access to all of the remaining database administrator-level service accounts, and that the purpose for such access is identified/documentated in the job description.

Implementation Date: February 2018

Responsible Persons: Mr. Luis Villarreal and Ms. Robin Brown

Texas State University

Reference No. 2017-122

Activities Allowed or Unallowed

Cash Management

Eligibility

Reporting

Special Tests and Provisions – Verification

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

Special Tests and Provisions – Return of Title IV Funds

Special Tests and Provisions – Enrollment Reporting

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

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164122; CFDA 84.033, Federal Work-Study Program, P033A164122; CFDA 84.063, Federal Pell Grant Program, P063P160387; CFDA 84.268, Federal Direct Student Loans, P268K170387; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T170387

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, Code of Federal Regulations, Section 200.303).

Questioned Cost: \$ 0

U.S. Department of Education

Texas State University (University) did not have sufficient controls or proper segregation of duties over its change management process for information systems. Specifically:

- For 1 (8 percent) of 12 non-emergency (or normal) changes tested, the University did not ensure that its change advisory board approved the change prior to migrating that change to the production environment. According to the University’s policy, a non-emergency change requires approval by the change advisory board (1) before the University builds the change and tests it in the non-production environment and (2) before the University migrates the change to the production environment.
- For 1 (5 percent) emergency change within the 21 non-emergency and emergency changes tested, an authorized database administrator did not migrate the change to the production environment. The University defines emergency changes as changes that it must migrate to the production environment as soon as possible (such as changes to restore service, avoid an outage, or fix a critical vulnerability). Although emergency changes do not require approval by the change advisory board, the University sent the members of the change advisory board an email to notify them about the emergency change request.

Although the University had an appropriate change management policy; it did not always enforce that policy. That increases the risk of unauthorized programming changes being made to critical information systems that the University uses to administer student financial assistance.

Although the general controls weaknesses described above apply to activities allowed or unallowed, cash management, eligibility, reporting, special tests and provisions – verification, special tests and provisions – disbursements to or on behalf of students, special tests and provisions – return of Title IV funds, special tests and provisions – enrollment reporting, special tests and provisions – borrower data transmission and reconciliation (direct loan), and special tests and provisions – institutional eligibility, auditors identified no compliance issues regarding those compliance requirements.

Recommendation:

The University should consistently follow its change management policy to obtain required approvals for changes to information systems and require only authorized individuals to migrate changes to the production environment.

Views of Responsible Officials:

The University acknowledges the two specific issues identified and fully supports the recommendation. Through analysis of the exceptions identified during the audit, it was determined to be user error scenarios. The University will take corrective action to help ensure adherence to the change management processes.

Corrective Action Plan:

A communication will go out to all Technology Resources staff reiterating the importance of change management process adherence and will include an attached copy of the Technology Resources Change Management Process documentation.

Implementation Date: December 15, 2017

Responsible Person: Mark A. Hughes

Texas Tech University

Reference No. 2017-123

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164151; CFDA 84.033, Federal Work-Study Program, P033A164151; CFDA 84.063, Federal Pell Grant Program, P063P162328; CFDA 84.268, Federal Direct Student Loans, P268K172328; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172328

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, 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 80, number 123).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

The U.S. Department of Education automatically distributes (or “pushes”) to institutions certain ISIR transactions processed by the Central Processing System (CPS); it then requires the institutions to take some sort of action. An example of a pushed ISIR would be a student-corrected ISIR that causes a change to the EFC. Institutions are required to review all pushed ISIRs and assess any potential effect on students’ eligibility for assistance (2016-2017 *Electronic Data Exchange (EDE) Technical Reference*).

For 2 (3 percent) of 61 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 two students, the University did not accurately verify other untaxed income or number of household members. Specifically:

- The verification forms the University used did not allow for students to specify the source(s) of other untaxed income, and the University did not request clarifications for the source of other untaxed income reported for one student. The University subsequently verified that the student’s EFC would not have changed; therefore, there were no questioned costs.
- For one student, the number of family members in the household the student reported was inconsistent with information transferred to the University’s financial aid system, Banner. The University did not request corrections or clarifications; instead, it relied on information the student submitted the prior year. After auditors brought that issue to its attention, the University confirmed with the student the number of family members in the household; therefore, there were no questioned costs.

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

The University also did not properly load ISIRs selected for verification into its financial aid system during the 2016-2017 award year, resulting in 39 students for whom the University did not verify information before it disbursed funds. Specifically, the University’s procedure was to load CPS-pushed

ISIRs as “non-current” records into its financial aid system. As a result, the University did not identify when those ISIRs were flagged for verification. For 1 (2 percent) of 61 students tested, the University disbursed financial aid prior to completing the verification process for that student. After auditors brought that issue to the University’s attention, it identified 38 additional students the U.S. Department of Education had selected for verification but for whom the University did not verify information for the 2016-2017 award year. The University then completed its verification process for those 38 students and determined that it had underawarded 3 students a total of \$1,450 and overawarded 11 students a total of \$58,417. The University subsequently canceled or adjusted awards for those students as necessary; as a result, there were no questioned costs.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification, rely on current information when it performs verification, and request updated ISIRs when required.
- Revise verification forms to allow for the source(s) of other untaxed income to be specified, or implement procedures to clarify and document the source(s) of other untaxed income on a student’s FAFSA.
- Properly identify all students selected for verification from CPS-pushed ISIRs, and complete its verification process before it disburses funds.

Views of Responsible Officials:

Texas Tech University acknowledges and agrees with the findings. Texas Tech University has worked to develop and implement corrective action to further improve processes.

Corrective Action Plan:

- *The University has already implemented significant process enhancements in this area.*
- *We have revised verification forms to allow for the source(s) of other untaxed income to be specified.*
- *We have implemented an ad hoc report to identify students selected for verification on a subsequent ISIR. The report is reviewed weekly and ISIRs are loaded if necessary.*
- *We have updated tracking group rules to apply selected ISIR status update to prevent further disbursement until student file has been reviewed.*

Implementation Date: August 2017

Responsible Persons: Shannon Crossland and Ben Montecillo

Reference No. 2017-124

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164151; CFDA 84.063, Federal Pell Grant Program, P063P162328; CFDA 84.268, Federal Direct Student Loans, P268K172328; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172328

Statistically valid sample – No and not intended to be a statistically valid sample

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 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 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. For purposes of this calculation, “institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are always the charges that were assessed to the student for the entire payment period or period of enrollment, as applicable, prior to the student’s withdrawal. Initial charges may only be adjusted by those changes the institution made prior to the student’s withdrawal (for example, for dropping or adding a class or changing enrollment status) (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 5, chapter 1).

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) made errors in Title IV return calculations for 9 (15 percent) of 60 students tested. Specifically, the University:

- Incorrectly calculated institutional charges used to determine the amount that should have been returned for eight students. The University included non-educationally related expenses, omitted educationally related expenses, or omitted adjustments in its calculations. As a result, the amount of Title IV funds the University returned was more than the required return amount for those eight students. Additionally, for one of those students, the University used an incorrect withdrawal date in its return calculation.

- Incorrectly determined the amount of Title IV funds disbursed to one student. As a result, the amount the University determined the student should return was more than the required return amount.

Although the University had processes to monitor its return of Title IV funds calculations, those processes were not designed or operating effectively to ensure that calculations were correct. Because the errors discussed above did not result in the University returning less Title IV funds than required, there were no questioned costs.

Post-withdrawal Disbursement

If the total amount of calculated Title IV grant or loan assistance, or both, that a student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student, as of the date of the institution's determination that the student withdrew, the difference between those amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, CFR, Section 668.164(g) (Title 34, CFR, Section 668.22(a)(5)).

For 1 (2 percent) of 60 students tested, the University did not complete a post-withdrawal disbursement as required. After the University became aware that the student had withdrawn, it incorrectly disbursed additional aid awarded to the student, rather than completing a return calculation to determine whether the student was eligible for a post-withdrawal disbursement. The University subsequently corrected that error by completing a return calculation that accounted for the aid that it had disbursed incorrectly; therefore, there were no questioned costs.

Recommendations:

The University should:

- Strengthen its review process for calculations of Title IV funds to be returned, including its review of the variables it uses in those calculations.
- Use accurate student withdrawal dates for its return calculations.
- Complete post-withdrawal disbursements when required.

Views of Responsible Officials:

Texas Tech University acknowledges and agrees with the findings. Texas Tech University has worked to develop and implement corrective action to further improve processes.

Corrective Action Plan:

- *The University has already implemented significant process enhancements in this area.*
- *We have updated our ad hoc reporting with the assistance of Student Business Services to ensure inclusion of all institutional charges. Annual review of report parameters will be a component of the aid year and calendar set up.*
- *Training regarding post withdrawal disbursement regulations and procedures was administered with responsible staff.*
- *We will continue to ensure accurate information is used for return calculations.*

Implementation Date: August 2017

Responsible Persons: Shannon Crossland and Cathy Sarabia

Texas Woman's University

Reference No. 2017-125

Eligibility

Special Tests and Provisions - Institutional Eligibility

Activities Allowed or Unallowed

Cash Management

Reporting

(Prior Audit Issue 2016-123)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164153; CFDA 84.033, Federal Work-Study Program, P033A164153; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162330; CFDA 84.268, Federal Direct Student Loans, P268K172330; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172330; CFDA 93.364, Nursing Student Loans, Award Number Not Applicable; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP30222-01-00

Statistically valid sample – No and not intended to be a statistically valid sample

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. 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, USC, Chapter 28, Subchapter IV, Section 1087ll).

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

In determining whether a student is in need of a nursing student loan to pursue a full-time or half-time course of study, the institution will take into consideration (1) the financial resources available to the student by using one of the national need analysis systems or any other procedure approved by the U.S. Department of Education Secretary in combination with other information the institution has regarding the student's financial status and (2) the costs reasonably necessary for the student's attendance at the institution, including any special needs and obligations which directly affect the student's financial ability to attend the school on a full-time or half-time basis. The institution must document the criteria used for determining those costs (Title 42, Code of Federal Regulations (CFR), Section 57.306(b), and Title 42, USC, Chapter 6A, Subchapter V, Section 293a).

Texas Woman's University (University) has established different COA budgets for undergraduate and graduate students based on term enrollment, residency, living status, and number of children. The University also included an allowance for loan fees for students who were awarded loans that require fees to receive them. The University's student financial assistance system, Colleague, budgets students based on students' certification of anticipated enrollment. After the census date for each term, the University re-evaluates students' budgets to determine whether adjustments need to be made for changes in enrollment and residency, and it manually adjusts students' budgets.

For 6 (9 percent) of 67 students tested, the University incorrectly or inconsistently calculated the COAs. Specifically:

- For two students, the University did not use the correct residency to calculate COAs. Those errors occurred because the University did not re-evaluate those students' budgets after the census date for the Fall 2016 term and did not make adjustments for changes in those students' residency. One of those student's COA was overstated and, as a result, that student was overawarded \$10,346 in Federal Direct Student Loans. After auditors brought that error to the University's attention, it adjusted the student's COA budget and returned funds to the U.S. Department of Education; therefore, there were no questioned costs. The other student's COA was overstated; however, the University did not overaward financial assistance to that student.
- For two students, the University did not follow its process to recalculate COA based on actual enrollment due to manual errors. One of those student's COA was overstated and, as a result, the student was overawarded \$1,570 in Federal Direct Student Loans. After auditors brought that error to the University's attention, it adjusted the student's COA and returned funds to the U.S. Department of Education; therefore, there were no questioned costs. The other student's COA was overstated; however, the University did not overaward financial assistance to that student.
- For two students, the University did not consistently assign the loan fee budget component due to manual errors. The University inappropriately excluded a \$120 loan fee budget for one student who received loans and inappropriately included a \$79 loan fee budget for another student who did not receive loans. The University did not overaward financial assistance to those students as a result of those errors.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f); Title 42, CFR, Section 57.306(a)(1)(iv); and Title 42, USC, Section 293a(d)(2)). 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, *2016-2017 Federal Student Aid Handbook*, volume 1, chapter 1).

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)). The pace at which the student is progressing is calculated 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(a)(5)(ii)).

In addition, the SAP policy should 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 (Title 34, CFR, Section 668.34(a)(6)).

Institutions are required to have an established procedure for reviewing and addressing additional information that may have an impact on SAP reviews. For example, if institutions review SAP at the end of a Spring term and receive late notification of a grade change for the previous Fall or Spring term, they must recheck SAP using that new information (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 1, chapter 1).

The University's SAP policy did not meet all federal requirements. The University's SAP 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 a student must complete based on the number of hours enrolled in a term, rather than defining pace based on a student's cumulative coursework. Calculating pace on a term 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. Beginning with the Spring

2017 term for SAP evaluations affecting the 2017-2018 award year, the University revised its policy to require students to successfully complete at least 67 percent of their cumulative attempted hours.

In addition, the University's SAP policy did not describe how a student's GPA and pace of completion were affected by course incompletes, withdrawals, or repetitions.

For 4 (6 percent) of 67 students tested, the University did not assign SAP statuses correctly. Specifically:

- For two students, the University did not assign an appropriate SAP status because it did not calculate pace on a cumulative basis as discussed above. Both of those students should have been placed on suspension and would have been required to submit an appeal, and have that appeal approved, to continue receiving financial assistance. Those two students were ineligible for the \$13,175 in total financial assistance that they received. After auditors brought those errors to the University's attention, it returned funds for those two students to the U.S. Department of Education; therefore, there were no questioned costs.
- For two students, the University did not re-evaluate those students' SAP statuses when it received transfer credit information that affected the SAP reviews it had already performed. Based on that information, both students should have been assigned different SAP statuses. One of those students should have been placed on suspension, and would have been required to submit an appeal and have that appeal approved to continue receiving aid. As a result, that student received \$4,343 in financial assistance for which the student was ineligible. The error did not affect the other student's eligibility for the financial assistance that student received. Those errors occurred because the University did not have a process for re-evaluating SAP when it received new information that may have an effect on SAP reviews. After auditors brought those errors to the University's attention, it recalculated SAP for both students and returned funds for the student who was ineligible to receive aid to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Direct 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 (Title 20, USC, Chapter 28, Subchapter IV, Section 1087e(a)). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible for only Unsubsidized Direct Loans (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 3, chapter 5).

Based on a review of the full population of student financial assistance recipients, the University awarded \$18,085 in Subsidized Direct Loans to 10 students who were not eligible for that assistance. Those errors occurred because the University did not have adequate controls during the award year to ensure that graduate students did not receive Subsidized Direct Loans. Specifically, the University did not cancel Subsidized Direct Loans for those students when they became graduate students during the award year. After auditors brought those errors to the University's attention, it returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Direct Loan Limits

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 COA, the borrower's maximum borrowing limit, or the borrower's unmet financial need (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 3, chapter 5).

The University's controls over Direct Loans did not ensure that manually entered Direct Loan awards complied with federal annual and aggregate limits. The automated packaging process within the University's student financial assistance system, Colleague, had limits to prevent awarding more Direct Loans than a student is eligible to receive. However, if the University manually awarded Direct Loans, Colleague did not prevent students from being awarded more than the federal annual and aggregate limits. The University had the ability to run a report that would identify students whose financial assistance disbursements exceeded their financial need; however, that report would not identify students whose Direct Loan disbursements exceeded federal annual and aggregate limits. Auditors tested 56 students who received

Direct Loans and did not identify any students whose awards exceeded federal annual or aggregate limits. However, those control weaknesses increase the risk that students could be awarded more federal financial assistance than they are eligible to receive.

Federal Pell Grant Limits

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). The amount of a student's Federal Pell Grant for an academic year is based on schedules published by the U.S. Department of Education for each award year (Title 34, CFR, Section 690.62(a)). The amount of the award is obtained from the payment schedule, and it is based on the student's enrollment level, EFC, and COA (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 3, chapter 3).

The University did not disburse Federal Pell Grant funds to one student who was eligible to receive those funds. Based on the student's COA, EFC, and enrollment, the student was eligible to receive a maximum of \$2,908 for the award year. The University asserted that it did not disburse those funds because it made a manual error.

Other Compliance Requirements

Although the general controls weaknesses described below apply to activities allowed or unallowed, cash management, and reporting, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have proper segregation of duties over its change management process. Specifically, for 3 (23 percent) of 13 changes tested, the same individual developed a change and migrated that change to the production environment. The University had a high-level change management policy; however, that policy did not address roles and responsibilities for change control or segregation of duties. The University asserted that it implemented segregation of duties within its change management process in April 2017, after those three changes occurred.

Not maintaining appropriate segregation of duties increases the risk of unauthorized and unintended programming changes being made to critical information systems.

Recommendations:

The University should:

- Consistently follow its process to correctly calculate students' COA budgets.
- Update its SAP policy to ensure that it meets all federal requirements, including a description of how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions.
- Ensure that it calculates SAP in accordance with its SAP policy by evaluating pace on a cumulative basis.
- Establish a procedure for re-evaluating a student's SAP status when it receives additional information that may have an effect on SAP reviews.
- Award Subsidized Direct Loans only to undergraduate students.
- Establish and implement a process to ensure that manually awarded Direct Loans do not exceed annual and aggregate award limits.
- **Award Federal Pell Grants to all eligible students.**

- Strengthen controls over its change management process to ensure that (1) only authorized individuals migrate changes to the production environment and (2) those individuals do not migrate their own changes to the production environment.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Eligibility

Regarding Cost of Attendance (COA) findings, the University will conduct additional staff training and ensure that it consistently follows its process to correctly calculate students' COA budgets.

Regarding SAP findings, the University will update its SAP policy, including a description of how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, and ensure that it calculates SAP in accordance with its SAP policy by evaluating pace on a cumulative basis. Additionally, a procedure has been established to re-evaluate a student's SAP status when it receives additional information that may have an effect on SAP reviews.

Regarding Federal Direct Loan and Pell Grant findings, additional staff training will be conducted, and modifications will be made to the system eligibility rules used to validate eligibility to ensure that Subsidized Direct Loans and Pell Grants awards are only made to undergraduate students in the correct amounts. Additionally, procedures will be implemented to ensure that annual and aggregate loan limits are not exceeded during manual awarding.

Implementation Date: April 15, 2018

Responsible Person: Governor Jackson

General Controls

Regarding the controls over the change management process, as of April 2017, the University had strengthened controls over its change management process. It limited the number of developers who had Colleague mnemonics that allowed for migration of code into production. Change management procedures were updated to address roles and responsibilities for change control and separation of duties.

Implementation Date: April 15, 2017

Responsible Person: Corina R. Trevino

Reference No. 2017-126

Special Tests and Provisions - Verification

(Prior Audit Issue 2016-124)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164153; CFDA 84.033, Federal Work-Study Program, P033A164153; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162330; CFDA 84.268, Federal Direct Student Loans, P268K172330; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172330

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program (SNAP) benefits, 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 80, number 123).

Questioned Cost: Unknown
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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

For 8 (13 percent) of 60 students tested, Texas Woman’s University (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently request updated ISIRs as required. For those eight students, the University did not accurately verify one or more of the following items: income information for tax-filers, number of household members in college, SNAP benefits received, student’s identity, or household resources. Those errors occurred because of manual errors the University made during its verification process. The University had a process to review completed verifications during the award year; however, that process was not sufficient to ensure that the University performed verification accurately.

When auditors brought those errors to the University’s attention, the deadline to submit corrections for the award year had passed. However, the University performed procedures in its student financial assistance system, Colleague, to correct the errors, and it asserted the following:

- For four students, the errors did not result in changes to students’ EFCs or financial assistance awards.
- For two students, the errors resulted in a change in EFC and, as a result, the University overawarded a total of \$175 in Pell Grant funds. The University subsequently returned the overawarded amounts to the U.S. Department of Education; therefore, there were no questioned costs.
- For two students, the University did not resolve conflicting information regarding verification of household resources; therefore, auditors could not determine the effect on those students’ EFCs and whether there were any related questioned costs.

Not properly verifying FAFSA information can result in incomplete verification of FAFSA information and overawarding or underawarding student federal financial assistance.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have proper segregation of duties over its change management process. Specifically, for 3 (23 percent) of 13 changes tested, the same individual developed a change and migrated that change to the production environment. The University had a high-level change management policy; however, that policy did not address roles and responsibilities for change control or segregation of duties. The University asserted that it implemented segregation of duties within its change management process in April 2017, after those three changes occurred.

Not maintaining appropriate segregation of duties increases the risk of unauthorized and unintended programming changes being made to critical information systems.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Improve its process for monitoring completed verifications to ensure that it identifies and corrects errors.
- Strengthen controls over its change management process to ensure that (1) only authorized individuals migrate changes to the production environment and (2) those individuals do not migrate their own changes to the production environment.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Verification

The University will conduct additional staff training, modify its procedures to ensure that all required FAFSA information is verified accurately, improve its process for monitoring completed verifications to ensure that it identifies and corrects errors, and requests updated ISIRs when required.

Implementation Date: April 15, 2018

Responsible Person: Governor Jackson

General Controls

Regarding the controls over the change management process, as of April 2017, the University had strengthened controls over its change management process. It limited the number of developers who had Colleague mnemonics that allowed for migration of code into production. Change management procedures were updated to address roles and responsibilities for change control and separation of duties.

Implementation Date: April 15, 2017

Responsible Person: Corina R. Trevino

Reference No. 2017-127

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

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164153; CFDA 84.033, Federal Work-Study Program, P033A164153; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162330; CFDA 84.268, Federal Direct Student Loans, P268K172330; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172330

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Transfer Monitoring

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

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

Texas Woman’s University (University) did not always perform or document required reviews of transfer students prior to disbursing student financial assistance. Auditors tested three students who transferred to the University during the academic year. For two students, the University asserted that it obtained and reviewed the financial aid history information from NSLDS for the current award year prior to disbursing financial assistance; however, it did not have documentation in those students’ records to show that it performed that review. For the remaining student, the University had documentation to show that it reviewed that student’s financial aid history from NSLDS, but it reviewed that information after it disbursed financial assistance to that student.

The University did not overaward student financial assistance as a result of the issues discussed above. However, not reviewing updated NSLDS information prior to disbursing funds increases the risk that the University could overaward financial assistance to students who had received financial assistance at another institution.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have proper segregation of duties over its change management process. Specifically, for 3 (23 percent) of 13 changes tested, the same individual developed a change and migrated that change to the production environment. The University had a high-level change management policy; however, that policy did not address roles and responsibilities for change control or segregation of duties.

The University asserted that it implemented segregation of duties within its change management process in April 2017, after those three changes occurred.

Not maintaining appropriate segregation of duties increases the risk of unauthorized and unintended programming changes being made to critical information systems.

Recommendations:

The University should:

- Develop and implement a process to review information from NSLDS before it disburses financial assistance to students who transfer to the University during an award year and to document that review.
- Strengthen controls over its change management process to ensure that (1) only authorized individuals migrate changes to the production environment and (2) those individuals do not migrate their own changes to the production environment.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Disbursements To or On Behalf of Students

The University will conduct additional staff training and modify its procedures to ensure that NSLDS information is reviewed prior to the disbursement of financial assistance to students who transfer to the University during an award year and document that review.

Implementation Date: April 15, 2018

Responsible Person: Governor Jackson

General Controls

Regarding the controls over the change management process, as of April 2017, the University had strengthened controls over its change management process. It limited the number of developers who had Colleague mnemonics that allowed for migration of code into production. Change management procedures were updated to address roles and responsibilities for change control and separation of duties.

Implementation Date: April 15, 2017

Responsible Person: Corina R. Trevino

Reference No. 2017-128

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issue 2016-125)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164153; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162330; CFDA 84.268, Federal Direct Student Loans, P268K172330; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172330

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV 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 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 that the institution determined 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 as described 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. For purposes of this calculation, “institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (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)).

A program is offered in modules if a course or courses in the program do not span the entire length of the payment period or period of enrollment (Title 34, CFR, Section 668.22(l)(6)). For all programs offered in modules, a student is considered to have withdrawn for Title IV purposes if the student ceases attendance at any point prior to completing the payment period or period of enrollment, unless the institution obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 5, chapter 1).

For 11 (17 percent) of 63 students tested, Texas Woman’s University (University) did not accurately determine the amount of Title IV funds to return. Specifically:

- For seven students enrolled in modules during the Summer 2016 payment period, the University did not consider the total amount of Title IV aid disbursed, total institutional charges, and/or the total number of

days enrolled for the payment period. The University incorrectly performed return calculations for those students based only on the specific module from which the students withdrew and did not consider the students' enrollment in the overall Summer 2016 payment period. For three of those students, the University also did not accurately determine the students' withdrawal date. As a result, the University did not accurately determine the amount of Title IV aid to return. After auditors brought the errors to the University's attention, it recalculated those students' return amounts. For two students, the University initially returned more than required and for five students, the University returned less than required. The University subsequently returned funds for the five students for whom it needed to return additional funds; therefore, there were no questioned costs.

- For one student, the University did not accurately determine the number of days in the Spring 2017 payment period. As a result, the University returned more funds than was required; therefore, there were no questioned costs.
- For two students, the University incorrectly included aid that could have been disbursed in the return calculation. At the time the return calculation was performed, those students did not have signed master promissory notes; however, the University included Federal Direct Student Loans as aid that could have been disbursed in the calculation. For one student, that resulted in a post-withdrawal disbursement instead of a return of funds. For the other student, that resulted in an inaccurate post-withdrawal disbursement amount. After auditors brought those errors to the University's attention, it returned the correct amount of funds; therefore, there were no questioned costs.
- For one student, the University incorrectly omitted that student's Federal Pell Grant award from the return calculation. The student was eligible for a Federal Pell Grant award for the Summer 2016 term; however, the award had not yet been disbursed at the time of the student's withdrawal. Those funds should have been included as aid that could have been disbursed in the return calculation. As a result, the University returned more funds than required; therefore, there were no questioned costs.

Those errors occurred because of manual errors the University made in performing the return calculations; in addition, the University's review of return calculations was not sufficient to identify those errors.

Post-withdrawal Disbursement

If the total amount of calculated Title IV grant or loan assistance, or both, that a student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, CFR, Section 668.164(j) (Title 34, CFR, Section 668.22(a)(5)).

The institution must provide within 30 days of the date of the institution's determination that the student withdrew, a written notification to the student, or parent in the case of parent PLUS loan, that (1) requests confirmation of any post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account; (2) requests confirmation of any post-withdrawal disbursement of loan funds that the student or parent can receive as a direct disbursement, identifying the type and amount of those loan funds and explaining that a student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds; (3) explains that a student, or parent in the case of a parent PLUS loan, who does not confirm that a post-withdrawal disbursement of loan funds may be credited to the student's account may not receive any of those loan funds as a direct disbursement unless the institution concurs; (4) explains the obligation of the student, or parent in the case of a parent PLUS loan, to repay any loan funds he or she chooses to have disbursed; and (5) advises the student, or parent in the case of a parent PLUS loan, that no post-withdrawal disbursement of loan funds will be made, unless the institution chooses to make a post-withdrawal disbursement based on a late response, if the student or parent in the case of a parent PLUS loan, does not respond within 14 days of the date that the institution sent the notification, or a later deadline set by the institution (Title 34, CFR, Section 668.22(a)(6)(iii)).

The University did not always follow applicable post-withdrawal disbursement notification requirements. For three students tested, the University made one or more of the following errors: (1) it did not send a written notification containing all applicable requirements in accordance with Title 34, CFR,

Section 688.22(a)(6)(iii); (2) it did not send a written notification within 30 days of the date of the University's determination that the student withdrew; or (3) it did not receive confirmation from the student for a post-withdrawal disbursement of loan funds prior to crediting to the student's account.

Those errors occurred because of manual errors the University made subsequent to performing the return calculations for those students. By not sending notifications as required, the University did not properly inform students of their loan repayment obligations and it did not obtain permission to credit loan funds to students' accounts.

Timeliness of Returns

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. 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)).

For 7 (11 percent) of 63 students tested, the University did not return Title IV funds within the required time frames or did not determine withdrawal dates in a timely manner. Specifically:

- For five students who withdrew, the University did not return Title IV funds within the required 45-day time frame because it made manual errors. The University returned those funds between 54 and 132 days after it had determined that those students had withdrawn.
- For two students who unofficially withdrew, the University did not determine the students' withdrawal dates within 30 days after the end of the period of enrollment because it made manual errors. The University determined the withdrawal dates 33 and 49 days after the end of the period of enrollment.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have proper segregation of duties over its change management process. Specifically, for 3 (23 percent) of 13 changes tested, the same individual developed a change and migrated that change to the production environment. The University had a high-level change management policy; however, that policy did not address roles and responsibilities for change control or segregation of duties. The University asserted that it implemented segregation of duties within its change management process in April 2017, after those three changes occurred.

Not maintaining appropriate segregation of duties increases the risk of unauthorized and unintended programming changes being made to critical information systems.

Recommendations:

The University should:

- Accurately determine the amount of Title IV funds to return.
- Determine the correct payment period for courses offered in modules.
- Strengthen its review process for calculations of Title IV funds to be returned.
- Strengthen its controls to ensure that it sends post-withdrawal disbursement notifications as required.
- Strengthen its controls to ensure that it identifies withdrawn students and returns Title IV funds within required time frames.

- Strengthen controls over its change management process to ensure that (1) only authorized individuals migrate changes to the production environment and (2) those individuals do not migrate their own changes to the production environment.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Return of Title IV Funds

The University will conduct additional staff training and modify its procedures to ensure the amount of Title IV funds to be returned is calculated accurately and that the appropriate payment periods are used for courses offered in modules.

The University's review process has been strengthened to ensure that Return of Title IV Funds calculations are conducted accurately and timely. Additionally, post-withdrawal disbursement notifications have been revised to ensure all required information is included.

Implementation Date: April 15, 2018

Responsible Person: Governor Jackson

General Controls

Regarding the controls over the change management process, as of April 2017, the University had strengthened controls over its change management process. It limited the number of developers who had Colleague mnemonics that allowed for migration of code into production. Change management procedures were updated to address roles and responsibilities for change control and separation of duties.

Implementation Date: April 15, 2017

Responsible Person: Corina R. Trevino

Reference No. 2017-129

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2016-126)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162330; and CFDA 84.268, Federal Direct Student Loans, P268K172330

Statistically valid sample – No and not intended to be a statistically valid sample

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b) and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

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

To protect a student’s interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*NSLDS Enrollment Reporting Guide*, Appendix C and chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)). In instances in 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 (*Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

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, 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).

Texas Woman’s 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 2 (3 percent) of 60 students tested, the University did not report the status change to NSLDS or it did not report the effective date of the status change to NSLDS accurately. Specifically:

- For one student, the University did not report the student’s graduated status to NSLDS. That student graduated in the Summer 2016 term and enrolled in the Fall 2016 term. The University reported both statuses to NSC; however, NSC reported only the Fall 2016 enrollment status to NSLDS, rather than reporting both the graduated status and subsequent enrollment status as required.

- For one student, the University did not report the effective date of the student's withdrawal to NSLDS accurately. That student unofficially withdrew from the Fall 2016 term and did not enroll in the Spring 2017 term. The University incorrectly reported the last date of the Fall 2016 term as the effective date of the withdrawal, rather than the student's last date of attendance. That error occurred because the University did not have a process to report unofficial withdrawals to NSLDS at that time; however, the University subsequently improved its process in Spring 2017 to report unofficial withdrawals to NSLDS.

Not reporting student status changes 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.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have proper segregation of duties over its change management process. Specifically, for 3 (23 percent) of 13 changes tested, the same individual developed a change and migrated that change to the production environment. The University had a high-level change management policy; however, that policy did not address roles and responsibilities for change control or segregation of duties. The University asserted that it implemented segregation of duties within its change management process in April 2017, after those three changes occurred.

Not maintaining appropriate segregation of duties increases the risk of unauthorized and unintended programming changes being made to critical information systems.

Recommendations:

The University should:

- Strengthen its controls to ensure that it accurately reports status changes and effective dates to NSLDS.
- Strengthen controls over its change management process to ensure that (1) only authorized individuals migrate changes to the production environment and (2) those individuals do not migrate their own changes to the production environment.

Views of Responsible Officials:

The University acknowledges and agrees with the findings that the withdrawal date used was the last day of the term rather than the last day of the student's respective attendance.

Regarding the graduated status not being reported to NSLDS, the University acknowledges that the status eventually was not reflected in NSLDS, however, the University maintains that it reported within the proper timeframe to the National Student Clearinghouse (NSC) and, in turn, the NSC did report the status to NSLDS. However, because the student re-enrolled immediately after graduation, the new status reflecting the enrollment of the student in the subsequent semester took priority over the graduated status due to the timing of the reporting. These issues were both addressed as a result of the 2016 audit; however, the 2017 audit was reviewing data from the time period during the 2016 audit, so the data did not reflect the subsequent changes and corrections to the processes.

Corrective Action Plan:

Enrollment Reporting

The University implemented significant process enhancements in this area in response to the 2016 audit and prior to the start of the 2017 audit. To address the issue with timing of the graduated status before the student re-enrolls, the University now sends multiple files to NSC to accelerate the reporting of the graduated status

of students before subsequent enrollment statuses are reported to NSLDS. Specifically, a graduates-only file is sent to the National Student Clearinghouse prior to the start of the subsequent term that reflects the students on the previous term's enrollment files with the new graduated status. Second, a degree-verify file representing all new graduates, whether enrolled in the previous term or not, is also submitted to the NSC prior to the first enrollment file of the subsequent term. This should ensure the graduated status precedes any subsequent new enrollment status.

For the unofficial withdrawals, the Registrar and the Office of Financial Aid have developed a communication process where Financial Aid will notify the Registrar when it has been confirmed that a student stopped attending at a date prior to the last date of the term. The Registrar then updates the Clearinghouse with the new withdrawal date, and the Clearinghouse updates NSLDS.

Implementation Date: December 2016

Responsible Person: Robert Lothringer

General Controls

Regarding the controls over the change management process, as of April 2017, the University had strengthened controls over its change management process. It limited the number of developers who had Colleague mnemonics that allowed for migration of code into production. Change management procedures were updated to address roles and responsibilities for change control and separation of duties.

Implementation Date: April 15, 2017

Responsible Person: Corina R. Trevino

Reference No. 2017-130

Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)
(Prior Audit Issue 2016-127)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award number – CFDA 84.268, Federal Direct Student Loans, P268K172330

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Borrower Data Transmission and Reconciliation

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System (*Federal Register*, volume 81, number 64). Each month, the COD System provides institutions with a School Account Statement (SAS) data file, which consists of a cash summary, cash detail, and loan detail records. The institution is required to reconcile those files to its financial records on a monthly basis (Title 34, Code of Federal Regulations (CFR), Section 685.300(b)(5), and U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 4, chapter 6).

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

Texas Woman's University (University) did not reconcile the required information in its monthly SAS reconciliations. The University had a process for reconciling the student loan detail portion of the SAS file to its financial aid system, Colleague. However, it did not perform reconciliations of the cash summary and cash detail portions as required.

Although auditors did not identify instances of non-compliance in the reporting of student-level detail to the COD System for Federal Direct Student Loans, not preparing reconciliations in accordance with federal requirements increases the risk that inaccurate or incomplete Direct Loan disbursement data could be reported to the DLSS.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have proper segregation of duties over its change management process. Specifically, for 3 (23 percent) of 13 changes tested, the same individual developed a change and migrated that change to the production environment. The University had a high-level change management policy; however, that policy did not address roles and responsibilities for change control or segregation of duties. The University asserted that it implemented segregation of duties within its change management process in April 2017, after those three changes occurred.

Not maintaining appropriate segregation of duties increases the risk of unauthorized and unintended programming changes being made to critical information systems.

Recommendations:

The University should:

- Perform the required monthly reconciliations between its financial records and DLSS, including the cash detail and cash summary portions.
- Strengthen controls over its change management process to ensure that (1) only authorized individuals migrate changes to the production environment and (2) those individuals do not migrate their own changes to the production environment.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Borrower Data Transmission and Reconciliation

The University has implemented a Direct Loan reconciliation process between its financial records and DLSS, including the cash detail and cash summary portions, to ensure financial records comply with federal requirements.

Implementation Date: September 1, 2017

Responsible Persons: Carolyn Whitlock and Barbara Newton

General Controls

Regarding the controls over the change management process, as of April 2017, the University had strengthened controls over its change management process. It limited the number of developers who had Colleague mnemonics that allowed for migration of code into production. Change management procedures were updated to address roles and responsibilities for change control and separation of duties.

Implementation Date: April 15, 2017

Responsible Person: Corina R. Trevino

University of Houston

Reference No. 2017-131

Eligibility

Activities Allowed or Unallowed

Special Tests and Provisions – Institutional Eligibility

(Prior Audit Issues 2016-128 and 2015-120)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164166; CFDA 84.033, Federal Work-Study Program, P033A164166; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162333; CFDA 84.268, Federal Direct Student Loans, P268K172333; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172333; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, 1-T08HP30152-01-00

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.34 (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, *2016-2017 Federal Student Aid Handbook*, volume 1, chapter 1). 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)). The institution’s SAP policy should 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)).

Questioned Cost: \$ 0

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

The University of Houston (University) did not configure its student financial assistance system in accordance with its satisfactory academic progress (SAP) policy. The University’s policy required the maximum time frame calculation to use 150 percent of a student’s academic program hours. However, the University did not configure its student financial assistance system, PeopleSoft, to properly limit the maximum time frame for 43 (45 percent) of 96 graduate, law school, pharmacy, and optometry programs to 150 percent of the academic program hours.

Auditors did not identify any students who were ineligible for student financial assistance as a result of that issue. However, not determining maximum time frames correctly increases the risk that master- and doctoral-level students could receive financial assistance for which they are not eligible or be denied financial assistance for which they are eligible.

In addition, the University’s SAP policy did not include all required elements. The University’s SAP policy did not specifically state that credit hours from another institution that were accepted toward a student’s educational program counted as both attempted and completed hours for purposes of determining the pace of a student’s academic progress. Although the University’s SAP policy did not meet federal

requirements, auditors determined that the University appropriately configured PeopleSoft to evaluate transfer hours in its SAP calculations.

Enrollment in an Eligible Program

A student is eligible to receive Title IV assistance if the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution (Title 34, CFR, Section 668.32(a)).

For 1 (2 percent) of 65 students tested, the University disbursed student financial assistance to an ineligible student. Specifically, the University disbursed \$1,549 in Federal Work-Study funds during Spring 2017 to one student who was not enrolled. The student had initially enrolled for the Spring 2017 term; however, the student withdrew prior to the start of that term and, therefore, was not eligible for any student financial assistance. That error occurred because the University did not have controls to prevent the disbursement of Federal Work-Study funds for students who are not enrolled. Additionally, the student was also ineligible for financial assistance because the student received a SAP suspension for the Spring 2017 term. According to the University's SAP policy, a student is not eligible for financial assistance while under suspension. After auditors brought that issue to its attention, the University reduced the student's Federal Work-Study award; 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, expected family contribution, and cost of attendance. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 3, chapter 3, and Title 34, CFR, Section 690.63(b)).

For 1 (3 percent) of 36 students tested who received a Federal Pell Grant, the University did not award the correct amount of Federal Pell Grant assistance. The University awarded the student \$2,908 in Federal Pell Grant assistance for the Spring term; however, the student was eligible to receive only \$2,181. The University disbursed a Federal Pell Grant to the student for the Spring term in the amount that a student enrolled full-time would be eligible to receive; however, the student was enrolled only three-quarter-time for the Spring term. After auditors brought the error to the University's attention, it corrected the student's awards and returned \$727 in Federal Pell Grant funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Supplemental Education Opportunity Grants (FSEOG)

In selecting among eligible students for FSEOG awards in each award year, an institution must select students with the lowest expected family contributions who will also receive Federal Pell Grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution must award the remaining FSEOG funds to eligible students with the lowest expected family contributions who will not receive Federal Pell Grants (Title 34, CFR, Section 676.10).

Based on a review of the full population of federal student financial assistance recipients, the University awarded a total of \$5,000 to 3 students who did not also receive Federal Pell Grants. The University initially awarded those students Federal Pell Grant funds, but it canceled those awards prior to disbursement because those students were ineligible for the Federal Pell Grant funds. However, the University did not identify that cancellation and awarded the FSEOG funds in error. The University conducted a self-review process during this audit and canceled the FSEOG distributions to those students; therefore, there were no questioned costs.

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 hours for master- and doctoral-level students.
- Include all required elements in its SAP policy.
- Establish and implement controls to prevent disbursement of student financial assistance to students who are under a SAP suspension.
- Establish and implement controls to prevent disbursement of Federal Work-Study funds to students who are not enrolled.
- Award students Federal Pell Grant assistance based on actual enrollment.
- Award FSEOG assistance only to eligible students.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Recommendation: Configure PeopleSoft to align with its Satisfactory Academic Progress policy by defining a maximum time frame based on 150 percent of the educational program hours for master- and doctoral-level students.

In order to ensure compliance and accuracy with SAP requirements, we have changed our procedures to annually compare our satisfactory academic progress setup values in PeopleSoft with those values provided by Institutional Reporting.

Implementation Date: November 2017

Responsible Person: Scott Moore

Recommendation: Include all required elements in its SAP policy.

We have updated our Satisfactory Academic Progress policy to include all required elements.

Implementation Date: November 2017

Responsible Person: Scott Moore

Recommendation: Establish and implement controls to prevent disbursement of student financial assistance to students who are under a SAP suspension.

Systematic measures exist to prevent the disbursement of student financial assistance to students who are under a SAP suspension. As a result of this recommendation, a query has been created that looks for students working through the various work-study programs who are under a SAP suspension. This query is run prior to the start of each semester to ensure that students on SAP suspension have their work-study eligibility appropriately canceled.

Implementation Date: November 2017

Responsible Person: Lear Hickman

Recommendation: Establish and implement controls to prevent disbursement of Federal Work-Study funds to students who are not enrolled.

We have updated our query to identify FWS recipients who have withdrawn or are not enrolled in at least six credit hours. Additionally, the timetable for running that query has been updated; it is run bi-weekly upon completion of the payroll process to ensure additional accuracy.

Implementation Date: October 2017

Responsible Person: Lear Hickman

Recommendation: Award students Federal Pell Grant assistance based on actual enrollment.

The disbursement schedule has been adjusted by adding an extra day between the Official Recording Date and the beginning of the disbursement process to improve the accuracy of all Pell Grant disbursements. In addition, changes have been made to the query to identify potentially-erroneous disbursements for review by financial aid staff, and additional holds have been created to prevent disbursement until that review has occurred.

Implementation Date: August 2017

Responsible Persons: Frank Gomez, Lety Gallegos, and Scott Moore

Recommendation: Award FSEOG assistance only to eligible students.

The process of monitoring and reconciling FSEOG has been revised. A report is run to identify potentially-ineligible FSEOG awards prior to running the disbursement process each semester.

Implementation Date: August 2017

Responsible Person: Scott Moore

Reference No. 2017-132

Special Tests and Provisions – Verification

(Prior Audit Issues 2016-129, 2015-121, and 2014-139)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164166; CFDA 84.033, Federal Work-Study Program, P033A164166; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162333; CFDA 84.268, Federal Direct Student Loans, P268K172333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172333

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits,

Questioned Cost: Unknown
U.S. Department of Education

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 80, number 123).

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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

Household size for a dependent student includes (1) the student; (2) the student's parents; (3) the student's siblings and children, if they will receive more than half their support from the student's parent(s) for the entire award year; and (4) other persons who live with and receive more than half their support from the student's parent(s) and will receive more than half support for the entire award year. The number in college always includes (1) the student and (2) those in the household who are or will be enrolled at least half time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook, Application and Verification Guide*, chapter 2). Acceptable documentation for verifying household size and the number of household members who are in college includes a statement signed by the applicant, and if the applicant is a dependent student, by one of the applicant's parents, that lists the name and age of each household member, the relationship of that household member to the applicant, and the name of the educational institution for each household member who is or will be attending at least half-time in a program that leads to a degree or certificate (Title 34, CFR, Sections 668.57(b) and (c), and *Federal Register*, volume 80, number 123).

For 3 (5 percent) of 62 students tested, the University of Houston (University) did not accurately verify certain required items on the FAFSA or made unsupported changes to FAFSA items. Specifically:

- The University did not accurately verify adjusted gross income for one student who submitted an amended tax return. That error occurred because of a manual error the University made in the verification process and because the University did not have an effective monitoring process during the award year to detect that error.
- The University inappropriately reduced the number of household members and number in college for two students. Each of those students certified the number of household members and the number in college on the verification forms they submitted to the University, and the University removed siblings from the household size and number in college because of the siblings' age. The University asserted that its practice was to remove household members who were in college and older than age 24; however, the University did not request information from the students to show that the household members it removed did not receive at least half of their support from the family.

After auditors brought those errors to the University's attention, it did not make corrections to those students' ISIRs. Therefore, auditors were unable to determine whether there were any questioned costs.

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

Recommendations:

The University should:

- Accurately verify required FAFSA information for students selected for verification and make changes based only on the supporting documentation that students provide.
- Establish and implement an effective monitoring process for verification.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Recommendation: Accurately verify all required FAFSA information for students selected for verification and make changes based only on the supporting documentation that students provide.

The policy and procedure manual for verification has been updated to include guidance on the treatment of household size for all dependent students. The information is available on the website as a guide for students to follow during the verification process, as well.

Implementation Date: December 2017

Responsible Persons: Frank Gomez and Scott Moore

Recommendation: Establish and implement an effective monitoring process for verification.

Verification files will be randomly pulled and audited internally by senior staff each month to improve accuracy and determine needed training opportunities. Errors and issues will be dealt with as soon as they are identified.

Implementation Date: March 2018

Responsible Person: Frank Gomez

Reference No. 2017-133

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 2016-130 and 2015-123)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164166; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162333; CFDA 84.268, Federal Direct Student Loans, P268K172333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172333

Statistically valid sample – No and not intended to be a statistically valid sample

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 determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of more than 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours (Title 34, CFR, Section 668.22(e)).

Post-withdrawal Disbursement

If the total amount of calculated Title IV grant or loan assistance, or both, that a student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student, as of the date of the institution's determination that the student withdrew, the difference between those amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, Section 668.164(j) (Title 34, CFR, Section 668.22(a)(5)). The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. The institution must make a direct disbursement of any loan funds that make up the post-withdrawal disbursement only after obtaining the student's, or parent's in the case of a parent PLUS loan, confirmation that the student or parent still wishes to have the loan funds disbursed (Title 34, CFR, Section 668.22(a)(6)).

For 6 (9 percent) of 67 students tested, the University of Houston (University) incorrectly disbursed Title IV assistance for a term in which the students withdrew, rather than completing a return calculation to determine whether each student was eligible for a post-withdrawal disbursement. Specifically, those students had not received Title IV assistance at the time they withdrew because they had not completed the University's verification requirements; therefore, the University did not identify those students' withdrawal dates or perform return calculations. When the students completed the verification requirements, the University incorrectly disbursed Title IV assistance to those students for the term in which they withdrew, rather than completing a return calculation to determine whether each student was eligible for a post-withdrawal disbursement. The University did not have controls to (1) identify those students and (2) prevent its student financial assistance system from disbursing Title IV assistance to withdrawn students. After auditors brought those errors to the University's attention, it determined that those students either earned all Title IV assistance for the term or that the University returned Title IV funds as required; therefore, there were no questioned costs.

For 5 (7 percent) of 67 students tested, the University did not complete a post-withdrawal disbursement as required or did not complete post-withdrawal disbursements in a timely manner. Specifically:

- For one student, the University correctly calculated the amount of assistance earned and determined that the student was eligible for a post-withdrawal disbursement. However, the University did not offer or make the post-withdrawal disbursement to the student because of a manual error it made when processing the return.
- For one student, the University made errors in its return calculation and did not identify that the student was eligible for a post-withdrawal disbursement. The University did not offer or make the post-withdrawal disbursement to the student.
- For three students, the University did not make post-withdrawal disbursements in a timely manner. It made those disbursements between 72 and 84 days after the University determined the students withdrew.

The University did not detect those errors because it did not have a formal review process or monitoring controls to ensure the accuracy of its return of Title IV funds calculations. The University asserted that it established its post-withdrawal disbursement process after conducting a full review of its return of Title IV funds process in January 2017.

Timeliness of Returns

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. 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 payment period or period of enrollment (Title 34, CFR, Section 668.22(j)).

For 5 (7 percent) of 67 students tested, the University did not return funds within the required time frame. Specifically, the University did not determine those students' dates of withdrawal until 78 days after the end of the payment period. The University asserted that occurred because of an error in the query it used to identify students with all failing grades. The University corrected that query 78 days after the end of the payment period and identified those students at that time.

Not making returns within required time frames reduces the information available to the U.S. Department of Education for its program management.

Recommendations:

The University should:

- Accurately determine students' withdrawal dates and calculate the amount of Title IV funds earned and to be returned.
- Develop and implement controls to prevent its student financial assistance system from disbursing Title IV assistance to withdrawn students prior to performing a return of Title IV funds calculation.
- Complete post-withdrawal disbursements when required.
- Return Title IV funds within required time frames.
- Strengthen its monitoring process to ensure the accuracy of its return of Title IV funds calculations.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Recommendation: Accurately determine students' withdrawal dates and calculate the amount of Title IV funds earned to be returned.

Processes and procedures for the return of Title IV funds have been revised to more accurately determine and calculate students' withdrawal dates. In addition, the director of Scholarships and Financial Aid IT has been working closely with the Office of the University Registrar on the academic calendar to ensure that all return to Title IV funds processing is accurate, timely and compliant.

Implementation Date: December 2017

Responsible Persons: Frank Gomez and Lety Gallegos

Recommendation: Develop and implement controls to prevent its student financial assistance system from disbursing Title IV assistance to withdrawn students prior to performing a return of Title IV funds calculation.

SFA has now implemented a system by which holds are placed on all students who receive all “no credit” grades. This process will prevent disbursement of funds to any student who has not earned a passing grade, until SFA can make a determination on the student’s eligibility for funds after the term has ended.

Implementation Date: December 2017

Responsible Persons: Frank Gomez and Lety Gallegos

Recommendation: Complete post-withdrawal disbursements when required.

Staff members who process return of Title IV funds calculations have been trained to carefully identify students who are eligible for post-withdrawal disbursements, and emails are sent to students informing them of their eligibility, as well as communicating the next steps in the process.

Implementation Date: May 2017

Responsible Person: Frank Gomez

Recommendation: Return Title IV funds within required time frames.

The query used to identify students with all “no credit” grades was revised to more accurately identify students who have not earned a passing grade. Accurately identifying these students at the beginning of the return of Title IV process will result in funds being returned within the required time frames.

Implementation Date: December 2017

Responsible Persons: Frank Gomez and Lety Gallegos

Recommendation: Strengthen its monitoring process to ensure the accuracy of its return of Title IV funds calculations.

The return of Title IV calculation process has been improved by adding secondary reviews of all calculations, in addition to random review by the assistant director of federal processing.

Implementation Date: December 2017

Responsible Person: Frank Gomez

Reference No. 2017-134

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2016-131, 2015-124, 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, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162333; and CFDA 84.268, Federal Direct Student Loans, P268K172333

Statistically valid sample – No and not intended to be a statistically valid sample

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 Perkins Loan, 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 674.19(f), 685.309(b) and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

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

The University of Houston (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 4 (7 percent) of 61 students tested who had a status change, the University did not always report effective dates accurately or did not report the status change in a timely manner to NSLDS. Specifically:

- For one student, the University incorrectly reported the effective date of the status change as the date that the University certified the status change to NSC instead of the date that the student dropped below full-time enrollment.
- For one student, the University incorrectly reported the midpoint of the term as the effective date of the student’s withdrawal instead of using the student’s last day of academically related activity.
- For one student, the University initially reported the effective date for the student’s withdrawal as the last day of academically related activity, which was accurate. However, a subsequent submission to NSLDS overwrote that effective date with an inaccurate effective date (the final day of the term).
- For one student, the University reported the enrollment status change to NSC within the required time frame. However, NSC did not report that student’s status enrollment change to NSLDS until 76 days after the effective date of the enrollment status change.

The University did not have a process to ensure that the effective dates of enrollment status changes were reported accurately to NSLDS.

Not reporting the effective date of enrollment status changes accurately and not reporting status changes in a timely manner 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 the effective dates for all enrollment status changes and report enrollment status changes to NSLDS in a timely manner.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

Recommendation: The University should accurately report the effective dates for all enrollment status changes and report enrollment status changes to NSLDS in a timely manner.

The Offices of the University Registrar and Scholarships and Financial Aid have established a regularly-scheduled meeting at the end of every term to review all unofficial withdrawals to help ensure that accurate withdrawal dates are reported to NSLDS in a timely manner.

Implementation Date: January 2018

Responsible Person: Debbie Henry

University of North Texas

Reference No. 2017-135

Special Tests and Provisions – Verification

Activities Allowed or Unallowed

Cash Management

Eligibility

Reporting

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

Special Tests and Provisions – Enrollment Reporting

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

Special Tests and Provisions – Institutional Eligibility

(Prior Audit Issue 2016-132)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164085; CFDA 84.033, Federal Work-Study Program, P033A164085; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162293; CFDA 84.268, Federal Direct Student Loans, P268K172293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172293

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, 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 80, number 123).

Questioned Cost: Unknown
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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

Household size for a dependent student includes (1) the student; (2) the student’s parents; (3) the student’s siblings and children, if they will receive more than half their support from the student’s parent(s) for the entire award year; and (4) other persons who live with and receive more than half their support from the student’s parent(s) and will receive more than half support for the entire award year. Household size for an independent student includes (1) the student; (2) his or her spouse; (3) the student’s children if they will receive more than half their support from the student for the entire award year; and (4) other persons who live with and receive more than half their support from the student and will receive more than half support for the entire award year. Number in college always includes (1) the student and (2) those in the household size who are or will be enrolled at least half time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook, Application and Verification Guide*, chapter 2). Acceptable documentation for verifying household size and the number of household members who are in college includes a statement signed by the applicant, and if the applicant is a dependent student, by one of the applicant’s parents, that lists the name and age of each household member, the relationship of that household member to the applicant, and the name of the educational institution for

each household member who is or will be attending at least half-time in a program that leads to a degree or certificate (Title 34, CFR, Sections 668.57(b) and (c), and *Federal Register*, volume 80, number 123).

For 5 (8 percent) of 61 students tested, the University of North Texas (University) did not accurately verify certain required items on the students' FAFSAs or made unsupported changes to FAFSA items. Specifically:

- For one student, the University inappropriately reduced the number of household members in college because it made a manual error during the verification process. That error resulted in the student's EFC being overstated, which resulted in the University underawarding the student a total of \$300 in Federal Pell Grant funds. When auditors brought that error to the University's attention, it corrected the student's ISIR and adjusted the student's award.
- For four students, the University inappropriately reduced the household size, number of household members in college, or both. Those students certified the household size and number of household members in college on the verification form they submitted to the University; however, the University removed family member(s) from the household size and/or number in college without obtaining additional support from the students. After auditors brought those errors to the University's attention, it did not make corrections to those students' ISIRs. Therefore, auditors were unable to determine whether there were any questioned costs.

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

Other Compliance Requirements

Although the general controls weaknesses described below apply to activities allowed or unallowed, cash management, eligibility, reporting, special tests and provisions - disbursements to or on behalf of students, special tests and provisions - enrollment reporting, special tests and provisions - borrower data transmission and reconciliation (direct loan), and special tests and provisions - institutional eligibility, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system. An excessive number of employees had high-level access rights to that system. The financial assistance information system security guide recommends that only a handful of users—or just one user—have that level of access. Allowing excessive access increases the risk of inappropriate changes to systems and data.

The University also did not have adequate logical access controls for its financial assistance information system. To minimize the risks associated with public disclosure, auditors provided the details about that issue and a recommendation separately to the University in writing.

Pursuant to Standard 7.41 of the U.S. Government Accountability Office's *Government Auditing Standards*, the findings identified in the limited-use report discussed above were deemed to present potential risks to public safety and the security of critical network infrastructure and private or confidential data. As such, the detailed findings and recommendation are considered confidential and will be excluded from this publicly available report. Under the provisions of Texas Government Code, Section 552.139, the confidential findings in this report are exempt from the requirements of the Public Information Act.

Recommendations:

The University should:

- Accurately verify required FAFSA information for applicants selected for verification and make changes based only on the supporting documentation that students provide.

- Limit administrative access to its financial assistance information system to only individuals with a specific business need for that access.

Views of Responsible Officials:

Verification of Applications

Management acknowledges the findings and recommendations. The University will work to develop and implement the corrective action plan.

General Controls

The University acknowledges the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective actions.

Corrective Action Plan:

Verification of Applications

Management reviewed the recommendations and updated its verification procedures.

Implementation Date: August 2017

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

General Controls

The University acknowledged that there was more than one individual who had access at the time of this audit.

Since notification by the auditors of their concerns regarding this item, the following actions have been taken:

- Reduced the number of individuals within the information system that have access.
- Increased restrictions to financial assistance information.
- Additional remediation efforts are in progress to support a more restricted environment.

Implementation Date: December 2017

Responsible Person: Dorothy Flores

Reference No. 2017-136

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue 2016-133)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164085; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162293; CFDA 84.268, Federal Direct Student Loans, P268K172293; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172293; and CFDA 84.408, Postsecondary Education Scholarships For Veteran’s Dependents, P408A162293

Statistically valid sample – No and not intended to be a statistically valid sample

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 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 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)).

For all programs offered in modules, a student is considered to have withdrawn for Title IV purposes if the student ceases attendance at any point prior to completing the payment period or period of enrollment, unless the institution obtains written confirmation from the student at the time of the withdrawal that he or she will attend a module that begins later in the same payment period or period of enrollment (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 5, chapter 1).

The University of North Texas (University) did not perform return calculations or return Title IV funds for 2 (3 percent) of 70 students tested because it did not consider students who withdrew from modular programs to be withdrawn. After auditors brought the errors to the University’s attention, it performed the return calculations for those two students and returned the required amount of \$3,072; therefore, there were no questioned costs.

In addition, the University did not return the correct amount of funds for 1 (1 percent) of 70 students tested. Specifically, the University returned \$21 less than required. After auditors brought the error to the University’s attention, it returned the required amount; therefore, there were no questioned costs.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system. An excessive number of employees had high-level access rights to that system. The financial assistance information system security guide recommends that only a handful of users—or just one user—have that level of access. Allowing excessive access increases the risk of inappropriate changes to systems and data.

The University also did not have adequate logical access controls for its financial assistance information system. To minimize the risks associated with public disclosure, auditors provided the details about that issue and a recommendation separately to the University in writing.

Pursuant to Standard 7.41 of the U.S. Government Accountability Office's *Government Auditing Standards*, the findings identified in the limited-use report discussed above were deemed to present potential risks to public safety and the security of critical network infrastructure and private or confidential data. As such, the detailed findings and recommendation are considered confidential and will be excluded from this publicly available report. Under the provisions of Texas Government Code, Section 552.139, the confidential findings in this report are exempt from the requirements of the Public Information Act.

Recommendations:

The University should:

- Develop, document, and implement a process to identify students who withdraw from modular programs and perform Title IV return calculations for those students.
- Return accurate amounts of Title IV funds.
- Limit administrative access to its financial assistance information system to only individuals with a specific business need for that access.

Views of Responsible Officials:

Return of Title IV Calculations

Management acknowledges and agrees with the findings and recommendations. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

General Controls

The University acknowledges the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective actions.

Corrective Action Plan:

Return of Title IV Calculations

Management updated its procedures to identify students who withdraw from modular programs and ensure calculations for Return of Title IV funds are performed. Management reviewed the manual errors with employees and made changes to improve its review, calculating and monitoring process of Return of Title IV funds.

Implementation Date: August 2017

Responsible Persons: Melissa Boyer and Lacey Thompson

General Controls

The University acknowledged that there was more than one individual who had access at the time of this audit.

Since notification by the auditors of their concerns regarding this item, the following actions have been taken:

- *Reduced the number of individuals within the information system that have access.*
- *Increased restrictions to financial assistance information.*
- *Additional remediation efforts are in progress to support a more restricted environment.*

Implementation Date: December 2017

Responsible Person: Dorothy Flores

University of Texas at Arlington

Reference No. 2017-137

Cash Management

Reporting

Activities Allowed or Unallowed

Eligibility

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

Special Tests and Provisions – Institutional Eligibility

(Prior Audit Issue 2016-135)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164172; CFDA 84.033, Federal Work-Study Program, P033A164172; CFDA 84.063, Federal Pell Grant Program, P063P162335; CFDA 84.268, Federal Direct Student Loans, P268K172335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172335

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Cash Management

If an institution submits a request for the advance payment of funds, the request 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 1 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 1 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 \$500 per award year (Title 34, CFR, Section 668.163(c)(3)).

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

The University of Texas at Arlington (University) did not always minimize the time between its drawdowns of federal funds and its disbursement of those funds. For 1 (7 percent) of 15 drawdowns tested, the University did not disburse those funds within three business days of drawing down those funds. Specifically, the University did not include a \$1,862 refund for the Teacher Education Assistance for College and Higher Education Grants (TEACH) program in its calculation for that drawdown, which resulted in it drawing \$465.50 in excess TEACH program funds. The University used institutional funds for the initial disbursements to students, and it then requested reimbursement of those funds from the U.S. Department of Education after it had closed and reconciled the fund account. That error occurred because the University did not adjust its drawdown calculation based on transactions that occurred between the reconciliation date and the drawdown date; therefore, the drawdown amount was not net of the refund discussed above. The potential interest obligation resulting from that error was less than the threshold for remitting interest to the federal government; therefore, there were no questioned costs.

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.

The University also did not have adequate cash management policies and procedures, and it did not have an adequate review process prior to making drawdown requests. The University had documented procedures for how to calculate the amount to draw down; however, those procedures were not sufficient to ensure that the University included all expenditures as of the draw date and that the draw amount was net of any refunds.

The University's review process would not detect the error identified above because the University had inadequate supporting documentation for the draw amount.

Financial Reporting

The University used the U.S. Department of Education's G5 system to request reimbursement of federal funds based on the reconciliations it performed. For financial reporting purposes, the University is considered to have submitted a financial report at the time it makes a request for reimbursement using the G5 system. Therefore, as a result of the error discussed above, the University did not accurately report financial information.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, eligibility, special tests and provisions – borrower data transmission and reconciliation (direct loan), and special tests and provisions – institutional eligibility, auditors identified no compliance issues regarding those compliance areas.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict user access at the network and server levels. Specifically:

- Two student interns had administrative access to the network, and the University asserted that those students needed that access to test new systems. Although the University asserted that it restricted these student interns' access to their work hours, the University provided that level of access only to those two student interns and the department director.
- Six former employees had access to two of the University's servers, and one former employee had access to another server. In addition, eight current employees had inappropriate access to one of the servers, and another current employee had duplicate accounts on two servers.

The University did not consistently conduct periodic user access reviews for network accounts, and the periodic user access review it performed on its servers was not effective.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems.

Recommendations:

The University should:

- Strengthen controls to help ensure that it minimizes the time between drawdowns of federal funds and the disbursement of those funds.
- Include refunds in its drawdown calculations.
- Strengthen its policies and procedures to ensure compliance with cash management requirements.
- Appropriately limit network and server access to current employees and ensure that access is appropriate based on job responsibilities.

Views of Responsible Officials:

Cash Management

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has worked to develop and implement a corrective action to ensure compliance.

General Controls

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University is working to develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

Cash Management

The University has revised its policies and procedures to better ensure compliance with cash management requirements by strengthening controls, and adding provisions for monitoring and including refunds in its draw down calculations prior to completing a draw.

Implementation Date: November 22, 2017

Responsible Person: Stephanie Scott

General Controls

The University will be completing a review of its policies and procedures to ensure network and server access is appropriate based on job responsibilities.

Implementation Date: August 1, 2018

Responsible Person: Jeff Neyland

Reference No. 2017-138

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164172; CFDA 84.033, Federal Work-Study Program, P033A164172; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162335; CFDA 84.268, Federal Direct Student Loans, P268K172335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172335

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, education credits, individual retirement account deductions, other

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

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 80, number 123).

Household size for a dependent student includes (1) the student; (2) the student's parents; (3) the student's siblings and children, if they will receive more than half their support from the student's parent(s) for the entire award year; and (4) other persons who live with and receive more than half their support from the student's parent(s) and will receive more than half support for the entire award year. The number in college always includes (1) the student and (2) those in the household who are or will be enrolled at least half time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook, Application and Verification Guide*, chapter 2). Acceptable documentation for verifying household size and the number of household members who are in college includes a statement signed by the applicant, and if the applicant is a dependent student, by one of the applicant's parents, that lists the name and age of each household member, the relationship of that household member to the applicant, and the name of the educational institution for each household member who is or will be attending at least half-time in a program that leads to a degree or certificate (Title 34, CFR, Sections 668.57(b) and (c), and *Federal Register*, volume 80, number 123).

For 6 (10 percent) of 60 students tested, the University of Texas at Arlington (University) made unsupported changes to FAFSA items. For those six students, the University made inappropriate changes to one or more of the following items during the verification process: U.S. income tax paid, untaxed income, household size, and number of household members who are in college. Specifically:

- For one student, the income tax paid was reported correctly on the student's application; however, the University incorrectly updated that amount using incorrect line items from the student's tax return transcript.
- For two students, the University inappropriately added \$8,410 in other untaxed income to each student's application. The University asserted that if students indicated that they lived with their parents, it used professional judgment to add \$8,410 to the students' untaxed income; however, it did not request documentation from the students to support that amount. Additionally, one of those students reported \$1,300 in child support received annually, and the University inappropriately multiplied that student's child support received amount by 12, which increased that amount to \$15,600.
- For two students, the University inappropriately removed family members from the household size and/or number of household members in college. Those two students certified the household size and number in college on the verification form they submitted to the University. For one student, the University removed a family member from the household size and/or number in college without obtaining additional support from the student. For the other student, the University followed up with the student to request additional information, and the student responded by stating that a sibling received more than half of the sibling's support from the parents; however, the University removed the sibling from the household size.
- For one student, the University inappropriately added \$8,410 as other untaxed income to the student's application (as described above), and it also removed a family member from the household size and/or number in college without obtaining additional support from the student. The student certified the household size and number in college on the verification form the student submitted to the University, but the University removed a family member from the household size and number in college without obtaining additional support from the student.

After auditors brought those errors to the University's attention, it made corrections to those students' Institutional Student Information Records (ISIRs) and adjusted those students' awards as necessary; therefore, there were no questioned costs.

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

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict user access at the network and server levels. Specifically:

- Two student interns had administrative access to the network, and the University asserted that those students needed that access to test new systems. Although the University asserted that it restricted these student interns' access to their work hours, the University provided that level of access only to those two student interns and the department director.
- Six former employees had access to two of the University's servers, and one former employee had access to another server. In addition, eight current employees had inappropriate access to one of the servers, and another current employee had duplicate accounts on two servers.

The University did not consistently conduct periodic user access reviews for network accounts, and the periodic user access review it performed on its servers was not effective.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems.

Recommendations:

The University should:

- Accurately verify required FAFSA information for applicants selected for verification and make changes based only on the supporting documentation that students provide.
- Appropriately limit network and server access to current employees and ensure that access is appropriate based on job responsibilities.

Views of Responsible Officials:

Verification

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has worked to develop and implement corrective actions to ensure compliance.

General Controls

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University is working to develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

Verification

The University completed 100% review for 2017-2018 to ensure untaxed income for independent students living at home did not include an \$8,410 inclusion without a Professional Judgement as required. Staff has completed a policy and procedure review to minimize manual processing errors.

Implementation Date: October 31, 2017

Responsible Person: Lyn Kinyon

General Controls

The University will be completing a review of its policies and procedures to ensure network and server access is appropriate based on job responsibilities.

Implementation Date: August 1, 2018

Responsible Person: Jeff Neyland

Reference No. 2017-139

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

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164172; CFDA 84.033, Federal Work-Study Program, P033A164172; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162335; CFDA 84.268, Federal Direct Student Loans, P268K172335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172335

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Disbursements

The earliest an institution may disburse Title IV Higher Education Act program funds to an eligible student or parent is 10 days before the first day of classes of a payment period (Title 34, Code of Federal Regulations (CFR), Section 668.164(i)).

Questioned Cost: \$ 0

U.S. Department of Education

If a student is scheduled to begin class in a module of a term-based program that starts after the first day of classes for the semester, an institution may not make the initial disbursement until 10 days before the start of the first module in which the student is scheduled to begin attendance (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 3, chapter 1).

The University of Texas at Arlington (University) did not consistently disburse student financial assistance to students in accordance with required time frames. Specifically, for 7 (11 percent) of 66 students tested, the University disbursed student financial assistance more than 10 days before the start of the first module in which the students were scheduled to begin attendance. The University had a manual control that prevented disbursements of student financial assistance more than 10 days before the start of a traditional term, which is defined by the academic calendar. However, it did not have a control to prevent early disbursement to students enrolled in modules.

Auditors did not identify students to whom the University overawarded financial assistance as a result of that issue; however, making disbursements early to students enrolled in modules increases the risk that the University could award financial assistance to students who do not attend class for the term.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict user access at the network and server levels. Specifically:

- Two student interns had administrative access to the network, and the University asserted that those students needed that access to test new systems. Although the University asserted that it restricted these student interns' access to their work hours, the University provided that level of access only to those two student interns and the department director.
- Six former employees had access to two of the University's servers, and one former employee had access to another server. In addition, eight current employees had inappropriate access to one of the servers, and another current employee had duplicate accounts on two servers.

The University did not consistently conduct periodic user access reviews for network accounts, and the periodic user access review it performed on its servers was not effective.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems.

Recommendations:

The University should:

- Develop and implement controls to disburse financial assistance to students enrolled in modules within required time frames.
- Appropriately limit network and server access to current employees and ensure that access is appropriate based on job responsibilities.

Views of Responsible Officials:

Disbursements To or On Behalf of Students

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has worked to develop and implement corrective actions to ensure compliance.

General Controls

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University is working to develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

Disbursements To or On Behalf of Students

The University enhanced its student management system to delay disbursements to students 10 days before the start of a module as required effective spring 2018.

Implementation Date: January 1, 2018

Responsible Person: Karen Krause

General Controls

The University will be completing a review of its policies and procedures to ensure network and server access is appropriate based on job responsibilities.

Implementation Date: August 1, 2018

Responsible Person: Jeff Neyland

Reference No. 2017-140

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164172; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162335; CFDA 84.268, Federal Direct Student Loans, P268K172335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172335

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV 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: Unknown
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 that the institution determined 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 as described 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)).

For an institution that is not required to take attendance, the institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (Title 34, CFR, Section 668.22(j)(2)). An institution may use as a student’s withdrawal date the student’s last date of attendance at an academically related activity provided that the institution documents that the activity is academically related and documents the student’s attendance at the activity (Title 34, CFR, Section 668.22(c)(3)).

If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV program funds that were credited to the student’s account at the institution or disbursed directly to the student for that payment period or period of enrollment (Title 34, CFR, Section 668.21(a)).

The University of Texas at Arlington (University) did not always accurately determine the amount of Title IV funds to return or return the correct amount. For 6 (10 percent) of 61 students tested who had a return of Title IV funds, the University did not accurately determine the amount of Title IV funds to return or did not return the correct amount of Title IV funds as required. Specifically:

- For three students, the University did not consider the total amount of Title IV grant assistance disbursed for the payment period. Those errors occurred because the University adjusted the students' financial assistance awards based on changes in enrollment status unrelated to the students' withdrawals. Subsequently, the University did not include the full amount that the students were eligible to receive in its return calculations. That resulted in the University not performing the return calculations accurately and underawarding Title IV grant assistance to all three students. Additionally, for one of those students, the error resulted in the University returning less Title IV loan assistance than was required.
- For two students enrolled in module courses, the University did not correctly determine the number of days in the payment period. Those errors occurred because the University omitted the number of days associated with one module course from the total number of days that the students were scheduled to complete. As a result, the University did not accurately determine the percentage of period completed and amount of Title IV funds to return.
- For one student, the University appropriately calculated the amount of Title IV funds to return; however, it returned less than was required. That occurred because of a manual error the University made when it returned funds.

After auditors brought the above errors to the University's attention, it adjusted students' awards and returned funds to the U.S. Department of Education as necessary; therefore, there were no questioned costs.

In addition, the University did not always identify students who never attended or unofficially withdrew from all courses for a term. The University used a report to identify students with no passing grades at the end of each term; that report included attendance data from professors. The University then manually reviewed each student's information to determine the last date of attendance at an academically related activity to use in its return calculations. However, that review did not identify all students for whom a return was required. For 9 (15 percent) of 62 students tested, the University did not calculate the amount of Title IV funds to return. Specifically:

- For seven students who received Direct Loans and unofficially withdrew from a term in the award year, the University obtained the students' last day of attendance at an academically related activity, but it did not use that information to perform its return calculations. After auditors brought those errors to the University's attention, it performed return calculations for those students and returned funds as necessary to the U.S. Department of Education; therefore, there are no questioned costs.
- For one student, the University did not determine the last day of attendance at an academically related activity. That occurred because the student received a grade of "Incomplete," and the University did not evaluate grades of "Incomplete" when determining which students unofficially withdrew from all courses for a term. Because the University did not determine a last date of attendance for that student, auditors are unable to determine whether any questioned costs were associated with that error.
- For one student, the University determined that the student never began attendance in the payment period; however, the University did not return all Title IV program funds that were credited to the student's account for that payment period. After auditors brought that error to the University's attention, it returned funds as necessary to the U.S. Department of Education; therefore, there were no questioned costs.

The University did not have adequate controls to (1) identify all withdrawn students and (2) review its return calculations for accuracy. Not accurately 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 inappropriately return funds that students have earned.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict user access at the network and server levels. Specifically:

- Two student interns had administrative access to the network, and the University asserted that those students needed that access to test new systems. Although the University asserted that it restricted these student interns' access to their work hours, the University provided that level of access only to those two student interns and the department director.
- Six former employees had access to two of the University's servers, and one former employee had access to another server. In addition, eight current employees had inappropriate access to one of the servers, and another current employee had duplicate accounts on two servers.

The University did not consistently conduct periodic user access reviews for network accounts, and the periodic user access review it performed on its servers was not effective.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems.

Recommendations:

The University should:

- Accurately calculate and return the required amount of Title IV funds.
- Strengthen controls to ensure that it identifies all withdrawn students.
- Strengthen the review process over its return calculations.
- Appropriately limit network and server access to current employees and ensure that access is appropriate based on job responsibilities.

Views of Responsible Officials:

Return of Title IV Funds

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University is working to develop and implement corrective actions to ensure compliance.

General Controls

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University is working to develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

Return of Title IV Funds

The University is in the process of reviewing its policies and procedures related to Return of Title IV Funds and Unofficial Withdrawals to minimize processing errors.

Implementation Date: November 1, 2017

Responsible Person: Beth Reid

General Controls

The University will be completing a review of its policies and procedures to ensure network and server access is appropriate based on job responsibilities.

Implementation Date: August 1, 2018

Responsible Person: Jeff Neyland

Reference No. 2017-141

Special Tests and Provisions – Enrollment Reporting
(Prior Audit Issues 2016-138, 2015-131, 2014-152, and 2013-173)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162335; and CFDA 84.268, Federal Direct Student Loans, P268K172335

Statistically valid sample – No and not intended to be a statistically valid sample

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

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, 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 always report students who unofficially withdrew from all courses for the term to NSLDS or did not always report the correct effective date for the withdrawn status. For 6 (9 percent) of 67 students tested, the University determined the last date of attendance for students who withdrew without providing official notification; however, it did not report those students as withdrawn to NSLDS. Specifically:

- For three students, the University did not report a withdrawn status to NSLDS.

- For three students, the University ultimately reported a withdrawn status to NSLDS because the students did not return for the subsequent term; however, the effective date it reported was incorrect because the date it reported was the last day of the term, rather than the students' last dates of attendance.

The University did not have an adequate process to ensure that it accurately reported students who unofficially withdrew from all courses for the term to NSLDS.

In addition, the University did not always report the correct effective date for students' status changes. For 3 (4 percent) of 67 students tested, the University correctly reported the students as withdrawn; however, it reported an incorrect effective date for the withdrawn status. For those students, the University incorrectly backdated the withdrawn status to the last day of the previous term or the first day of the current term, rather than reporting the actual date of the students' withdrawals.

The University did not have an adequate process to ensure that it reported student status changes and the effective dates of those changes to NSLDS accurately and in a timely manner.

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

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict user access at the network and server levels. Specifically:

- Two student interns had administrative access to the network, and the University asserted that those students needed that access to test new systems. Although the University asserted that it restricted these student interns' access to their work hours, the University provided that level of access only to those two student interns and the department director.
- Six former employees had access to two of the University's servers, and one former employee had access to another server. In addition, eight current employees had inappropriate access to one of the servers, and another current employee had duplicate accounts on two servers.

The University did not consistently conduct periodic user access reviews for network accounts, and the periodic user access review it performed on its servers was not effective.

Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems.

Recommendations:

The University should:

- Strengthen controls over its process to report status changes for students who unofficially withdraw.
- Accurately report all student status changes and effective dates to NSLDS in a timely manner.
- Appropriately limit network and server access to current employees and ensure that access is appropriate based on job responsibilities.

Views of Responsible Officials:

Enrollment Reporting

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University is working to develop and implement corrective actions to ensure compliance.

General Controls

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University is working to develop and implement corrective actions to ensure compliance.

Corrective Action Plan:

Enrollment Reporting

The University will be completing a full review of Enrollment Reporting Policies and Procedures.

Implementation Date: July 1, 2018

Responsible Person: Nichole Fisher

General Controls

The University will be completing a review of its policies and procedures to ensure network and server access is appropriate based on job responsibilities.

Implementation Date: August 1, 2018

Responsible Person: Jeff Neyland

University of Texas at Austin

Reference No. 2017-142

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164173; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162336; and CFDA 84.268, Federal Direct Student Loans, P268K172336

Statistically valid sample – No and not intended to be a statistically valid sample

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 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 that the institution determined 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 as described 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 Texas at Austin (University) did not correctly calculate the amount of Title IV funds earned or the amount of funds to return for 13 (22 percent) of 60 students tested. Those errors occurred because the University incorrectly determined the total number of days in the payment period for the Fall 2016 term. The University incorrectly used 0 days (instead of 5 days) for its Thanksgiving break when it determined the payment period for the Fall 2016 term, and it did not have a control to ensure that it used the correct number of days in its calculations. For all 13 students, the University returned more funds to the U.S. Department of Education than it was required to return; therefore, there were no questioned costs.

The University identified the error described above at the end of the Fall 2016 term and, as a result, it performed return calculations again, communicated the error to affected students, redispensed any Pell Grant funds the students were eligible to receive, and offered to disburse the portion of loan funds that it incorrectly returned to the U.S. Department of Education. When it made corrections for one of the 13 students whose information auditors tested, the University incorrectly disbursed \$26 in Pell Grant funds that the student was not eligible to receive. After auditors brought that error to the University's attention, it returned the \$26 in Pell Grant funds to the U.S. Department of Education; therefore, there were no questioned costs.

The University asserted that a total of 60 students in the Fall 2016 term had been affected by the error described above and that it made the necessary corrections.

Recommendations:

The University should:

- Accurately determine the number of days in scheduled breaks and calculate returns of Title IV funds correctly based on the payment period or period of enrollment.
- Implement controls to determine the number of days to use in its return calculations.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will continue to work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

The University has implemented process enhancements when reviewing the total number of days within a payment period for a specific semester. The semester dates will be reviewed by multiple staff members to ensure accuracy in determining the number of days in the semester for the R2T4 calculation. These staff member reviews will include a senior level manager.

Implementation Date: November 9, 2017

Responsible Person: Gordon Lipscomb

Reference No. 2017-143

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162336; and CFDA 84.268, Federal Direct Student Loans, P268K172336

Statistically valid sample – No and not intended to be a statistically valid sample

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level

Questioned Cost: \$ 0

U.S. Department of Education

enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

The University of Texas at Austin (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 ensure that students with enrollment changes were accurately reported to NSLDS. Specifically, for 2 (3 percent) of 60 students tested with enrollment status changes, the University did not report the status change to NSLDS. Both of those students unofficially withdrew during the Fall 2016 term and, while the University reported the status changes to NSC, those status changes were never reported to NSLDS. Both of those students also unofficially withdrew during the Spring 2017 term, and the University determined that those students never attended that term. For one of those students, the University reported the student as withdrawn with an incorrect effective date. For the other student, the University never reported the withdrawal to NSLDS. The University accurately reported the statuses of both students to NSLDS after auditors brought those errors to its attention.

The University did not have an adequate monitoring process to ensure that student status changes were accurately reported to NSLDS. Not reporting student status changes 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.

Recommendations:

The University should:

- Accurately report status changes and effective dates 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:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

The University of Texas at Austin has adjusted the student information system software by expanding the search criteria to look for past semester withdrawal dates rather than relying on the last day of the previous semester when the institution has determined that the student is not enrolled in the given term. This will allow us to pick up the correct effective date of the withdrawal. The institution will take steps to identify students who are enrolled in the current semester but retroactively withdrew from a previous semester, and will manually update enrollment status and effective date using NSLDS web. NSC is aware of this issue and has this on their priority of enhancements. Once NSC fully supports the functionality of submitting stacked enrollments for students, we will discontinue to update NSLDS directly. NSC has been collaborating with Federal Student Aid (FSA) for clarification regarding reporting retroactive enrollment status changes and will be taking measures to address this issue in the near future.

Implementation Date: February 2018

Responsible Person: Vasanth Srinivasa

University of Texas at El Paso

Reference No. 2017-144

Cash Management

(Prior Audit Issue 2016-143)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164176; CFDA 84.033, Federal Work-Study Program, P033A164176; CFDA 84.063, Federal Pell Grant Program, P063P162338; CFDA 84.268, Federal Direct Student Loans, P268K172338; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172338

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency

An institution must use a financial management system that enables it to (1) identify, in its accounts, all federal awards received and expended and the federal programs under which they were received; (2) provide for accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements in Title 2, Code of Federal Regulations (CFR), Sections 200.327 and 200.328; (3) maintain records that adequately identify the source and application of funds for federally funded activities; (4) establish effective internal control, and accountability for, all funds, property, and other assets, and adequately safeguard those assets, and ensure that they are used only for authorized purposes; (5) compare actual expenditures with the approved budget for the federal award; (6) establish written procedures to implement the requirements of Title 2, CFR, Section 200.305; and (7) establish written procedures for determining the allowability of costs in accordance with the applicable federal cost principles and the terms and conditions of the federal award (Title 2, CFR, Section 200.302).

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

In addition, an institution must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University of Texas at El Paso (University) did not have adequate controls over its cash management processes to ensure that it managed its federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. Specifically, the support the University used to determine drawdown amounts did not contain sufficient information, using the University’s internal records, to determine the University’s net cash position based on the net amount of cumulative expenditures and cumulative reimbursements as of the draw date. The University had written policies; however, those policies did not include procedures for calculating the University’s net cash position. While auditors did not identify any instances of non-compliance with cash management requirements, not having adequate controls over its drawdown processes increases the risk that the University could draw down funds that exceed its needs.

Recommendation:

The University should develop, document, and implement a process to ensure that its drawdown calculations consider cumulative expenditures and cumulative reimbursements based on the University’s internal records.

Views of Responsible Officials:

It is the opinion of the University that this finding is highly subjective as the Institution does have policies and procedures in place (checks and balances) to ensure that drawdown amounts reflect the accurate cash available and cumulative expenditures and reimbursements. In order to strengthen our current policies and procedures and to specifically address the auditor’s concern of net cash position based on the net amount of

cumulative expenditures and cumulative reimbursements as of the date of the drawdown, the University will adjust and amend its cash management policies.

Corrective Action Plan:

The Office of Student Financial Aid and the Office of Contracts and Grants have already discussed this recommendation and a draft policy is being written. A follow-up meeting is scheduled and the final policy will be implemented March 1, 2018.

Implementation Date: March 1, 2018

Responsible Persons: Gladys Chairez and Guadalupe Gomez

Reference No. 2017-145

Eligibility

Special Tests and Provisions – Institutional Eligibility

(Prior Audit Issues 2016-144 and 2015-141)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164176; CFDA 84.033, Federal Work-Study Program, P033A164176; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162338; CFDA 84.268, Federal Direct Student Loans, P268K172338; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172338; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP30178-01-00, T08HP30184-01-00, and T08HP30206-01-00
Statistically valid sample – No and not intended to be a statistically valid sample
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 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 (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook, Application and Verification Guide*, chapter 1, and Title 34, Code of Federal Regulations (CFR), Sections 668.2, 673.5, and 685.301).

Direct Loans have annual and aggregate limits based on the student’s dependency status and classification (undergraduate or graduate). 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, *2016-2017 Federal Student Aid Handbook*, volume 3, chapter 5).

The University of Texas at El Paso (University) assigned an incorrect COA budget for three students. The University established different COA budgets based on a student's classification (for example, graduate or undergraduate) and it awarded financial assistance to students based on those budgets. For financial assistance purposes, the University considers students enrolled in its Alternative Certification Program to be undergraduates; however, due to manual errors that it made, the University assigned a graduate level COA budget for three students enrolled in that program. As a result, the University incorrectly disbursed Direct Loan funds to one of those students based on the graduate level annual limit, which resulted in that student receiving \$4,076 in Direct Loans in excess of the undergraduate annual limit. After auditors brought that error to the University's attention, it returned the excess funds to the U.S. Department of Education; therefore, there were no questioned costs. The other two students' financial assistance awards did not exceed the undergraduate annual limit; however, assigning an incorrect COA budget increases the risk that students could receive awards in excess of those limits.

Satisfactory Academic Progress

A student is eligible to receive Title IV financial assistance if the student maintains satisfactory academic progress (SAP) 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 668.34 (Title 34, CFR, Section 668.32(f)). An institution's SAP policy should 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 SAP policy did not include all required elements. Specifically, the University's SAP policy did not specify how a student's GPA was affected by withdrawals or transfer hours from other institutions.

Auditors did not identify students during testing who would be ineligible for student financial assistance as a result of the issue discussed above. However, not including required elements in the SAP policy increases the risk that the University could incorrectly calculate SAP and award financial assistance to ineligible students.

Federal Supplemental Educational Opportunity Grants

The Federal Supplemental Educational Opportunity Grants (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 all federal student financial assistance recipients, the University awarded \$2,400 in FSEOG assistance to 6 students who did not also receive Federal Pell Grants. In addition, the University did not award FSEOG assistance to all other Federal Pell Grant recipients before awarding FSEOG assistance to those six students. The University configured its financial assistance system to prevent students from receiving FSEOG if they had not also received a Federal Pell Grant disbursement; however, that control was not in place for the Summer term. As a result, the University incorrectly disbursed FSEOG funds to five students. For the remaining student, the University did not cancel the FSEOG award after it determined that student was not eligible for a Federal Pell Grant due to a manual error that it made. After auditors brought those errors to the University's attention, it canceled the FSEOG awards for those students.

Recommendations:

The University should:

- Assign COA budgets and award financial assistance to students based on their correct classification.
- Update its SAP policy to ensure that it meets all federal requirements, including a description of how a student's GPA is affected by withdrawals and transfer hours.
- Award FSEOG assistance only to eligible students.

Views of Responsible Officials:

Cost of Attendance

The University concurs that in each of the three instances noted by the auditors, the staff member erroneously updated information that incorrectly adjusted the student's cost of attendance. Since human error caused these errors, the University has already provided additional guidance and training to prevent these mistakes from reoccurring again in the future.

Satisfactory Academic Progress

In accordance with the University's catalog, grades of "W" and grades associated with transfer credit hours are not included in the Institution's GPA calculation and, therefore, are not counted in the student's grade point average for Financial Aid SAP purposes. In order to be compliant with the state auditors' recommendation, since this information may not appear to be detailed enough for our students, the University has already incorporated this Catalog information into its current Financial Aid SAP Policy. The policy has been modified and has been posted on the Office's website.

Federal Supplemental Educational Opportunity Grant

The auditors identified six students who received FSEOG but did not receive Pell. The Institution identified that one of these inaccuracies was due to a manual error. For the five remaining students, in order to award additional SEOG funds, the University created a rule during the Spring semester in Banner to prevent disbursements of FSEOG to students who did not receive Pell, but the control was not activated. Immediately following the auditors' site visit, the school corrected the rule in Banner to only award FSEOG to eligible students.

Corrective Action Plan:

Cost of Attendance

As stated above, the University has already provided additional guidance and training to prevent these cost of attendance errors from reoccurring again in the future.

Implementation Date: DONE – December 2017

Responsible Person: Gladys Chairez

Satisfactory Academic Progress

As stated above, the University has already modified its Financial Aid SAP Policy.

Implementation Date: DONE – January 2018

Responsible Person: Gladys Chairez

Federal Supplemental Educational Opportunity Grant

As stated above, the University has already activated the rule in Banner for eligibility purposes and modified its award packaging requirements.

Implementation Date: DONE – December 2017

Responsible Person: Gladys Chairez

Reference No. 2017-146

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164176; CFDA 84.033, Federal Work-Study Program, P033A164176; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162338; CFDA 84.268, Federal Direct Student Loans, P268K172338; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172338

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, 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 80, number 123).

Questioned Cost: Unknown
U.S. Department of Education

If an applicant is selected to verify AGI, income earned from work, or U.S. income tax paid, an institution must accept, in lieu of an income tax return or an Internal Revenue Service (IRS) form that lists tax account information if the individual for the specified year has not filed and, under IRS rules or other applicable government agency rules, is not required to file an income tax return, a statement signed by that individual certifying that he or she has not filed and is not required to file an income tax return for the specified aid year and certifying for that year that individual’s sources of income earned from work as stated on the FAFSA and the amounts of income from each source (Title 34, CFR, Section 668.57).

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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

For 3 (5 percent) of 60 students tested, the University of Texas at El Paso (University) did not accurately verify all required items on the FAFSA; therefore, it did not subsequently request updated ISIRs as required. Specifically, for three students, the University did not accurately verify one or more of the following items: education credits, U.S. income taxes paid, or other untaxed income. Those errors occurred because of manual errors the University made during its verification process. When auditors brought those errors to the University’s attention, the deadline to submit corrections for the award year had passed. However, the University performed procedures to correct information in its student financial assistance system and asserted the following: For two of those three students, the errors did not result in changes to

students' EFCs or financial assistance awards; for the third student, the error resulted in a change in EFC and, as a result, the University overawarded a total of \$100 in Pell Grant funds. The University subsequently returned the overawarded amounts to the U.S. Department of Education. The University asserted that it had a process to review a sample of the verifications it performed; however, that process did not detect the errors discussed above.

Recommendations:

The University should:

- Accurately verify required FAFSA information for applicants selected for verification.
- Strengthen its process to review verifications.

Views of Responsible Officials:

The University concurs that each of the three instances, noted by the auditors, were caused by human error. Each student's file was processed by a different staff member and each erred on a different verifiable item in the verification process. As such, since human error caused these oversights, the University has already provided additional guidance and training to prevent these mistakes from reoccurring in the future.

Corrective Action Plan:

As stated above, the University has already provided additional guidance and training to prevent these verification errors from reoccurring in the future.

Implementation Date: *DONE – December 2017*

Responsible Person: *Gladys Chairez*

Reference No. 2017-147

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue 2016-145)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164176; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162338; CFDA 84.268, Federal Direct Student Loans, P268K172338; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172338

Statistically valid sample – No and not intended to be a statistically valid sample

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 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 that the institution determined 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. For purposes of this calculation, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)).

For 8 (12 percent) of 65 students tested, the University of Texas at El Paso (University) incorrectly calculated the amount of Title IV funds to be returned. Specifically:

- For four students, the University did not accurately determine the amount of institutional charges to be used in the return calculation. That occurred because the University did not configure its financial assistance system, Banner, to include room and board fees. As a result, the University returned less than was required. After auditors brought that error to its attention, the University recalculated and returned the required funds to the U.S. Department of Education for those four students; therefore, there were no questioned costs. The University asserted that it identified a total of 38 students affected by that error, re-performed the return calculations to include room and board fees, and returned all required funds.
- For two students, the University did not perform a return calculation; as a result, it did not return any of the required funds. One of those errors was the result of a manual error the University made; the other error was due to an issue in the University's financial assistance system. After auditors brought those errors to the University's attention, it completed return calculations and returned all required funds; therefore, there were no questioned costs.
- For one student, the University performed an erroneous second return calculation after it had correctly calculated and returned the required amount of funds. As a result, the University returned more than was required. The University asserted that it performed the second calculation because it did not properly maintain documentation of its original calculation.
- For one student, the University used an incorrect withdrawal date in its return calculation. As a result, the University returned more than was required; therefore, there were no questioned costs.

The University asserted that it had a process to review a sample of the return calculations it performed during the award year; however, that process did not detect the errors noted above.

Recommendations:

The University should:

- Accurately determine the amount of Title IV funds to be returned for all students who withdraw.
- Strengthen its process to review return calculations.

Views of Responsible Officials:

The Institution concurs with the auditors' recommendations. During the 2016-2017 award year, the Return of Title IV responsibilities and oversight of this process transitioned from one manager to another and both system and human errors occurred. The University has already modified the Banner student system during the auditors' site visit to accurately reflect institutional charges and the newly hired manager has strengthened and corrected the University's Return of Title IV policies and procedures.

Corrective Action Plan:

As stated above, the University has already made the necessary changes to be compliant with Return of Title IV regulations to prevent these errors from reoccurring in the future.

Implementation Date: DONE – January 2018

Responsible Persons: Gladys Chairez and Diana Valle

Reference No. 2017-148

Special Tests and Provisions - Enrollment Reporting

(Prior Audit Issue 2016-146)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162338; and CFDA 84.268, Federal Direct Student Loans, P268K172338

Statistically valid sample – No and not intended to be a statistically valid sample

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

Questioned Cost: \$ 0

U.S. Department of Education

To protect a student’s interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*NSLDS Enrollment Reporting Guide*, Appendix C and chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)). 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: (1) one transaction showing the completion of the first program and its effective date and credential level and (2) another transaction showing the enrollment in the second program and its effective date (*NSLDS Enrollment Reporting Guide*, Appendix C, and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

The University of Texas at El Paso (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 4 (7 percent) of 60 students tested, the University (1) did not report status changes to NSLDS when required, (2) did not accurately report effective dates of status changes to NSLDS, or (3) did not report status changes to NSLDS in a timely manner. Specifically, the University:

- Did not report one student's graduated status. The University reported that student's graduated status to NSC, but NSC did not report that status to NSLDS because that student enrolled in a subsequent term.
- Reported an incorrect effective date for one student who had a status change between two terms.
- Did not report two students' status changes in a timely manner. The status changes for those students were reported 61 and 64 days after their effective dates. According to the University, at the time those changes occurred, the University had not fully implemented its reporting schedule to ensure that changes were reported in a timely manner.

The University asserted that it had developed a monitoring process to ensure that student status changes were accurately reported to NSLDS; however, that process was not formalized or documented and did not detect the errors discussed above. Not reporting student status changes accurately and in a timely manner 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 status changes and effective dates to NSLDS in a timely manner.
- Implement a formal documented monitoring process to help ensure accurate reporting to NSLDS.

Views of Responsible Officials:

The University concurs with the auditors' recommendations.

Corrective Action Plan:

The University will continue to strengthen and monitor its enrollment reporting process to remain in compliance with these regulations.

Implementation Date: DONE – December 2017

Responsible Persons: Gladys Chairez and Nohemi Gallarzo

University of Texas Health Science Center at Houston

Reference No. 2017-149

Cash Management

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A165159; CFDA 84.063, Federal Pell Grant Program, P063P162584; and CFDA 84.268, Federal Direct Student Loans, P268K172584

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency

An institution must use a financial management system that enables it to (1) identify, in its accounts, all federal awards received and expended and the federal programs under which they were received; (2) provide for accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements in Title 2, Code of Federal Regulations (CFR), Sections 200.327 and 200.328; (3) maintain records that adequately identify the source and application of funds for federally funded activities; (4) establish effective internal control, and accountability for, all funds, property, and other assets, and adequately safeguard those assets, and ensure that they are used only for authorized purposes; (5) compare actual expenditures with the approved budget for the federal award; (6) establish written procedures to implement the requirements of Title 2, CFR, Section 200.305; and (7) establish written procedures for determining the allowability of costs in accordance with the applicable federal cost principles and the terms and conditions of the federal award (Title 2, CFR, Section 200.302).

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

In addition, institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University of Texas Health Science Center at Houston (Health Science Center) did not have adequate cash management controls to manage its federal awards in compliance with federal statutes, regulations, and the terms and conditions of its federal awards. Specifically:

- The Health Science Center did not have a process to review and approve amounts to be drawn down for Federal Direct Student Loans. Additionally, the support it used to determine the drawdown amounts did not contain sufficient information to determine the net amount of cumulative disbursements and cumulative reimbursements as of the draw date. Although the Health Science Center performed monthly reconciliations of Direct Loan disbursements and reimbursements that allowed it to identify whether it was overdrawn, it performed those reconciliations after it had drawn down funds.
- The Health Science Center performed a documented review of reports that supported the amounts it planned to draw down for the Federal Pell Grant Program and Federal Supplemental Educational Opportunity Grants (FSEOG). However, the reports it reviewed did not contain sufficient information to determine the net amount of cumulative disbursements and cumulative reimbursements as of the draw date. The Health Science Center performed monthly reconciliations of the Federal Pell Grant Program and FSEOG; however, it reconciled only disbursements to students and did not consider federal reimbursements.

Not having adequate controls over cash management increases the risk that the Health Science Center could draw down funds in excess of its needs.

Although auditors identified the control weaknesses discussed above, auditors did not identify any non-compliance with cash management requirements.

Recommendations:

The Health Science Center should:

- Develop and implement a process to review adequate support and approve drawdowns for its Federal Direct Loans.
- Develop and implement a process to ensure that drawdown amounts consider cumulative disbursements and cumulative reimbursements as of the draw date.

Views of Responsible Officials:

Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

The University has revised its draw down procedures for the Direct Loan Program. The revisions will implement a review and documentation of the net amount of cumulative disbursements and cumulative reimbursements at the time of each drawdown and forward the drawdown request to the Director of Student Financial Services for review and approval.

The University has revised its draw down procedures for the Pell Grant Program and Federal Supplemental Educational Opportunity Grants. The revisions will implement a process to ensure that we obtain sufficient information to determine, consider, document, cumulative disbursements and cumulative reimbursements as of the draw date.

Implementation Date: March 1, 2018

Responsible Person: Araceli Alvarez

Reference No. 2017-150

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A165159; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162584; CFDA 84.268, Federal Direct Student Loans, P268K172584; CFDA 93.264, Nurse Faculty Loan Program, E01HP28779-02-00; CFDA 93.342, Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students, E31HP24333-02-00; and CFDA 93.364, Nursing Student Loans, Award Number Not Applicable

Statistically valid sample – No and not intended to be a statistically valid sample

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

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

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 Health Science Center at Houston (Health Science Center) had established different COA budgets for undergraduate and graduate students based on residency, degree program, and period of enrollment. The Health Science Center set up the COA budgets in its student financial assistance system, PeopleSoft, only for full-time enrollment; it did not set up COA budgets for less-than-full-time enrollment. The formulas in PeopleSoft automatically determined which budget items are assigned to each student set up for the aid year, and the Health Science Center performed any subsequent adjustments manually.

For 27 (44 percent) of 62 students tested, the Health Science Center incorrectly or inconsistently calculated the student’s COA. For each of those 27 students, the Health Science Center made one or more of the following errors in its budget determination:

- Assigned a full-time tuition and fees and/or books and supplies budget when the student was enrolled less than full-time.
- Assigned a tuition and fees budget based on Texas resident tuition when the student was a non-resident.
- Assigned a loan fee budget when the student did not receive a direct loan or incorrectly calculated the loan fee budget amount.
- Did not consistently use its established COA budgets to determine the student’s tuition and fees budget amount.

The errors discussed above occurred because the Health Science Center did not adequately design the controls over its budgeting process to ensure that it assigned COA budgets to students correctly and consistently. As a result of the COA errors discussed above, the Health Science Center overawarded two students a total of \$2,278 in direct loan assistance. After auditors brought those errors to the Health Science Center’s attention, the Health Science Center returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Recommendation:

The Health Science Center should strengthen controls to ensure that it properly assigns COA components and does not overaward financial assistance to students.

Views of Responsible Officials:

The University concurs with the recommendations.

Corrective Action Plan:

Consistent with the audit recommendation, the Financial Aid Office will make certain that all components of a student’s cost of attendance are properly assigned by 1. Developing a query to identify a student’s

enrollment status on the census day in order to adjust the cost of attendance based on enrollment level 2. Ensuring that all non-resident students receive the proper budget items prior to packaging by identifying them on the packaging queries 3. Developing a query that identifies students with required loan fee adjustments.

Implementation Date: April 1, 2018

Responsible Person: Araceli Alvarez

Reference No. 2017-151

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A165159; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162584; and CFDA 84.268, Federal Direct Student Loans, P268K172584

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, 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 80, number 123).

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 subsidized student financial assistance awards 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 (9 percent) of 23 students tested, the University of Texas Health Science Center at Houston (Health Science Center) did not accurately verify certain items on the FAFSA or made unsupported changes to FAFSA items. Specifically:

- The Health Science Center incorrectly verified one student’s income earned from work and child support paid. As a result, that student’s EFC was understated, which resulted in the Health Science Center overawarding \$100 in Federal Pell Grant assistance to that student.
- The Health Science Center incorrectly added taxable interest income as untaxed income to one student’s ISIR. As a result, that student’s EFC was overstated. However, that student had already been awarded the maximum amount of need-based aid for which that student was eligible; therefore, no adjustment to the student’s awards was necessary.

After auditors brought those errors to the Health Science Center’s attention, it made corrections to those students’ ISIRs and returned funds to the U.S. Department of Education as necessary; therefore, there were no questioned costs.

Those errors occurred because of manual errors the Health Science Center made during its verification process, and they went undetected because the Health Science Center did not have a documented and formal control to monitor the verification process.

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 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 EFC changes and that 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).

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 any required actions and the consequences of failing to complete any required action. An institution's procedures also 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 or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

The Health Science Center's verification policies and procedures did not include two of the required elements. Specifically, the Health Science Center's policies and procedures did not include:

- 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 that results in a change in the amount of the applicant's student financial assistance. The Health Science Center's policies and procedures indicated that the Health Science Center relied on the U.S. Department of Education to notify students of any changes that result from the verification process.
- A statement specifying that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes based on professional judgment to the applicant's cost of attendance or to the values of the data items required to calculate the EFC.

Having incomplete policies and procedures increases the risk that the Health Science Center may not perform verification in compliance with requirements and that students may not be aware of the verification results.

Recommendations:

The Health Science Center should:

- Accurately verify all required FAFSA information for students selected for verification.
- Establish and implement an effective monitoring process for verification.
- Include all required elements in its verification policies and procedures.

Views of Responsible Officials:

The University concurs with the recommendations.

Corrective Action Plan:

The Financial Aid Office will provide mandatory training to staff members responsible for verification review to ensure accuracy.

The Financial Aid Office will emphasize the importance of accuracy in the verification process by requiring a second review on each evaluation. This change will take effect immediately.

Consistent with the audit recommendation, we will strengthen our policies and procedures to include all required elements in the verification process.

Implementation Date: April 1, 2018

Responsible Person: Araceli Alvarez

Reference No. 2017-152

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A165159; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162584; and CFDA 84.268, Federal Direct Student Loans, P268K172584

Statistically valid sample – No and not intended to be a statistically valid sample

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)). A student is considered to have withdrawn from a payment period or period of enrollment if the student does not complete all the days in the payment period or period of enrollment that the student was scheduled to complete (Title 34, CFR, Section 668.22(a)(2)). 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: Unknown
U.S. Department of Education

For a leave of absence (LOA) to qualify as an approved leave of absence, a student must meet certain criteria, including the following: (1) the student must follow the institution's policy in requesting the LOA; (2) there must be a reasonable expectation that the student will return from the LOA; (3) the LOA, together with any additional LOA, must not exceed a total of 180 days in any 12-month period; and (4) except in a clock-hour or non-term credit-hour program, a student returning from an LOA must resume training at the same point in the academic program that he or she began the LOA. A student granted an LOA that meets those criteria, along with the criteria met by the institution, is not considered to be withdrawn, and no return calculation is required (U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 5, chapter 1).

The University of Texas Health Science Center at Houston (Health Science Center) did not have a process to identify students who withdrew without providing official notification to the Health Science Center. The Health Science Center was able to produce a report that identified students who had no passing grades for a term but had not officially withdrawn. However, it did not have a process to run and review that report throughout the award year to determine which students unofficially withdrew and the last date of attendance for those students for the purposes of determining when it must return Title IV funds. Auditors

identified three students who may have unofficially withdrawn from a term in the 2016-2017 federal award year; however, auditors could not determine whether the Health Science Center would have been required to return Title IV funds for any of those students.

In addition, for 1 (10 percent) of 10 students tested who had a return of Title IV funds, the Health Science Center inaccurately withdrew a student on a LOA and, as a result, it incorrectly returned funds. The Health Science Center granted the student a LOA with the expectation that the student would return within 180 days to the student's non-term credit hour program. The student returned after 128 days; however, the Health Science Center inaccurately withdrew the student effective the first date of the student's leave. As a result, the Health Science Center incorrectly returned \$4,640 of Unsubsidized Federal Direct Student Loans to the U.S. Department of Education.

Recommendations:

The Health Science Center should:

- Develop, document, and implement a process to identify students who unofficially withdraw from the Health Science Center and determine whether it is required to perform a return of Title IV funds calculation.
- Accurately determine students' withdrawal dates and return Title IV funds only when required.

Views of Responsible Officials:

The University concurs with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

We developed a new query to help identify students who unofficially withdraw from the University, and we will work with the Registrar's office at the end of each term to determine the official withdrawal date and perform the required Return of Title IV calculation if applicable.

We agree that the award returned to the Department of Education on the Leave of Absence student was returned in error due to a regulatory misinterpretation. The Financial Aid Office will provide staff training to strengthen our process in this area to ensure future accuracy.

Implementation Date: April 1, 2018

Responsible Person: Araceli Alvarez

Reference No. 2017-153

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 86.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162584; and CFDA 84.268, Federal Direct Student Loans, P268K172584

Statistically valid sample – No and not intended to be a statistically valid sample

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

Questioned Cost: \$ 0

U.S. Department of Education

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 (*NSLDS Enrollment Reporting Guide*, Appendix C). 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, 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 Health Science Center at Houston (Health Science Center) uses the services of the National Student Clearinghouse (NSC) to report status changes to the NSLDS. Under this arrangement, the Health Science Center 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 Health Science Center’s behalf and communicates status changes to NSLDS as applicable. Although the Health Science Center uses the services of NSC, it is still ultimately the Health Science Center’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, chapter 3).

The Health Science Center did not report a withdrawn status for students who unofficially withdrew from all courses for a term to NSLDS. The Health Science Center did not have a process to identify students who withdrew without providing official notification. For return of Title IV funds purposes, auditors identified three students who may have unofficially withdrawn from a term in the 2016-2017 federal award year; however, since the Health Science Center did not determine a last day of attendance for those students, it is unknown whether or not those students should have been reported as withdrawn.

For 20 (33 percent) of 61 students tested who had enrollment status changes, the Health Science Center did not (1) report status changes to NSLDS when required or (2) accurately report status changes or the effective dates of those changes to NSLDS. Specifically:

- The Health Science Center did not report seven students’ enrollment level status changes to NSLDS. Those errors occurred because the Health Science Center did not configure its student financial assistance system, PeopleSoft, to identify status changes for students who dropped courses during a term for reporting purposes.

- The Health Science Center correctly reported a withdrawn status and the effective date of that status for one student who did not return from a leave of absence; however, that status was incorrectly overridden by a subsequent transmission to NSLDS with a full-time status effective the first date of the term.
- The Health Science Center did not report the enrollment status for two students who were enrolled in the Summer term. Those errors occurred because the Health Science Center only reported enrollment data to NSC one time during its Summer term and those students registered for classes after that report was submitted.
- The Health Science Center did not report a graduated status for two students. The Health Science Center reported those students' graduated statuses to NSC; however, NSC did not report the status changes to NSLDS.
- The Health Science Center reported an incorrect effective date for one student who graduated in the professional, year-long term. The Health Science Center granted the student an extension to complete a School of Medicine program past the end of the last day of the term; it then assigned a graduation effective date after the School of Medicine term ended when the student completed the program. The Health Science Center reported that effective date to NSC; however NSC changed the effective date to the last date of the term.
- The Health Science Center reported incorrect effective dates for seven students who graduated from the School of Dentistry. The Health Science Center reported those students' graduation effective dates as the last day of a different program's term.

Not reporting student status changes or not reporting status changes 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.

Recommendations:

The Health Science Center should:

- Establish and implement a process to identify and report unofficially withdrawn students to NSLDS.
- Report accurate status changes and effective dates to NSLDS.
- Implement controls to ensure that it accurately and continuously reports status changes.

Views of Responsible Officials:

The University acknowledges and agrees with the audit findings. The Registrar's Office continues to work closely with the NSC and NSLDS to improve the accuracy of enrollment reporting. The two employees responsible for enrollment reporting have received training and attended the FSA conference to develop a better understanding of the database and establish NSLDS contacts. These employees have also participated in NSC webinars covering enrollment reporting.

Corrective Action Plan:

The University will establish a business process to identify and accurately report to NSLDS students who unofficially withdraw from the institution.

The University has implemented system configurations that ensure the accuracy of student enrollment statuses reported to the NSLDS. We will increase the number of summer submissions to reflect accurate student enrollment in all terms.

The University will implement management and system controls to ensure that it accurately and continuously reports status changes to NSLDS.

Implementation Date: April 1, 2018

Responsible Persons: Brenda Power and Robert Jenkins

University of Texas Health Science Center at San Antonio

Reference No. 2017-154

**Cash Management
Activities Allowed and Unallowed
Reporting**

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award number – CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP30150

Non-Major Program:

Research and Development Cluster

Award year – April 1, 2016 to March 31, 2017

Award number – CFDA 93.351, Research Infrastructure Programs, S10OD021805

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

An institution must use a financial management system that enables it to (1) identify, in its records, all federal awards received and expended and the federal programs under which they were received; (2) provide for accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements in Title 2, Code of Federal Regulations (CFR), Sections 200.327 and 200.328; (3) maintain records that adequately identify the source application of funds for federally-funded activities; (4) establish effective internal control, and accountability for, all funds, property, and other assets, and adequately safeguard those assets, and ensure that they are used only for authorized purposes; (5) compare actual expenditures with the budget for the federal award; (6) establish written procedures to implement the requirements of Title 2, CFR, Section 200.305; and (7) establish written procedures for determining the allowability of costs in accordance with the applicable federal cost principles and the terms and conditions of the federal award (Title 2, CFR, Section 200.302).

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

Activities funded under the U.S. Department of Health and Human Services' Scholarships for Disadvantaged Students (SDS) program must be considered allowable under the grant, as required by Title 45, CFR, Section 75.403. Specifically, activities funded must be allocable and reasonable and must conform to the funding opportunity announcement under which the grant was made. Institutions are responsible for selecting scholarship recipients, making reasonable determinations of need, and providing scholarships that do not exceed the allowable costs (including tuition, reasonable educational expenses, and reasonable living expenses) (U.S. Department of Health and Human Services, *Scholarships for Disadvantaged Students (SDS) Guidelines*, September 2016).

The University of Texas Health Science Center at San Antonio (Health Science Center) did not always manage its federal awards in compliance with federal statutes, regulations, and the terms and conditions of its federal awards. Specifically, in October 2016, using the U.S. Department of Health and Human Services' Payment Management System (PMS), the Health Science Center erroneously drew down funds from its Scholarships for Health Professions Students from Disadvantaged Backgrounds (SDS) student financial assistance award to pay for Research Infrastructure Program equipment that it had purchased. The Health Science Center detected that error in March 2017 when it drew down funds for its February 2017 SDS disbursements to students. To correct the error and reimburse the Health Science Center for funds it disbursed to students, the Health Science Center submitted its SDS drawdown against its Research Infrastructure Program award. Both drawdowns were for \$600,000; therefore, there was no net cash effect for that error and there were no questioned costs.

As a result of that error, (1) the Health Science Center's financial reporting of those drawdowns was not accurate and (2) the Health Science Center used SDS funds to pay for an expense under the Research

Infrastructure Program, which was not related to student financial assistance and was unallowable according to the *Scholarships for Disadvantaged Students Guidelines*.

That error occurred because the Health Science Center incorrectly entered the award number in PMS when it made the drawdown request in October 2016. The Health Science Center had cash management policies and procedures; however, those policies and procedures did not include detailed information for how to perform the drawdown process.

Recommendations:

The Health Science Center should:

- Request drawdowns only from the correct awards.
- Strengthen its policies and procedures for its cash management process to ensure compliance with cash management requirements.

Views of Responsible Officials:

The University acknowledges and agrees with the finding. Through analysis of the exception identified in the audit, the University has developed and implemented corrective action to further improve the process.

Corrective Action Plan:

The UTHSCSA implement the following corrective actions as of December 2017: 1) The UTHSCSA eliminated a manual look up process which contributed to the initial drawdown error. The new procedure consists of eliminating a manual entry process and replaced with a more automated pull of data from PeopleSoft (the UTHSCSA's Financial System), and upload to the PMS system. 2) UTHSCSA has implemented an additional control of a monthly reconciliation process to ensure future draws are drawn against the appropriate subaccount(s).

Implementation Date: December 2017

Responsible Person: Ralph Kaster

Reference No. 2017-155

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162337; and CFDA 84.268, Federal Direct Student Loans, P268K172337

Statistically valid sample – No and not intended to be a statistically valid sample

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 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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

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

(CFR), Sections 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

To protect a student's interest subsidy, institutions are required to report a graduated status for students who have completed their course of study. The effective date for a graduation status is the date the institution assigns to the completion or graduation (*NSLDS Enrollment Reporting Guide*, Appendix C and chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)). The University of Texas Health Science Center at San Antonio (Health Science Center) assigns the last day of the term as the effective date for students with a graduated status.

The Health Science Center did not report effective dates for student status changes consistently. Specifically, for 10 (16 percent) of 61 students tested, the Health Science Center inaccurately reported the graduation status effective date for those students as the degree confer date; however, based on its process, it should have reported the last day of the term as the effective date. Those errors occurred due to manual processing errors. The Health Science Center also did not have formal, documented policies and procedures for reporting status changes.

Not reporting student status changes 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.

Recommendations:

The Health Science Center should:

- Accurately report all effective dates to NSLDS.
- Formally document its policies and procedures for enrollment reporting.

Views of Responsible Officials:

The University acknowledges and agrees with the findings of this audit. The student's effective dates for the enrollment change were corrected in the National Student Loan Database System on September 14, 2017.

Additionally, the policy and procedures manual was formalized as of September 30, 2017 and includes procedures for correctly updating the effective dates at the time of an enrollment change or a student's exit from the university.

Corrective Action Plan:

The University has corrected the records and formalized their policy and procedures manual.

Implementation Date: September 30, 2017

Responsible Person: Ellen Nystrom

University of Texas Rio Grande Valley

Reference No. 2017-156

Cash Management

Reporting

(Prior Audit Issue 2016-147)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164091; CFDA 84.033, Federal Work-Study Program, P033A164091; CFDA 84.063, Federal Pell Grant Program, P063P162296; CFDA 84.268, Federal Direct Student Loans, P268K172296; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172296; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP293690101

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Cash Management

An institution must use a financial management system that enables it to (1) identify, in its accounts, all federal awards received and expended and the federal programs under which they were received; (2) provide for accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements in Title 2, Code of Federal Regulations (CFR), Sections 200.327 and 200.328; (3) maintain records that adequately identify the source and application of funds for federally funded activities; (4) establish effective internal control, and accountability for, all funds, property, and other assets, and adequately safeguard those assets, and ensure that they are used only for authorized purposes; (5) compare actual expenditures with the approved budget for the federal award; (6) establish written procedures to implement the requirements of Title 2, CFR, Section 200.305; and (7) establish written procedures for determining the allowability of costs in accordance with the applicable federal cost principles and the terms and conditions of the federal award (Title 2, CFR, Section 200.302).

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

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University of Texas Rio Grande Valley (University) did not have adequate controls for its cash management process. The University generated invoices based on expenditures from its accounting system to determine the amount to draw down. However, the University’s accounting system inappropriately consolidated expenditures from multiple award years during the invoice process. For some of its drawdowns, the University reviewed student-level disbursement detail from its financial assistance system or reconciled the invoices from its accounting system to student-level disbursement detail to ensure that it drew funds from the appropriate award year. However, for 5 (42 percent) of the 12 drawdowns tested, the University did not adequately perform that reconciliation or did not consider the student-level disbursement detail. Specifically, the University did not have sufficient expenditures in the award year for the amount drawn for one of those five drawdowns. The University made that drawdown from the 2016-2017 Federal Work-Study Program award; however, the expenditures in the supporting invoices for that drawdown were from a combination of the 2016-2017 award year and prior award years. Auditors verified that the University had sufficient expenditures in the award year to support the amount it drew down for the remaining four drawdowns.

In addition, the University developed written policies and procedures during the award year; however, those procedures were high-level and did not contain detailed information for how to prepare a drawdown. The University also did not have an adequate process to document its review and approval of drawdowns.

Financial Reporting

The University used the U.S. Department of Education's G5 system to request reimbursement of federal funds based on the invoices it generated from its information system. For financial reporting purposes, the University is considered to have submitted a financial report at the time it makes a request for reimbursement using the G5 system. Therefore, as a result of the compliance error discussed above, the University did not accurately report financial information.

Recommendations:

The University should:

- Draw down funds from the appropriate award year.
- Strengthen controls to ensure that it draws down funds from the appropriate award year and does not draw down funds in excess of its needs.
- Strengthen the documentation of its review and approval process for drawdowns of federal funds.
- Strengthen its policies and procedures for cash management, including its drawdowns of federal funds.

Views of Responsible Officials:

UTRGV concurs with the audit findings and is in the process of strengthening existing policies and procedures to address and correct each of the recommendations listed above.

Corrective Action Plan:

To ensure funds are drawn down from the appropriate award year, Student Accounting Services (SAS) has created new accounting project numbers for each corresponding award year (including Pell, SEOG, TEACH, Direct Loan, and Federal CWS); this will be ongoing for future award years.

Implementation Date: October 2017

Responsible Person: Raquel Garcia

To strengthen internal controls, ensure funds are drawn down from the appropriate award year and not exceed UTRGV's needs, SAS generates student detail data and reconciles against invoices generated in the ERP system before drawdowns are processed.

Implementation Date: September 2017

Responsible Person: Raquel Garcia

To strengthen documentation of the review and approval process for drawdowns, SAS is now obtaining drawdown approvals via email from the Director of SAS (or designee). Additionally, SAS is in the process of creating a form to document proper review and approvals.

Implementation Date: September 2017 (email approvals) and January 2018 (form)

Responsible Person: Raquel Garcia

To strengthen its policies and procedures for cash management, SAS will augment its current procedures manual to include detailed instructions, screenshots and other useful tools on how to request federal funds, determine amounts to draw down, record funds received, etc.

Implementation Date: March 2018

Responsible Person: Raquel Garcia

Reference No. 2017-157

Special Tests and Provisions – Verification

(Prior Audit Issue 2016-149)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164091; CFDA 84.033, Federal Work-Study Program, P033A164091; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162296; CFDA 84.268, Federal Direct Student Loans, P268K172296; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172296

Statistically valid sample – No and not intended to be a statistically valid sample

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, Supplemental Nutrition Assistance Program benefits, 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 80, number 123).

Questioned Cost: Unknown U.S. Department of Education
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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 subsidized student financial assistance awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

For 11 (18 percent) of 60 students tested, the University of Texas Rio Grande Valley (University) did not accurately verify all required items on the FAFSA; therefore, it did not request updated ISIRs as required. Specifically, the University did not accurately verify one or more of the following items: adjusted gross income, U.S. income taxes paid, education credits, or household size. Those errors occurred because the University (1) reviewed an incorrect line on the tax transcript, (2) reviewed tax documents from an incorrect tax year, or (3) did not follow up on conflicting information in the students’ records. Additionally, the University did not have an adequate process to monitor the verifications it performed to ensure that it completed the verification accurately.

When auditors brought those errors to the University’s attention, the deadline to submit corrections for the award year had passed; therefore, auditors were not able to determine whether those errors would have resulted in a change to the students’ EFCs or the amounts of financial assistance they received. 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 applicants selected for verification and request updated ISIRs when required.
- Strengthen its monitoring process for verification.

Views of Responsible Officials:

UTRGV concurs with the audit finding and will develop and implement the corrective action plan below to address the recommendations.

Corrective Action Plan:

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

Financial Aid staff primarily responsible for verification have already received additional training on verification procedures. In addition, verification documentation will be enhanced to guide staff on how to accurately verify FAFSA information.

- Strengthen its monitoring process for verification

The University will enhance the review process of verification files completed. A random sample of students will be reviewed to ensure verification is completed in accordance with applicable regulatory requirements.

Implementation Date: April 2018

Responsible Person: Elias Ozuna

Reference No. 2017-158

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issue 2016-150)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164091; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162296; CFDA 84.268, Federal Direct Student Loans, P268K172296; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T172296

Statistically valid sample – No and not intended to be a statistically valid sample

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 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 that the institution determined 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 as described 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. For purposes of this calculation, “institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)).

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 the institution determined that a student withdrew (Title 34, CFR, Section 668.22(j)(1)).

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 Title IV grant and loan funds credited to the student’s account must be returned (Title 34, CFR, Section 668.21).

For 2 (3 percent) of 62 students tested who had a return of Title IV funds, the University of Texas Rio Grande Valley (University) did not accurately determine the amount of Title IV funds to return. Specifically:

- For one student, the University inaccurately calculated the amount of institutional charges. As a result, the University returned less than was required. That error occurred because the University incorrectly excluded certain tuition fees. After auditors brought that error to the University’s attention, it returned the required funds to the U.S. Department of Education; therefore, there were no questioned costs.
- The University incorrectly returned funds for one student who completed the payment period and, therefore, a return was not required. That error occurred due to a manual error the University made while performing the return calculation.

The University performed a secondary review of its return calculations; however, that review was not sufficient to identify the errors discussed above.

In addition, for 1 (2 percent) of 62 students tested who had a return of Title IV funds, the University did not return those funds within required time frames. The University made a manual error in coding that student’s withdrawal. As a result, it returned the funds 57 days after it determined the student withdrew.

Further, for 3 (5 percent) of 61 students tested who withdrew or did not begin attendance and for whom the University did not return Title IV funds, the University did not accurately determine whether those students sufficiently completed the payment period to have earned the Title IV funds they received. Specifically:

- The University used an incorrect withdrawal date for one student due to a manual error. As a result, the University did not return funds as required.
- Two students did not begin attendance or did not begin attendance in courses that were eligible for financial assistance; however, the University did not return those students’ financial assistance as required. Those errors occurred because the University did not have an adequate process to identify financial assistance recipients who did not begin attendance.

After auditors brought the errors discussed above to the University’s attention, it returned the required funds for those students to the U.S. Department of Education; therefore, there were no questioned costs.

Recommendations:

The University should:

- Accurately calculate and return the required amount of Title IV funds within required time frames.
- Strengthen its review process over return of Title IV calculations.

- Strengthen controls to ensure that it identifies financial assistance recipients who did not begin attendance.

Views of Responsible Officials:

UTRGV concurs with the audit finding and will develop and implement the corrective action plan below to address the recommendations.

Corrective Action Plan:

- *Accurately calculate and return the required amount of Title IV funds within required time frames.*

The University has already implemented significant process enhancements in this area. The staff member primarily responsible for the Return of Title IV Funds processing has received additional training and support in regards to return of title IV calculation. Processes will run more frequently to help ensure that funds are being returned within the required time frame.

- *Strengthen its review process over return of Title IV calculations.*

The University will enhance the reviews of its calculations of Title IV funds required to be returned by enhancing monitoring reports to verify accuracy and timeliness of return of title IV calculations.

- *Strengthen controls to ensure that it identifies financial assistance recipients who did not begin attendance.*

The University has already enhanced existing reports in order to identify financial assistance recipients who did not begin attendance.

Implementation Date: April 2018

Responsible Person: Elias Ozuna

Reference No. 2017-159

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2016-151)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P162296; and CFDA 84.268, Federal Direct Student Loans, P268K172296

Statistically valid sample – No and not intended to be a statistically valid sample

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)). Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, chapter 1).

The effective date for a completion/graduation status (enrollment status of “G”) is the date that the institution assigns to the completion/graduation. To protect a student’s interest subsidy, institutions may report a student as withdrawn (enrollment status of “W”) while the student’s academic record is being reviewed to determine whether all graduation requirements have been met. However, once graduation is confirmed the institution must submit a change of the enrollment status from “W” to “G.” The institution must set the effective date of the “G” status to the same date that was reported for the initial “W” status or sometime after that date (*NSLDS Enrollment Reporting Guide*, Appendix C and chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)).

The University of Texas Rio Grande Valley (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 the students with Title IV financial aid and reports the status of those students as 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 a withdrawn status for students who unofficially withdrew from all courses for a term to NSLDS. The University had a process to identify students who withdrew without providing official notification for purposes of determining whether a return of Title IV funds must be made; however, it did not report those students as withdrawn to NSLDS. For the purposes of returning Title IV funds, auditors identified 943 students who received financial assistance and did not earn at least one passing grade in a term and, therefore, may have unofficially withdrawn.

Auditors tested two students who unofficially withdrew, and a withdrawn status for those students was not reported to NSLDS. One of those students did not return for a subsequent term. That student was ultimately reported as withdrawn; however, the last date of the term was incorrectly reported as the effective date of the status change, rather than the date the student unofficially withdrew.

For 7 (11 percent) of 61 students tested, the University did not report the students’ graduated status in a timely manner. Specifically, the University reported those students’ graduated statuses between 65 and 133 days after it determined that those students satisfied graduation requirements.

For 2 (3 percent) of 61 students tested, the University did not report the enrollment status change to NSLDS or did not report the status change in a timely manner. Specifically:

- For one student, the University did not report the student’s enrollment status to NSLDS. The University reported that student’s enrollment status to NSC; however, that information was not reported to NSLDS.
- For one student, the University did not report the student’s enrollment status in a timely manner. That status change was reported 74 days after the University became aware of the change in enrollment.

The errors discussed above occurred without detection because the University did not have adequate controls or monitoring processes to ensure that it reported student status changes accurately and completely to NSLDS in a timely manner.

Not reporting student status changes accurately, completely, and in a timely manner 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:

- Establish and implement a process to report unofficially withdrawn students to NSLDS.
- Accurately report student status changes and effective dates to NSLDS in a timely manner.
- Strengthen its controls to ensure that it reports accurate student status changes to NSLDS in a timely manner.

Views of Responsible Officials:

UTRGV concurs with the audit finding and will develop and implement the corrective action plan below to address the recommendations.

Corrective Action Plan:

- *Establish and implement a process to report unofficially withdrawn students to NSLDS.*

The University is expanding existing processes and has completed the NSLDS update for fall 2017 unofficial withdrawals. UTRGV will update appropriate documentation to reflect the reporting of unofficial withdrawals to NSLDS.

Implementation Date: February 2018

Responsible Persons: Elias Ozuna and Sofia Montes

- *Accurately report student status changes and effective dates to NSLDS in a timely manner.*

Having already achieved more timely and frequent enrollment reporting in 2016-2017, focus has narrowed to scrutinize accuracy of updates to NSLDS based on current enrollment reporting mechanisms. To more accurately report status changes within allowable timeframes, the Office of Financial Aid and the Registrar have partnered to monitor student status changes and the timing of said changes reaching NSLDS. These procedures are followed by staff who regularly monitor the status changes.

Implementation Date: March 2018

Responsible Persons: Jerry Martinez and Karla Flores

- *Strengthen its controls to ensure that it reports accurate student status changes to NSLDS in a timely manner.*

The Offices of Financial Aid and Registrar have partnered more closely to reconcile data loaded into NSLDS against data as it originated from the student information system on a regularly scheduled basis. Reconciliation efforts include accuracy of reported data for samples of students. The reconciliation team consistently visits these aspects of transmitted data.

Implementation Date: March 2018

Responsible Persons: Jerry Martinez and Karla Flores

Reference No. 2017-160

Special Tests and Provisions - Student Loan Repayments

(Prior Audit Issue 2016-152)

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

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

Statistically valid sample – No and not intended to be a statistically valid sample

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, an institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period, the second contact should be 150 days after the beginning of the grace period, and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations (CFR), Section 674.42(c)).

Questioned Cost: \$ 0

U.S. Department of Education

The grace period immediately follows a period of enrollment and immediately precedes the date of the first required repayment on a loan. A grace period is always day specific—an initial grace period begins the day after the day the borrower drops below half-time enrollment (Title 34, CFR, Section 674.2(b), and U.S. Department of Education, *2016-2017 Federal Student Aid Handbook*, volume 6, chapter 4).

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, Sections 674.43(b) and (c)).

The University of Texas Rio Grande Valley (University) did not have an adequate process to ensure that it converted students' Federal Perkins Loans to repayment status in accordance with federal requirements or in a timely manner. For 18 (95 percent) of 19 students tested whose loans entered repayment status, the University determined the date of separation incorrectly. Specifically:

- The University had a process to determine the start of the grace period, and that process depended on a student's separation date. If the student separated before the tenth of the month, the University used the first of that month as the start of the grace period. If the student separated after the tenth of the month, the University used the first of the subsequent month as the start of the grace period. As a result of that process, however, the University did not convert 12 students' loans to repayment status in a timely manner. In addition, for two of those students, the University used the day before the last day of classes as the start of the grace period, rather than the last day of classes. As a result, the grace periods for those 12 students were either overstated or understated. In February 2017, the University updated its process to determine the start of the grace period in accordance with federal requirements. Auditors confirmed that for the one student tested whose Federal Perkins Loan was converted to repayment status after the University updated its process, the University correctly calculated the grace period.
- For 6 students, the University used the day of commencement for the term from which the student graduated as the start of the grace period, rather than the last day of classes. As a result, the grace periods for those students were overstated.

The University also did not have adequate processes to ensure that it contacted borrowers in accordance with federal requirements. Specifically:

- For all 19 students tested whose loans entered repayment status, the University did not send notifications at the required intervals. The University did not have a process to send required notifications at 90, 150, and 240 days after the beginning of the grace period. The University sent initial repayment plans and

notifications at 30, 60, and 90 days prior to the first payment due date; however, those notifications did not comply with federal requirements.

- For all 23 defaulted loans tested, the University did not send required overdue notices. Prior to May 2017, the University relied on its monthly billing process to notify borrowers of overdue payments; however, that process did not comply with federal requirements. The University asserted that, beginning in May 2017, it updated its process to notify borrowers to comply with federal requirements.

Not sending notifications within the required time frames increases the risk that students will be (1) unaware of the terms of Federal Perkins Loan repayment and the first payment due date and (2) unaware that their defaulted Federal Perkins Loan will be referred to collection; as a result, students may not have appropriate time to resolve balance deficiencies and prevent their loans from being transferred to a collection agency.

Recommendations:

The University should:

- Convert Federal Perkins Loans to repayment status in a timely manner and in compliance with federal requirements.
- Strengthen its process to send all required notifications at required intervals.

Views of Responsible Officials:

UTRGV concurs with the audit findings and is in the process of strengthening existing policies and procedures to address and correct each of the recommendations listed above.

Corrective Action Plan:

To ensure Federal Perkins Loans are converted to repayment status in a timely manner, UTRGV uses the last date of the term as reflected in the student information system or the last date of attendance (at least half-time). Additionally, although Financial Aid (FA) provides this information, SAS will send monthly reminders to FA to inquire if any students meet this criteria.

Implementation Date: February 2017 (repayment status) and January 2018 (reminders)

Responsible Person: Raquel Garcia

To strengthen its process of sending notifications at required intervals, SAS is now sending notices as per federal regulation schedules.

Implementation Date: May 2017

Responsible Person: Raquel Garcia

University of Texas at San Antonio

Reference No. 2017-161

**Special Tests and Provisions – Disbursements To or On Behalf of Students
Activities Allowed or Unallowed**

Cash Management

Eligibility

Reporting

Special Tests and Provisions – Verification

Special Tests and Provisions – Return of Title IV Funds

Special Tests and Provisions – Enrollment Reporting

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

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2016 to June 30, 2017

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164169; CFDA 84.033, Federal Work-Study Program, P033A164169; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P163294; CFDA 84.268, Federal Direct Student Loans, P268K173294; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T173294

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

If an institution credits a student’s ledger account with Direct Loan or Federal Perkins Loan funds, the institution must notify the student or parent of (1) the anticipated date and amount of the disbursement, (2) the student’s or parent’s right to cancel all or a portion of that loan and have the loan proceeds returned to the U.S. Department of Education, and (3) the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

The institution must provide the notice in writing no earlier than 30 days before, and no later than 30 days after, crediting the student’s ledger account at the institution (Title 34, Code of Federal Regulations (CFR), Section 668.165).

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

The University of Texas at San Antonio (University) did not have documentation to show that it sent disbursement notification letters to 14 (33 percent) of 43 students tested. The University had an automated process to send disbursement notification letters to students and update its financial assistance system, Banner, on a weekly basis. However, it did not run that process for the 15,306 Spring term Direct Loan and Federal Perkins Loan disbursements totaling \$40,914,995 that occurred on December 30, 2016. In January 2017, the University discovered that its automated process to send notification letters did not run, and it asserted that it then ran a manual notification process. However, the University did not update the students’ records in Banner to show that it sent notification letters, and it was not able to provide documentation to support its manual run of the notification process. Not receiving notification letters could impair students’ ability to cancel the loans disbursed to their accounts.

The errors discussed above were associated with CFDA 84.268, Federal Direct Student Loans, P268K173294, and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable.

Other Compliance Requirements

Although the general controls weaknesses described below apply to activities allowed or unallowed, cash management, eligibility, reporting, special tests and provisions – verification, special tests and provisions – return of Title IV funds, special tests and provisions – enrollment reporting, special tests and provisions –

borrower data transmission and reconciliation (direct loan), and special tests and provisions – institutional eligibility, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance system, Banner. Specifically:

- One employee had inappropriate access to budget tables, default disbursement dates, and funding rules. That employee transferred from the financial aid office to a different department within the University, but the University did not modify that employee’s access. After auditors brought that issue to the University’s attention, the University removed that employee’s user account.
- Four former employees had inappropriate access to Banner. The University locked those employees’ user accounts within an appropriate time frame after they separated from the University; however, it did not perform its quarterly inactive user account review process (which removes user accounts after three months of inactivity) during two quarters of the year. Auditors verified that the former employees did not access Banner after they separated from the University.

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

Recommendations:

The University should:

- Send and document disbursement notification letters within 30 days before or after crediting a student’s ledger account with a Direct Loan or Federal Perkins Loan.
- Appropriately limit access to its student financial assistance system to current and key personnel.
- Appropriately limit access to its student financial assistance system based on user roles and current job responsibilities.

Views of Responsible Officials:

Disbursement Notification Letters

The University acknowledges and agrees with the findings. After reviewing the automated process that sends disbursement notification letters to students, the university discovered that the process was set up term specific. Because the spring disbursements took place before the end of the fall semester, the process did not generate the disbursement letters.

General Controls

The University acknowledges and agrees with the findings. The process for ensuring employees who transfer to a different department needs enhancement to ensure appropriate access is modified per the employee’s new status. The university needs more individuals who can perform the quarterly inactive user account review process to ensure no delays when primary staff members are out for extended periods of time.

Corrective Action Plan:

Disbursement Notification Letters

The University will implement the correction by removing the term specific information from the automated process. With this change, the disbursement letters will generate for any disbursement within the allowed timeframe regardless of the term for which the disbursement assigned.

Implementation Date: December 22, 2017

Responsible Person: Lisa G. Blazer

General Controls

The University will create additional measures and develop a new process that involves the Banner Security team and the End User departments to ensure appropriate access is canceled and/or modified when an employee transfers to a new department. Additionally, the quarterly inactive user account review process will be enhanced, tracked and completed by appropriate Banner Security individuals and end users. Additional training will take place to ensure the process and timeline is completed in a timely manner.

Implementation Date: May 31, 2018

Responsible Person: Lisa G. Blazer

Summary Schedule of Prior Year Audit Findings

Federal regulations (Title 2, Code of Federal Regulations, Section 200.511(a)) states, “the auditee is responsible for follow-up an corrective action on all findings.” As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2016 Schedule of Findings and Questioned Costs.
- Each finding in the 2016 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, 2017) has been prepared to address these responsibilities.

Angelo State University

Reference No. 12-104

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2011
Status: Partially Implemented

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

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

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

Angelo State University (University) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student's actual or expected enrollment. As a result, for 4 (6.2 percent) of 65 students tested, the University based the students' COA on full-time enrollment, although the students indicated that they would attend less than full-time. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of awarding financial assistance that exceeds financial need.

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

Recommendation:

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

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.

Views of Responsible Officials and Corrective Action Plan 2016:

Angelo State University has implemented an algorithmic budgeting process in the student information system Banner and is using it to calculate accurate costs of attendances for each student. It provides an ongoing calculation of tuition, fees, book and supplies, room and board based on housing status. These variables are updated as the student's enrollment status changes up to the point of census where the student's hours are locked. The system takes into consideration in-state and out-of-state charges, each student classification such as undergraduate or graduate student. The process was implemented for spring semester successfully and is now in use for summer 2016 term and the 2016-2017 award year. The financial aid office staff and programming personnel have been trained and are using the system without issue.

Views of Responsible Officials and Corrective Action Plan 2017:

In the Banner Financial Aid system, Algorithmic Budgeting was implemented, which will automatically adjust a student's budget if their hours change. The Consortium Agreement documentation will be reviewed and clarified regarding the policy and procedure for adjusting COA.

Implementation Date: September 1, 2017

Responsible Person: Ed Kerestly

Lamar University

Reference No. 2016-101

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152282; and CFDA 84.268, Federal Direct Student Loans, P268K162282

Statistically valid sample – No

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2016
Status: Partially Implemented
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).

To protect a student's interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*NSLDS Enrollment Reporting Guide*, Appendix C and Chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)).

Lamar 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 9 (15 percent) of 60 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- The University incorrectly reported that seven of those students withdrew from the Fall term. However, those students withdrew from the Spring term.
- The University reported an incorrect effective date for one student who withdrew in the Spring term. The University reported the first date of the Spring term; however, the student withdrew after the census date for that term.

- The University reported an incorrect status of withdrawn for one student. That error occurred because of a manual error the University made while updating the student's status to less than half-time. After auditors brought that error to the University's attention, it corrected the status in NSLDS.

In addition, for 11 (18 percent) of 60 students tested who had a status change, the University did not report the status changes to NSLDS in a timely manner. Specifically, the University submitted those enrollment status changes to NSLDS between 68 and 144 days after the effective date of the status change. The University asserted that it had submitted those status changes to NSC in a timely manner; however, NSC did not submit those changes to NSLDS in a timely manner.

Those errors occurred because the University did not have a formal process during the award year to prepare information to send to NSC, and it did not have controls to ensure that NSC submitted accurate information to NSLDS in a timely manner.

Not reporting student status changes accurately and in a timely manner 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 status changes and effective dates to NSLDS in a timely manner.
- Develop and implement policies and procedures to monitor the information that NSC submits to NSLDS on the University's behalf.

Views of Responsible Officials and Corrective Action Plan 2016:

Lamar University acknowledges and agrees with the findings. Corrections to the issues noted below were being put in place at the time of audit, and these analysis of these exceptions identified in the audit will assist Lamar University in their efforts to develop and apply solutions to further improve the process.

Accurate and Timely NSLDS Reporting:

Lamar University (LU) has already initiated the first phase of this corrective action in hiring a full-time staff member whose primary duty is to monitor the accuracy and timely reporting to National Student Clearinghouse (NSC) in December of 2015. As the discrepancy between NSC and NSLDS reporting became apparent, said employee now additionally has direct access to the NSLDS database as well – allowing LU to more closely monitor the accuracy of reporting. The last phase in this corrective action is to adjust the reporting date from that NSLDS sends the SCCR roster to NSC. Previously, this report was always sent at the first of the month. At our request, this report will now be sent five to seven (5-7) days from the time the report is initially submitted to NSC. This should address the timeliness issues and give more time to quickly identify issues of accuracy.

Development and Implementation of Policy and Procedure:

LU has begun the revision of their policy and procedure manuals to reflect and emphasize the need for closer monitoring of NSC data submitted to NSLDS. These P&P will continue to be updated and new processes developed. Further, these P&P will undergo review twice a year to ensure their currency and relevance.

Views of Responsible Officials and Corrective Action Plan 2017:

Accurate and Timely NSLDS Reporting:

Lamar University (LU) has already initiated the first phase of this corrective action in hiring a full-time staff member whose primary duty is to monitor the accuracy and timely reporting to National Student Clearinghouse (NSC) in December of 2015. With the new hire of a Student Records Specialist, every report is worked diligently and in a timely manner to correct errors and ensure that all information is reported accurately and efficiently.

1. As the discrepancy between NSC and NSLDS reporting became apparent, the new Student Records Specialist now has direct access to the NSLDS database as well – allowing LU to more closely monitor the accuracy of reporting.

2. The Financial Aid Office is working in collaboration with the Student Record Specialist to ensure the timely reporting of financial aid recipients who withdraw.

a. Official Withdrawals

When the Financial Aid Office completes the R2T4 calculation on a Title IV aid recipient, the Student Record Specialist is notified to ensure the student's enrollment status is updated with NSLDS in a timely manner.

b. Unofficial Withdrawals

After each long semester has concluded the Financial Aid Office sends the Student Records Specialist a list of students whom have been identified as unofficial withdrawals. The Student Record Specialist manually updates the identified students' NSLDS record to withdrawn, using the last date of attendance reported as the withdrawal date. Reporting is completed as soon as possible but no later than 45 days after the school has determined the student withdrew.

3. Designated Staff from the Records and Financial Aid Offices will continue to participate in trainings offered by NSC and NSLDS.

4. The last phase in this corrective action is to adjust the reporting date from that NSLDS sends the SCCR roster to NSC. Previously, this report was always sent at the first of the month. At our request, this report is now sent five to seven (5-7) days from the time the report is initially submitted to NSC. This addresses the timeliness issues and gives more time to quickly identify issues of accuracy.

Development and Implementation of Policy and Procedure:

LU has reviewed their policy and procedure manuals to reflect and emphasize the need for closer monitoring of NSC data submitted to NSLDS. Policies and Procedures will undergo review twice a year. During this review LU will address internal compliance findings which may result in the revision and/or creation of new policies and procedures to correct the deficiency.

Implementation Date: Summer 2017

Responsible Persons: Cheri Lewis and Lakyrstal Joubert

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: 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.

Corrective Action:

Corrective action was taken.

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.

Corrective Action:

This finding was reissued as current year reference number 2017-103.

Sam Houston State University

Reference No. 2016-102

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award number – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154110

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

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, Code of Federal Regulations, Section 676.10).

Initial Year Written: 2016
Status: Implemented

U.S. Department of Education

Based on a review of the full population of student financial assistance recipients, Sam Houston State University (University) awarded a total of \$3,250 in FSEOG assistance to 3 students who did not also receive a Federal Pell Grant. The University also did not award FSEOG assistance to all other Federal Pell Grant recipients before awarding FSEOG assistance to those three students. Those errors occurred because the University's student financial assistance system, Banner, was designed to award FSEOG assistance to students to whom the University awarded Federal Pell Grants, rather than to students to whom the University disbursed Federal Pell Grants. Those three students had already received the maximum lifetime eligibility amount for Federal Pell Grants and were not eligible to receive additional Federal Pell Grant assistance.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-103

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award number – CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162301

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

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

Initial Year Written: 2016
Status: Implemented

U.S. Department of Education

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, Section 668.165).

Sam Houston State University (University) did not send disbursement notification letters to students who received TEACH Grants in the 2015-2016 award year. The University disbursed TEACH grants to 57 students totaling \$142,950 for the 2015-2016 award year. While the University's student financial assistance system, Banner, was configured to send loan disbursement notifications to students, it was not configured to send the TEACH Grant disbursement notification letters. The University did not configure its student financial assistance system, Banner, to send TEACH Grant disbursement notification letters because it was unaware of the requirement.

Not receiving notifications could impair students' ability to cancel their TEACH Grants.

Corrective Action:

Corrective action was taken.

Reference No. 2016-104

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award number – CFDA 84.268, Federal Direct Student Loans, P268K162301

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 15 days of disbursement (*Office of Management and Budget No. 1845-0021*). Each month, the COD System provides institutions with a School Account Statement (SAS) data file, which consists of cash summary, cash detail, and (optional at the request of the school) loan detail records. The institution is required to reconcile those files to its financial records. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087e(k)(2), and U.S Department of Education *2015-2016 Federal Student Aid Handbook*).

Initial Year Written: 2016 Status: Implemented U.S. Department of Education

Sam Houston State University (University) did not perform SAS reconciliations on a monthly basis during the 2015-2016 award year. Specifically, the University did not perform reconciliations for 4 (33 percent) of the 12 months during the award year because it did not have a process to ensure that it completed those reconciliations on a monthly basis.

Although auditors did not identify instances of non-compliance in the reporting of data to the COD System for Federal Direct Student Loans, not preparing accurate reconciliations between the student financial assistance system and DLSS in a timely manner increases the risk that disbursement data reported to DLSS could be inaccurate and incomplete.

Corrective Action:

Corrective action was taken.

Stephen F. Austin State University

Reference No. 2016-105

Eligibility

Activities Allowed or Unallowed

Cash Management

Special Tests and Provisions – Verification

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

Special Tests and Provisions – Return of Title IV Funds

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154129 and CFDA 84.268, Federal Direct Student Loans, P268K162315

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Federal Supplemental Educational Opportunity Grant

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG 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, Code of Federal Regulations (CFR), Section 676.10).

Initial Year Written: 2016
Status: Implemented

U.S. Department of Education

Based on a review of the full population of student financial assistance recipients, Stephen F. Austin State University (University) awarded a total of \$1,600 in FSEOG assistance to one student who did not also receive a Federal Pell Grant; the University did not award FSEOG assistance to all other Federal Pell Grant recipients before awarding FSEOG assistance to that student. Initially, the University appropriately awarded a Federal Pell Grant and FSEOG to that student; however, based on corrections to the student's Institutional Student Information Record, the University subsequently determined that the student was no longer eligible to receive a Federal Pell Grant. The University appropriately canceled the Federal Pell Grant; however, it did not also cancel the FSEOG award. After auditors brought that error to the University's attention, it corrected the FSEOG award; therefore, there were no questioned costs.

Federal Direct Student Loans

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods/periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education *2015-2016 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 \$5,442 Subsidized Direct Loan that the student was not eligible to receive. According to the University, that occurred because the budgeting rules established in its student financial assistance system, Banner, identified that student in error during the financial assistance packaging and awarding process. As a result, the student received the Subsidized Direct Loan for Fall 2015 and Spring 2016 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.

Other Compliance Requirements

Although the general controls weaknesses described below apply to activities allowed or unallowed, cash management, special tests and provisions – verification, special tests and provisions – disbursements to or on behalf of students, special tests and provisions – return of Title IV funds, and special tests and provisions – borrower data transmission and reconciliation (direct loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system, Banner. Specifically, one individual had inappropriate access to the Banner packaging awards role, which assigns different types of federal financial assistance. That occurred because the University did not appropriately establish roles in Banner. After auditors brought that error to the University’s attention, it removed the inappropriate access.

Corrective Action:

Corrective action was taken.

Reference No. 2016-106

Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

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

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Fiscal Operations Report and Application to Participate

An institution participating in campus-based programs is required to annually submit the Fiscal Operations Report and Application to Participate (FISAP) to the Secretary of the U.S. Department of Education to receive funds for the campus-based programs. The institution uses the Fiscal Operations Report portion to report its expenditures in the previous award year and the Application to Participate portion to apply for the following year. (Title 34, Code of Federal Regulations (CFR), Section 674.19(d), and U.S. Department of Education, *2017-2018 FISAP Instructions*). The institution must ensure that the information is accurately reported on the form and at the time specified by the Secretary of the U.S. Department of Education (Title 34, CFR, Section 674.19(d)(2)). The institution must retain a record of disbursements for each loan made to borrowers on a master promissory note (MPN) that includes the date and amount of each disbursement and it must also retain the repayment history for each borrower (Title 34, CFR, Section 674.19(e)(2)).

Initial Year Written: 2016 Status: Implemented U.S. Department of Education

Stephen F. Austin State University (University) did not maintain adequate support for its FISAP. Specifically, the University did not have support for cumulative information reported for the Federal Perkins Loan Program for the following sections: Section A Fiscal Report (Cumulative) as of June 30, 2016, and Section C Cumulative Repayment Information as of June 30, 2016. The University asserted that, when it

changed information systems in 1995, it did not retain the Federal Perkins Loan paid-in-full records for time periods prior to that change. The University has developed a method of calculating the cumulative Federal Perkins Loan information by subtracting the amount its loan servicer reported for the previous year from the amount for the current year to determine the difference, which it then adds to the amounts reported on the previous year's FISAP.

As a result of that issue, auditors were unable to determine whether the information on the FISAP for those line items was accurate and fairly presented in accordance with requirements.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system, Banner. Specifically, one individual had inappropriate access to the Banner packaging awards role, which assigns different types of federal financial assistance. That occurred because the University did not appropriately establish roles in Banner. After auditors brought that error to the University's attention, it removed the inappropriate access.

Corrective Action:

Corrective action was taken.

Reference No. 2016-107

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152315; and CFDA 84.268, Federal Direct Student Loans, P268K162315

Statistically valid sample – No

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2016 Status: Implemented 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 30, 2012 (GEN-12-06)).

Stephen F. Austin 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 3).

For 26 (43 percent) of 60 students tested who had a status change, the University did not report the status change or effective date to NSLDS accurately. Specifically:

- The University did not report one student's graduated status and effective date. The University asserted that it reported the graduated status to NSC; however, that status was not reported to NSLDS.
- The University incorrectly reported 25 students' initial enrollment status at the beginning of the term; it also incorrectly reported the effective date for the subsequent change in enrollment status. Those errors occurred because those students had an enrollment status change that occurred before the University made the initial submission for the term. As a result, those students' initial enrollment status was never reported, and the effective date for the subsequent status change was reported incorrectly.

For 32 (53 percent) of 60 students tested who had a status change, the University did not report status changes to NSLDS or it did not report status changes to NSLDS in a timely manner. The University reported those status changes between 62 and 322 days after the effective date of those changes or it did not report those status changes at all. Twenty-six of those students were the students discussed above, and the errors discussed above resulted in those students not being reported to NSLDS or not being reported in a timely manner. In addition, six students with status changes were not reported to NSLDS or were not reported in a timely manner. Specifically:

- The University reported one student's graduated status two days late. The University asserted that it reported the graduation status to NSC after the student met the requirements for graduation and classes had ended for the term; however, NSC did not report the graduation status to NSLDS in a timely manner.
- The University did not report five students' status changes in a timely manner. The University asserted that it reported those status changes and effective dates to NSC; however, NSC did not report those status changes to NSLDS in a timely manner. The University asserted that NSC notified the University that NSC had rejected the file the University submitted with those changes because the file contained errors. However, NSC did not send that notification until late in the Fall term. As a result, the University's resubmission at the end of the Fall term, as requested by NSC, created timeliness errors.

The University did not have an adequate monitoring process to ensure that student status changes were accurately reported to NSLDS in a timely manner. Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system, Banner. Specifically, one individual had inappropriate access to the Banner packaging awards role, which assigns different types of federal financial assistance. That occurred because the University did not appropriately establish roles in Banner. After auditors brought that error to the University's attention, it removed the inappropriate access.

Corrective Action:

Corrective action was taken.

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

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 *2014-2015 Federal Student Aid Handbook*).

Initial Year Written: 2015
Status: Implemented
U.S. Department of Education

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.

Corrective Action:

Corrective action was taken.

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).

Initial Year Written:	2015
Status:	Implemented
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.

Corrective Action:

Corrective action was taken.

Texas A&M University

Reference No. 2016-108

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2015-106)

Student Financial Assistance Cluster

Award year - July 1, 2015 to June 30, 2016

Award numbers - CFDA 84.063, Federal Pell Grant Program, P063P155286; CFDA 84.268, Federal Direct Student Loans, P268K165286; and CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable

Statistically valid sample - No

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 Perkins Loan, 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 674.19(f), 685.309(b) and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2015 Status: Partially Implemented U.S. Department of Education

For a student who has graduated, institutions that initially report a withdrawn status must subsequently report the student as having graduated by certifying a “G” status at the campus level and/or program level, as appropriate. That is the case even if the student or the student’s applicable program no longer appears on the institution’s enrollment reporting roster because the institution has certified a “W” status (for withdrawn) twice. In that situation, the institution must add the student and/or program back to the roster to report the “G” status. The graduated status may protect the interest subsidy on the student’s current loans (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, Chapter 4).

Texas A&M 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 5 (8 percent) of 60 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- The University did not report one student’s enrollment to NSLDS. That student was enrolled in both the Fall and Spring terms and received Title IV funds. The University asserted that it reported that student to NSC; however, NSLDS could not match the student record each time a status change was reported from NSC to NSLDS.
- The University did not report one student’s graduated status to NSLDS. The student had withdrawn in the Fall term and did not enroll for the Spring term; however, the student still graduated at the end of the Spring term. The University asserted that it reported the student to NSC; however, due to the amount of time that had elapsed since the previous status change reported from NSC to NSLDS, the student was no longer listed on the NSLDS roster.

- The University reported incorrect effective dates for two students who graduated. Those students were enrolled in Law and Pharmacy programs, which had term start and end dates that differed from the regular undergraduate term start and end dates. The University reported the graduation effective date as the last day of the undergraduate term, which was prior to the students' last day of their enrolled Law and Pharmacy programs.
- The University reported an incorrect effective date for one student whose enrollment changed to three-quarter-time from full-time. The student was a Law student, and the Spring term for Law students ended on May 12, 2016. However, the University reported May 11, 2016, as the effective date for the Summer term enrollment status, which was prior to the end of the Spring term.

Those errors occurred because the University did not have adequately designed enrollment reporting policies and procedures during award year 2016 and did not have a process to ensure that status changes and effective dates were reported to NSLDS accurately.

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 2017-111.

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).

Initial Year Written:	2015
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).

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.

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.

Corrective Action:

Corrective action was taken.

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).

Initial Year Written: 2015 Status: Partially Implemented 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.

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.

Views of Responsible Officials and Corrective Action Plan 2015:

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.*

Views of Responsible Officials and Corrective Action Plan 2016:

Verification of Applications

Texas A&M University-Central Texas has implemented the following actions previously outlined in the “Views of Responsible Officials and Corrective Action Plan” section:

- *Developed an initial verification cover sheet for immediate use with all verification groups March 3, 2016 until implementation of the individual verification cover sheets effective May 16, 2016. These guides were developed to ensure each required verification item for the respective verification group is reviewed and assist in the identification of discrepant information.*
- *Reviews of samples students within each verification group is conducted by a representative of department management to ensure verification is completed in accordance with applicable regulatory requirements. The sample size will equal 10% of the annual number of student for each verification group.*
- *Department procedure manuals were updated to reflect the modified processes.*

Views of Responsible Officials and Corrective Action Plan 2017:

Texas A&M University-Central Texas has implemented the following actions previously outlined in the “Views of Responsible Officials and Corrective Action Plan” section:

- *Campus Logic (verification software) was implemented in June 2017 to promote and support verification compliance processing through electronic submission and reviews.*
- *Reviews of samples students within each verification group is conducted by a representative of department management to ensure verification is completed in accordance with applicable regulatory requirements. The sample size will equal 10% of the annual number of student for each verification group.*
- *Department procedure manuals were updated to reflect the modified processes.*

Implementation Date: February 2018

Responsible Person: Irene Montalvo

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.

Corrective Action:

Corrective action was taken.

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

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).

Initial Year Written: 2015
Status: Implemented
U.S. Department of Education

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.

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.*

Views of Responsible Officials and Corrective Action Plan 2016:

Texas A&M University-Kingsville is no longer responsible for calculating cost of attendance or awarding financial aid for the Texas A&M University-San Antonio campus as of fall 2016.

Cost of attendance budgets are reviewed and revised accordingly each financial aid award year. Student budgets include the typical components used to comprise the Cost of Attendance for each budget group; on-campus, off-campus, living at home, resident, non-resident, graduate and undergraduate budget subsets. TAMUK uses a single budget component titled 'Summer' to equate to the student's costs while attending the Summer semester and will be utilized when awarding aid for the summer term. The 'Summer' budget component includes tuition and fees, room and board, books and supplies, transportation, and personal/miscellaneous expenses based on the student's enrollment status. This component is added manually by the Office of Student Financial Aid at the time of awarding. All Budget Groups and types have now been established to include all possible combinations for the Summer term inclusion.

Budget corrections were initiated in January 2016, continued in April 2016 and finalized in May 2016.

Views of Responsible Officials and Corrective Action Plan 2017:

Texas A&M University-Kingsville is no longer responsible for calculating cost of attendance or awarding financial aid for the Texas A&M University-San Antonio campus as of fall 2016.

Cost of attendance budgets are reviewed and revised accordingly each financial aid award year. Student budgets include the typical components used to comprise the Cost of Attendance for each budget group; on-campus, off-campus, living at home, resident, non-resident, graduate and undergraduate budget subsets. Census date reviews are conducted each term to determine if a student's financial aid eligibility is reflective of the student's enrollment status. This is especially true of mixed enrollments during the award year. TAMUK uses a single budget component titled 'Summer' to equate to the student's costs while attending the Summer semester and will be utilized when awarding aid for the summer term. The 'Summer' budget component includes tuition and fees, room and board, books and supplies, transportation, and personal/miscellaneous expenses based on the student's enrollment status. This component is added manually by the Office of Student Financial Aid at the time of awarding. All Budget Groups and types have now been established to include all possible combinations for the Summer term inclusion.

Budget corrections were initiated in January 2016, and continue to be adjusted according to mixed enrollment.

Implementation Date: March 1, 2017

Responsible Person: Arnold Trejo

Texas Southern University

Reference No. 2016-109

Eligibility

Activities Allowed or Unallowed

Cash Management

Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164145; CFDA 84.033, Federal Work-Study Program, P033A154145; CFDA 84.063, Federal Pell Grant Program, P063P152327; CFDA 84.268, Federal Direct Student Loans, P268K162327; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162327

Statistically valid sample – No

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).

Initial Year Written: 2016
 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 Regulation (CFR), Sections 668.2, 673.5, and 685.301).

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 (Title 20, USC, Chapter 28, Subchapter IV, Section 1087ll, and U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

Texas Southern University (University) established different COA budgets based on a student’s classification (for example undergraduate or graduate); residency (in-state or out-of-state); living status (on-campus, off-campus, and commuter); and enrollment level (full-time, three-quarter-time, half-time, and less-than-half-time). The University’s student financial assistance system, Banner, initially budgeted students for full-time enrollment. At the census date, the University locked a student’s enrollment level for financial aid purposes and used the student’s actual enrollment level to calculate a revised COA, if applicable.

The University established separate COA components for E-online Master of Public Administration (OEMPA) students. Specifically, OEMPA students did not receive a book budget as part of their COAs.

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

- For six students, the University incorrectly calculated the book component of the Spring COA. That occurred because of an error in Banner. When the University assigned the Summer COA, it unlocked

the Spring COA, and Banner incorrectly updated the Spring COA for those students. As a result, those students' COAs were understated by amounts between \$250 and \$630.

- The University assigned an incorrect loan fee for one student. That occurred because of a manual error the University made in assigning loan fees.
- The University did not update one student's Spring COA after the student re-enrolled in that term. That error occurred because of a manual error the University made when it became aware that the student re-enrolled in the Spring term.
- The University inappropriately assigned a book component to an OEMPA student's COA. That error occurred because the University did not have a control to ensure that OEMPA students did not receive a book component. The student's COA was overstated by \$612; however, the University did not overaward the student federal financial assistance.
- The University inappropriately assigned a personal and miscellaneous component to the COA for one student enrolled less than half-time. That error occurred because Banner did not remove the personal and miscellaneous expense from the COA for less-than-half-time students. As a result, the student's COA was overstated by \$1,230; however, the University did not overaward the student federal financial assistance.

Those errors did not result in overawards of financial assistance; 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 668.34 (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 of hours attempted (U.S. Department of Education *2015-2016 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)).

The University did not configure its student financial assistance system in accordance with its SAP policy. The University's SAP policy states that graduate students must not exceed 150 percent of their required program to be eligible for financial assistance. However, the University configured Banner to include a standard program length of 42 hours for graduate programs. Auditors identified graduate programs that had program lengths of fewer than 42 hours. The University asserted that it produced ad hoc reports in Banner to identify graduate students who may not be meeting the maximum time frame requirements; however, it did not retain documentation of those reports.

During audit testing, auditors did not identify students who were ineligible for student financial assistance as a result of that issue. However, not determining maximum time frames correctly 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.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, and reporting, auditors identified no compliance issues regarding those compliance areas.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Two former employees had inappropriate access to the Web server and the database server. Two additional former employees had inappropriate access to the database server.
- One former employee had inappropriate access to the database server and Banner; that individual had two active database administrator accounts.
- The University had not disabled an unused test account on the Web server; that account was still accessible to former employees with inappropriate access.

Those errors occurred because the University did not appropriately review users' access based on their job responsibilities and employment status.

After auditors brought those issues to its attention, the University removed the inappropriate access for all of the accounts discussed above. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number 2017-119.

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 that the U.S. Department of Education provides each year to determine 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 *2015-2016 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63(b)).

For 1 (3 percent) of 39 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 of a manual error the University made when disbursing funds. After auditors brought the error to the University's attention, it disbursed additional Federal Pell Grant assistance to that student.

Federal Direct 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 *2015-2016 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 Students (PLUS) Loans.

The total amount of all Direct PLUS Loans that a parent or parents may borrow on behalf of each dependent student, or that a graduate or professional student may borrow, for any academic year of study may not exceed the COA minus other estimated financial assistance for that student (Title 34, CFR, Section 685.203(f)).

Based on a review of the full population of federal student financial assistance recipients, the University disbursed 4 graduate students \$16,588 in Subsidized Direct Loans that those students were not eligible

to receive. Those errors occurred because the University did not have controls to ensure that graduate and professional students did not receive Subsidized Direct Loans.

In addition, for 1 (2 percent) of 62 students tested, the University awarded a Federal Direct PLUS Loan in excess of the annual limit. The University awarded the student a \$7,318 Graduate Direct PLUS Loan that exceeded the student's COA minus other estimated financial assistance. That error occurred because of a manual error the University made while awarding loans to that student.

After auditors brought those issues to the University's attention, it returned the loan funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Supplemental Educational Opportunity Grant

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG assistance 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 federal student financial assistance recipients, the University disbursed 2 students \$500 in FSEOG that those students were not eligible to receive. Those students became ineligible for Federal Pell Grant funds during the award year, and the University appropriately returned those funds as required. However, those students were no longer eligible for FSEOG funds, but the University did not return the FSEOG funds as required. After auditors brought those errors to the University's attention, it returned those grant funds; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

Reference No. 2016-110

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 31, 2016

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P152327; CFDA 84.268, Federal Direct Student Loans, P268K162327; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164145; CFDA 84.033, Federal Work-Study Program, P033A154145; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162327

Statistically valid sample – No

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, Supplemental Nutrition Assistance Program (SNAP), 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 79, Number 122).

Initial Year Written: 2016 Status: Partially 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 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 the applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant'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).

An institution must require an applicant scheduled for verification to submit to it, within the period of time it or the Secretary of the U.S. Department of Education specifies, the documentation requested by the institution. If an applicant fails to provide the requested documentation within a reasonable time period established by the institution, the institution may not disburse any additional Federal Perkins Loan or Federal Supplemental Educational Opportunity Grant program funds, employ or continue to employ the applicant under the Federal Work-Study Program, originate or disburse any additional Direct Subsidized Loans, or disburse any additional Federal Pell Grant Program funds (Title 34, CFR, Section 668.60).

For 16 (26 percent) of 62 students tested, Texas Southern 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 16 students, the University did not accurately verify 1 or more of the following items: income earned from work for tax filers, income earned from work for non-tax filers, number of household members, number of household members in college, SNAP benefits reported, education credits, and contributions to tax-deferred pension plans.

Those errors occurred because of manual errors the University made during its verification process that it did not identify in its monitoring of the verification process. When auditors brought those errors to the University's attention, it corrected those errors in its student financial assistance system; however, it did not request updated ISIRs for those affected students because the deadline had passed for the University to submit corrections. The University performed procedures in its student financial assistance system, Banner, to correct the ISIR information. As a result, the errors did not result in changes to the EFC for 13 students, and those students were not overawarded or underawarded student federal financial assistance. The errors did result in a change in the EFC for 3 students; however, the change in EFC did not affect the amount of funds those students were eligible to receive and those students were not overawarded or underawarded student federal financial assistance.

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

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Two former employees had inappropriate access to the Web server and the database server. Two additional former employees had inappropriate access to the database server.
- One former employee had inappropriate access to the database server and Banner; that individual had two active database administrator accounts.
- The University had not disabled an unused test account on the Web server; that account was still accessible to former employees with inappropriate access.

Those errors occurred because the University did not appropriately review users' access based on their job responsibilities and employment status.

After auditors brought those issues to its attention, the University removed the inappropriate access for all of the accounts discussed above. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number 2017-120.

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 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 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).

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 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 two of the required elements. Specifically, the University's policies and procedures did not address:

- The time period within which an applicant must provide any documentation requested by the institution.
- A statement specifying that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution makes changes based on professional judgment to the applicant's cost of attendance or to the values of the data items required to calculate the EFC.

Having incomplete 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.

Reference No. 2016-111

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K162327 and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162327

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

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 (CFR), Section 668.165).

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

Texas Southern University (University) did not always send disbursement notification letters to students who received Direct Loans or TEACH Grants in the 2015-2016 award year. Specifically, the University did not send disbursement notification letters to 13 (30 percent) of 43 students tested who required a disbursement notification letter. Those errors occurred because the University did not configure its student financial assistance system, Banner, to include all dates between the last date the University executed the notification process and the next date the University executed the notification process. As a result, those students were excluded from the notification process. In addition, the University did not have a process to monitor notifications to identify when it did not send notifications to students.

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

Corrective Action:

Corrective action was taken.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Two former employees had inappropriate access to the Web server and the database server. Two additional former employees had inappropriate access to the database server.
- One former employee had inappropriate access to the database server and Banner; that individual had two active database administrator accounts.
- The University had not disabled an unused test account on the Web server; that account was still accessible to former employees with inappropriate access.

Those errors occurred because the University did not appropriately review users’ access based on their job responsibilities and employment status.

After auditors brought those issues to its attention, the University removed the inappropriate access for all of the accounts discussed above. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number 2017-119.

Reference No. 2016-112

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A164145; CFDA 84.063, Federal Pell Grant Program, P063P152327; CFDA 84.268, Federal Direct Student Loans, P268K162327; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162327

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV 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)).

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

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

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 the institution determined that a student withdrew (Title 34, CFR, Section 668.22(j)(1)).

For 2 (6 percent) of 34 students tested who had a return, Texas Southern University (University) did not accurately calculate the amount of funds to return, and it did not always return funds in the prescribed order. The University’s student financial assistance system, Banner, automatically canceled assistance for both students when those students’ hours dropped to zero. As a result, when the University performed the return calculation, it did not include the canceled funds in the calculation. Specifically:

- For one student, Banner canceled the student's Federal Pell Grant funds totaling \$1,444 at the time of the withdrawal. The University did not include those funds in the return calculation; therefore, it did not return the correct amount of funds for that student. After auditors brought that error to the University's attention, it disbursed the full amount of federal Pell Grant funds that were canceled to the student. However, the student was not entitled to the full Federal Pell Grant award after the return; therefore, \$1,312 associated with CFDA 84.063, Federal Pell Grant Program, award number P063P152327 are considered questioned costs.
- For one student, Banner canceled the student's Federal Supplemental Educational Opportunity Grant (FSEOG) funds totaling \$250 at the time of the withdrawal. The University asserted that it was unable to add the FSEOG funds back to the student's account because the University had already spent its entire allocation of those funds. As a result, the University did not include the FSEOG funds in the return calculation, and it did not return the correct amount of funds. The University returned more funds than it was required to return; therefore, there were no questioned costs. Based on the return calculation, the student would have been eligible for the full amount of FSEOG funds. In addition, the University returned Federal Pell Grant funds before it returned FSEOG funds; therefore, the University did not return funds in the prescribed order.

For 1 (3 percent) of 34 students tested who had a return, the University did not return funds in a timely manner. The University returned those funds 302 days after the student withdrew. That error occurred because Banner canceled the student's Federal Pell Grant funds at the time of the withdrawal. As a result, at the time a return calculation should have been performed, the student incorrectly appeared to not have received any Title IV funds for the enrollment period. The University identified the student in its final review for the term and performed a return calculation on the Federal Pell Grant funds. The University subsequently returned the correct amount of Federal Pell Grant funds; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Two former employees had inappropriate access to the Web server and the database server. Two additional former employees had inappropriate access to the database server.
- One former employee had inappropriate access to the database server and Banner; that individual had two active database administrator accounts.
- The University had not disabled an unused test account on the Web server; that account was still accessible to former employees with inappropriate access.

Those errors occurred because the University did not appropriately review users' access based on their job responsibilities and employment status.

After auditors brought those issues to its attention, the University removed the inappropriate access for all of the accounts discussed above. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number 2017-119.

Reference No. 2016-113

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P152327 and CFDA 84.268, Federal Direct Student Loans, P268K162327

Statistically valid sample – No

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2016 Status: Partially Implemented 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, 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 System (NSLDS) Enrollment Reporting Guide*, Appendix C). To protect a student’s interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*NSLDS Enrollment Reporting Guide*, Appendix C and Chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)).

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 transaction showing the completion of the first program and its effective date and credential level, and another transaction showing the enrollment in the second program and its effective date (*Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Texas Southern 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 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 15 (23 percent) of 66 students tested who had a status change, the University did not report the status changes or effective dates to NSLDS accurately. Specifically:

- For 4 of those 15 students, the University did not report the students’ graduated status to NSLDS. Those errors occurred because the University did not input the graduation date in its student financial assistance system, Banner, or because the student enrolled as a student in the subsequent term. For one of the students, the University could not determine why it did not report the graduated status. For two of those students, the University also reported inaccurate effective dates.

- One student was administratively withdrawn on March 10, 2016, which the University accurately reported. However, the student was reinstated at less-than-half-time enrollment on April 14, 2016. The University did not report the less-than-half-time enrollment status to NSLDS.
- For 3 of those 15 students, the enrollment level dropped from full-time to three-quarter-time during a term, but the University reported those students as being enrolled half-time. Those errors occurred because the University did not report three-quarter time enrollment codes to NSLDS.
- For 2 of those 15 students, the University did not report the students' withdrawal status and the effective date of the withdrawals. The University asserted that it reported the status to NSC; however, that status was not reported to NSLDS.
- For 2 of those 15 students, the University reported incorrect effective dates. Those students completed a term, but they did not return for the subsequent term. The University should have used the final day of the previous term as the withdrawal date.
- For 3 of those 15 students, the University reported an incorrect effective date. The University reported the last date of the term as the effective date of the students' withdrawals; however, those three students were administratively withdrawn from the Fall term on September 4, 2015, for non-payment.

For 31 (47 percent) of 66 students tested who had a status change, the University (1) did not report the status change to NSLDS or (2) did not report the status change in a timely manner (it reported those status changes between 62 and 228 days after the effective date of those changes). Specifically:

- For 10 of those students, the University reported the students' graduation status late. Those errors occurred because the University asserted that it waited until it had conferred the degrees before it reported the graduation status to NSC.
- For 12 of those students, the errors discussed above resulted in the University reporting the status late or not at all.
- For 9 of those students, the University was unable to identify why it reported those students' status changes late. The University asserted that, it had reported some of those students to NSC; however, NSC did not report the status to NSLDS in a timely manner.

The University did not have an adequate process to ensure that it reported student status changes to NSLDS accurately and in a timely manner. Not reporting student status changes accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Two former employees had inappropriate access to the Web server and the database server. Two additional former employees had inappropriate access to the database server.
- One former employee had inappropriate access to the database server and Banner; that individual had two active database administrator accounts.
- The University had not disabled an unused test account on the Web server; that account was still accessible to former employees with inappropriate access.

Those errors occurred because the University did not appropriately review users' access based on their job responsibilities and employment status.

After auditors brought those issues to its attention, the University removed the inappropriate access for all of the accounts discussed above. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number 2017-121.

Reference No. 2016-114

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award number – CFDA 84.268, Federal Direct Student Loans, P268K162327

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Borrower Data Transmission and Reconciliations

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 15 days of disbursement (*Office of Management and Budget No. 1845-0021*). Each month, the COD System provides institutions with a School Account Statement (SAS) data file, which consists of a cash summary, cash detail, and (optional at the request of the institution) loan detail records.

The institution is required to reconcile those files to its financial records on a monthly basis. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087e(k)(2), and U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

An institution participating in the Direct Loan Program must ensure that any information it provides to the Secretary of the U.S. Department of Education in connection with loan origination is complete and accurate. An institution must provide to the Secretary of the U.S. Department of Education borrower information that includes, but is not limited to, (1) the student's eligibility for a loan, as determined in accordance with Title 34, Code of Federal Regulations (CFR), Sections 685.200 and 685.203; (2) the student's loan amount; and (3) the anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds (Title 34, CFR, Sections 685.301(a) and (c)).

For 1 (2 percent) of 60 students tested to whom Texas Southern University (University) disbursed Federal Direct Student Loans, the University did not accurately report the disbursement date to the COD System. That error occurred because the COD System rejected disbursement records pertaining to the student for two disbursements due to incorrect award dates. The University manually updated the award dates in the COD System, but it did not update the disbursement dates for those two disbursements. As a result, the original scheduled date of disbursement was automatically populated in the COD System for both disbursements.

Not verifying the disbursement record data the University submits to the COD System increases the risk that inaccurate and incomplete Direct Loan disbursement data could be reported to the DLSS.

The University did not document the monthly reconciliations it performed during the award year for Direct Loan disbursements, and it did not always reconcile required information. The University did not have procedures to reconcile its detailed financial aid disbursement records to the monthly SAS files it received; and, it did not document those reconciliations during the award year. The University used an

automated process in its student financial assistance system, Banner, to reconcile the SAS files with Banner. The automated reconciliation produced a report that the University asserted it reviewed; however, the University did not document that review. Additionally, the reconciliation did not include a required review of the cash detail or cash summary records.

Not documenting reconciliations increases the risk that the reconciliations will not be performed and that inaccurate and incomplete Direct Loan disbursement data could be reported to the DLSS.

Corrective Action:

Corrective action was taken.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner. Specifically:

- Two former employees had inappropriate access to the Web server and the database server. Two additional former employees had inappropriate access to the database server.
- One former employee had inappropriate access to the database server and Banner; that individual had two active database administrator accounts.
- The University had not disabled an unused test account on the Web server; that account was still accessible to former employees with inappropriate access.

Those errors occurred because the University did not appropriately review users' access based on their job responsibilities and employment status.

After auditors brought those issues to its attention, the University removed the inappropriate access for all of the accounts discussed above. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number 2017-119.

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:	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.

Corrective Action:

Corrective action was taken.

Texas State Technical College - Marshall

Reference No. 2014-122

Eligibility

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.

Views of Responsible Officials and Corrective Action Plan 2016:

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 by the end 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 2016-17 award year.

Views of Responsible Officials and Corrective Action Plan 2017:

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. The College worked with programming staff to create a process to remove the housing and personal expense budget components from the cost of attendance for students who are enrolled less than half time.

The audit that was conducted did not identify any students with incorrect cost of attendance calculations. However, one student was identified as being over-awarded – because the cost of attendance was changed due to less than full-time enrollment. The recalculation was performed after initial funds were disbursed.

The College is developing new procedures to prevent re-occurrence of this issue. New reports have been created and will be thoroughly tested during the Spring 2018 semester. We do not anticipate the need for additional programming, but will submit a request for it if necessary. If so, the implementation date listed below would change to May 2018.

Implementation Date: January 2018

Responsible Person: Susan Wingate

Texas State University

Reference No. 2016-115

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award number – CFDA 84.268, Federal Direct Student Loans, P268K160387

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

The U.S. Department of Education has established annual, and in some cases aggregate, limits for awarded federal aid (Title 34, Code of Federal Regulations, Section 682.204). Federal Direct Student 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 *2015-2016 Federal Student Aid Handbook*).

Initial Year Written: 2016 Status: Implemented U.S. Department of Education

If a student returns for a second baccalaureate degree, the grade level used for loan limit purposes would be based on the amount of work that the institution counts toward satisfying the requirements of the new program (U.S. Department of Education *2015-2016 Federal Student Aid Handbook*, Volume 3, Chapter 5).

Texas State University (University) uses the classification of “5th year/other undergrad” for post-baccalaureate students who are undergraduates seeking their second undergraduate degree. The University uses that classification to determine the amounts of loans for which students are eligible based on the year of the program the students have completed.

The University awarded Federal Direct Student Loans in excess of the annual limit to 20 (10 percent) of 204 students seeking a second baccalaureate degree tested. The amounts by which those awards exceeded the annual limit ranged from \$344 to \$1,869, and the University overawarded those 20 students a total of \$26,283 in Federal Direct Student Loans. Those errors occurred because the University’s process for identifying undergraduate students seeking second degrees was not sufficient to ensure that those students received the correct award amounts. After auditors brought those errors to the University’s attention, it corrected the overawards; therefore, there were no questioned costs.

Not accurately identifying undergraduate students who are seeking second degrees could affect the determination of the annual and aggregate limits for those students’ Federal Direct Student Loans.

Corrective Action:

Corrective action was taken.

Reference No. 2016-116

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2015-115, 2014-125, and 2013-148)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P150387 and CFDA 84.268, Federal Direct Student Loans, P268K160387

Statistically valid sample – No

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 Perkins Loan, Federal Family Education Loan (FFEL), Direct Subsidized Loan, Direct Unsubsidized Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (*GEN-12-06*)).

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

For a student who has graduated, institutions that initially report a withdrawn status must subsequently report the student as having graduated by certifying a “G” status at the campus-level and/or program-level as appropriate. The graduated status may protect the interest subsidy on the student’s current loans (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, Chapter 4).

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 62 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- The University did not report one student’s graduated status and effective date to NSLDS. The student was enrolled in the Fall term, and the University appropriately reported that student as withdrawn due to nonpayment and cancellation of courses. The student later applied for graduation and was awarded a degree. The University reported the graduated status to NSC; however, NSC did not report that status change to NSLDS.
- The University did not accurately report the effective date of one student’s status change to less than half time. The University’s process to identify records for reporting to NSC created an error, which the University did not correct before it submitted a file to NSC. As a result, the file the University submitted to NSC did not contain an effective date for that student, and NSC defaulted the effective date to the first date of the term.

The errors discussed above occurred because the University did not have a control to ensure that the information it reported to NSC was accurate and that NSC submitted accurate information to NSLDS. Not reporting accurate status changes and effective dates 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.

Corrective Action:

Corrective action was taken.

Texas Tech University

Reference No. 2016-117

Eligibility

(Prior Audit Issue 2015-116)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154151; CFDA 84.033, Federal Work-Study Program, P033A154151; CFDA 84.063, Federal Pell Grant Program, P063P152328; CFDA 84.268, Federal Direct Student Loans, P268K162328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Statistically valid sample – No

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).

Initial Year Written: 2015
 Status: Implemented
 U.S. Department of Education

The financial aid administrator, on the basis of adequate documentation, has the authority to make adjustments on a case-by-case basis to the COA or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. Special circumstances are conditions that differentiate an individual student from a class of students, rather than conditions that exist across a class of students. Adequate documentation for such adjustments must substantiate the special circumstances of individual students (Higher Education Act, Section 479A(a)). The reason for the adjustment must be documented in a student’s file, and the reason must relate to the special circumstances that differentiate the student, not to conditions that exist for a whole class of students (U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

Texas Tech University (University) incorrectly or inconsistently calculated the COA budgets for 4 (6 percent) of 64 students tested. Specifically:

- The University incorrectly assigned certain budget components to three students’ COA budgets. The University referenced incorrect columns on the Summer COA, duplicated the amount for miscellaneous personal expenses in the amount of \$138, or manually updated a COA budget using an outdated budget. Those errors occurred because of manual errors the University made in updating COA budgets.
- The University did not document its professional judgment when it adjusted a COA budget component for one student. The University adjusted that student’s COA budget for books and supplies by \$300; however, it did not document the reason for that adjustment. That error occurred because the University’s policy does not require staff to document the reasons for professional judgment decisions.

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.

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 *2015-2016 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 \$1,637 Subsidized Direct Loan that the student was not eligible to receive. That error occurred because the University made a manual data entry error. The University did not properly cancel the Subsidized Direct Loan for the Spring term when it updated the student’s awards to reflect a graduate status for that term. After auditors brought the error to the University’s attention, it adjusted the student’s award and returned the overaward to the U.S. Department of Education; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

Reference No. 2016-118

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2015-119, 2014-129, 2013-152, 13-132, 12-138, 11-139, and 09-75)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P152328; CFDA 84.268, Federal Direct Student Loans, P268K162328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Statistically valid sample – No

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 Perkins Loan, 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 674.19(f), 685.309(b) and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (*GEN-12-06*)).

Initial Year Written: 2008
Status: Implemented
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 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 9 (15 percent) of 60 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- The University did not report the status change or effective date for one student to NSLDS. That error occurred because the student did not have a Social Security number in the University's student financial assistance system, Banner. As a result, when the University reported status changes to NSC, the student was not identified by NSC and was reported to NSLDS as "No Record Found."
- The University reported incorrect effective dates for seven 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, the University reported the day after the final day of the term in which those students were last enrolled.
- The University reported an incorrect effective date for one student who unofficially withdrew from the Fall term. The University reported the effective date as December 9, 2015, to NSLDS; however, the student's last date of attendance was November 20, 2015.

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.

Corrective Action:

Corrective action was taken.

Texas Tech University Health Sciences Center

Reference No. 2016-119

Eligibility

Activities Allowed or Unallowed

Reporting

Special Tests and Provisions – Verification

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A155175; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P153367; CFDA 84.268, Federal Direct Student Loans, P268K163367; and CFDA 93.264, Nurse Faculty Loan Program, Award Number Not Applicable

Statistically valid sample – No

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).

Initial Year Written: 2016 Status: 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 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).

The Texas Tech University Health Sciences Center (Health Sciences Center) uses algorithmic budgeting to build COA budgets based on classification, academic program, admission term, enrollment level, living status, and residency. Budgeting rules within the Health Sciences Center’s student financial assistance system, Banner, are established to assign various budget components based on the student’s reported expected enrollment, as well as program and admission information within the system.

For 17 (27 percent) of 64 students tested, the Health Sciences Center incorrectly calculated the COA. Those errors occurred because the Health Sciences Center did not configure its algorithmic budgeting rules to assign the correct budget component amount based on a student’s program and admission information. Additionally, the Health Sciences Center made manual errors when adjusting student budgets. Specifically:

- For 9 students, the Health Sciences Center incorrectly sequenced the algorithmic budgeting rules and did not consider the term in which the students were admitted to the School of Medicine. As a result, the Health Sciences Center assigned those students an incorrect budget amount for room and board. It overawarded one of those students \$534 as a result of the incorrect budget amount for room and board. After auditors brought that error to its attention, the Health Sciences Center used professional judgment to increase that student’s COA based on a previously submitted budget increase request from that student; therefore, there were no questioned costs.

- For 7 students, the Health Sciences Center incorrectly sequenced the algorithmic budgeting rules and did not consider the term in which the students were admitted to the School of Health Professions. As a result, the Health Sciences Center assigned those students an incorrect budget amount for books and supplies. Those errors did not result in an overaward; therefore, there were no questioned costs.
- For 1 student, the Health Sciences Center made errors when manually adjusting the student's COA. The Health Sciences Center manually assigned that student a full-time budget for the Spring 2016 term; however, the student was enrolled only three-quarter time. That error did not result in an overaward; therefore, there were no questioned costs.

Incorrectly calculating COA budgets 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 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 668.34 (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 *2015-2016 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. For a graduate program, a period defined by the institution that is based on the length of the educational program should be used to determine the maximum time frame for the quantitative component of SAP (Title 34, CFR, Section 668.34(b)).

The Health Sciences Center evaluates SAP at the end of each term, with the exception of students enrolled in the School of Medicine. The Health Sciences Center allows students who do not meet the minimum requirements, other than maximum time frame, one warning term to restore satisfactory standing. At the end of the warning term, the student must have regained satisfactory SAP status to continue receiving financial assistance. Students who have reached the maximum time frame to complete a program cannot receive a warning term and are no longer eligible to receive financial assistance. The Health Sciences Center evaluates students enrolled in the School of Medicine once per academic year, and it does not give them a warning term.

The Health Sciences Center'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 single term or in an academic year; however, the policy does not consider cumulative hours, which could result in a pace that would not ensure that the 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.

Additionally, for 13 (20 percent) of 64 students tested, the Health Sciences Center did not assign SAP statuses for the correct term or assign SAP statuses in a timely manner. Specifically:

- The Health Sciences Center did not post a SAP status for two students for the Summer 2015 term in its student financial assistance system, Banner. The Health Sciences Center asserted that it performed the SAP review in a timely manner; however, it did not update Banner with the results of that review. After auditors brought those errors to the Health Sciences Center's attention, it updated the SAP status for both

students. Those two students met SAP requirements and were eligible to receive financial assistance in that term; therefore, there were no questioned costs.

- The Health Sciences Center did not post a SAP status for two students for the Fall 2015 term because it had not reviewed SAP for those students due to an oversight in the SAP review process. The Health Sciences Center did not review SAP for a total of 245 students for the Fall 2015 term. After auditors brought those errors to the Health Sciences Center's attention, it reviewed all 245 students and determined that one of those 245 students was ineligible to receive financial assistance. That student did not enroll in the Fall 2015 term and did not receive financial assistance; therefore, there were no questioned costs.
- The Health Sciences Center assigned one student a SAP status for a term that did not correspond to the student's academic program. That student was enrolled in the Paul L. Foster School of Medicine in El Paso, but the Health Sciences Center assigned SAP statuses for the Lubbock School of Medicine. Additionally, the student was not assigned a SAP status for the Fall 2015 term, as required by the Health Sciences Center's SAP policy. Those errors occurred because of manual errors the Health Sciences Center made when updating that student's account. The student met SAP requirements and was eligible to receive financial assistance in those terms; therefore, there were no questioned costs.
- For eight students, the Health Sciences Center did not assign a SAP status for those students until after the Fall 2015 term had begun. The Health Sciences Center asserted that it performed the review in a timely manner; however, it did not update Banner with the results of that review until November 13, 2015. Those students met SAP requirements and were eligible to receive financial assistance in that term; therefore, there were no questioned costs.

Although none of the above students received financial assistance for which they were not eligible, not following the established policies and procedures increases the risk that students could receive financial assistance for which they are not eligible.

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 *2015-2016 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63(b)).

For 1 (13 percent) of 8 students tested who received Federal Pell Grants, the Health Sciences Center did not award the correct amount of Federal Pell Grant assistance. Specifically, the Health Sciences Center awarded the student an amount that was less than the amount the student was eligible to receive. That occurred because the Health Sciences Center manually awarded Federal Pell Grants to students enrolled in its Traditional Nursing Program and it did not include the student in that process. As a result, the student was underawarded \$904 in Federal Pell Grant assistance that the student was eligible to receive.

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 *2015-2016 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 Health Sciences Center disbursed one graduate student a \$1,815 Subsidized Direct Loan that the student was not eligible to receive. The student graduated from an undergraduate program in the Fall 2015 term and was admitted to a graduate program for the Spring 2016 term. The Health Sciences Center did not have controls

to identify students who changed classifications mid-year and adjust awards as necessary. After auditors brought that error to its attention, the Health Sciences Center returned the loan funds to the U.S. Department of Education; therefore, there were no questioned costs.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, reporting, and special tests and provisions – verification, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Health Sciences Center did not appropriately restrict access to its student financial assistance system, Banner. Specifically:

- Two programmers had inappropriate access to modify fund rules, tracking requirements, disbursement locks, budget tables, and default disbursement dates.
- Four financial assistance advisors had inappropriate access to budget tables, default disbursement dates, and programmable rules.

Those errors occurred because the Health Sciences Center did not restrict user access to high-profile roles within its student financial assistance system based on user job responsibilities. After auditors brought those errors to the Health Sciences Center’s attention, it removed the inappropriate access for the users discussed above.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-120

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P153367; and CFDA 84.268, Federal Direct Student Loans, P268K163367

Statistically valid sample – No

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

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

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).

The Texas Tech University Health Sciences Center (Health Sciences Center) did not always perform required reviews of transfer students prior to disbursing student financial assistance. For 21 (91 percent) of 23 students tested who transferred to the Health Sciences Center during the academic year, the Health Sciences Center did not obtain updated financial assistance history from NSLDS for the current year before it disbursed student financial assistance. The Health Sciences Center had a manual process to perform transfer monitoring; however, it did not perform that process on a routine basis during the award year and it did not perform that process prior to disbursing financial assistance. The Health Sciences Center performed transfer monitoring for those 21 students in November 2015 or October 2016, but that monitoring occurred after the Health Sciences Center had disbursed funds to those students.

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

Recommendations:

The Health Sciences Center should:

- Develop and implement a process to review information from NSLDS before it disburses financial assistance for all students who transfer to the Health Sciences Center during the award year.

Views of Responsible Officials and Corrective Action Plan 2016:

The University acknowledges and agree with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Transfer monitoring is being processed on a weekly basis (some exceptions apply) for each term. As ISIR's are loaded into the system, they are reviewed for aggregate loan flags as well as C-Flags issues. These issues prevent disbursement until they are resolved. In addition, as loan origination/disbursement files are processed, any rejected records are reviewed and if an overpayment is identified, the loan amount is de-fed and loan eligibility adjusted.

Views of Responsible Officials and Corrective Action Plan 2017:

We have aligned our ISIR importing and Transfer Monitoring processes. This alignment places the Transfer Monitoring flag and NSLDS file processing directly after the ISIR load processes. The timing keeps federal funds from disbursing until after the seven day hold has been resolved. In addition, as ISIR data is loaded into Banner, it continues to be reviewed for aggregate loan flags as well as C-Flags issues. Identified issues prevent the file from further processing until these issues are resolved.

Implementation Date: October 2017

Responsible Person: Fabian Vasquez

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Health Sciences Center did not appropriately restrict access to its student financial assistance system, Banner. Specifically:

- Two programmers had inappropriate access to modify fund rules, tracking requirements, disbursement locks, budget tables, and default disbursement dates.
- Four financial assistance advisors had inappropriate access to budget tables, default disbursement dates, and programmable rules.

Those errors occurred because the Health Sciences Center did not restrict user access to high-profile roles within its student financial assistance system based on user job responsibilities. After auditors brought those errors to the Health Sciences Center’s attention, it removed the inappropriate access for the users discussed above.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-121

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A155175; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P153367; and CFDA 84.268, Federal Direct Student Loans, P268K163367

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance 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)). 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 the institution determined that a student withdrew (Title 34, CFR, Section 668.22(j)(1)).

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

The Texas Tech University Health Sciences Center (Health Sciences Center) did not always return Title IV funds within the required time frames. For 1 (13 percent) of 8 students tested who had a return of Title IV funds, the Health Sciences Center returned funds 393 days after it determined the student withdrew. Although the Health Sciences Center asserted that it performed reviews of its return calculations, that review process was not documented.

Not having an adequate system to monitor the return calculation process increases the risk that the Health Sciences Center will not return funds a timely manner.

Recommendations:

The Health Sciences Center should:

- Return Title IV funds within required time frames.
- Document its process for reviewing calculations for returns of Title IV funds.

Views of Responsible Officials and Corrective Action Plan 2016:

The University acknowledges and agree with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

The Texas Tech University Health Sciences Center's Financial Aid Office has revised R2T4 processes. This includes having three reviewers; the initial review, a secondary review, and a weekly review and signoff. This will address any lapses regarding the time frame issue as well as compiling the necessary documentation.

Views of Responsible Officials and Corrective Action Plan 2017:

The Texas Tech University Health Sciences Center's Financial Aid Office has revised R2T4 processes. The revised process begins with an initial review and the appropriate calculations being performed and the file forwarded for the secondary review. The secondary review is done by a senior processor who verifies the calculations and signs off on the file. The final step involves reviewing a new COGNOS report to verify that all files have been reviewed and processed as required. This addresses any lapses regarding timelines and the completeness of the processes.

Implementation Date: November 2016

Responsible Persons: Mia Myers and Lena Hooker

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Health Sciences Center did not appropriately restrict access to its student financial assistance system, Banner. Specifically:

- Two programmers had inappropriate access to modify fund rules, tracking requirements, disbursement locks, budget tables, and default disbursement dates.
- Four financial assistance advisors had inappropriate access to budget tables, default disbursement dates, and programmable rules.

Those errors occurred because the Health Sciences Center did not restrict user access to high-profile roles within its student financial assistance system based on user job responsibilities. After auditors brought those errors to the Health Sciences Center's attention, it removed the inappropriate access for the users discussed above.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-122

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P153367; and CFDA 84.268, Federal Direct Student Loans, P268K163367

Statistically valid sample – No

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2016 Status: Partially Implemented 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. 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 (*NSLDS Enrollment Reporting Guide*, Appendix C).

The Texas Tech University Health Sciences Center (Health Sciences Center) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the Health Sciences Center 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 Health Sciences Center’s behalf and communicates status changes to NSLDS, as applicable. Although the Health Sciences Center uses the services of NSC, it is still ultimately the Health Sciences Center’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

The Health Sciences Center did not report student status changes or effective dates to NSLDS accurately. For 37 (62 percent) of 60 students tested with a status change, the Health Sciences Center reported inaccurate status changes or reported a status change when there was none. Specifically:

- For 30 of those students, the Health Sciences Center reported those students' status changes inaccurately or reported a status change when the student did not have a status change. Those errors occurred because the Health Sciences Center inaccurately established the minimum number of credit hours required for different enrollment levels in its student financial assistance system, Banner. As a result, its submissions to NSLDS included inaccurate information.
- For 7 of those students, the Health Sciences Center did not report the withdrawn status and effective date accurately. Those errors occurred because the Health Sciences Center did not process those withdrawals in Banner and, as a result, it did not include those withdrawals in its reporting process or its last submission date occurred prior to the withdrawal. In addition, for two of those students, the Health Sciences Center also reported an inaccurate status change for a term that differed from the term in which the student withdrew.

The Health Sciences Center did not report status changes to NSLDS in a timely manner. For 16 (27 percent) of 60 students tested who had a status change, the Health Sciences Center did not report status changes to NSLDS in a timely manner. Specifically:

- For 6 of those students, the Health Sciences Center reported those students' status changes between 66 and 267 days after the status change occurred.
- For 10 of those students, the Health Sciences Center did not report those students' status changes to NSLDS.

For 8 of those students, the errors discussed above resulted in the Health Sciences Center not reporting status changes in a timely manner. For the remaining 8 students, the Health Sciences Center asserted that it reported those status changes in a timely manner to NSC; however, NSC did not report those status changes to NSLDS or did not report those status changes to NSLDS within the required time frame.

Not reporting student status changes accurately and in a timely manner 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 Health Sciences Center should:

- Accurately report all status changes and effective dates to NSLDS in a timely manner.
- Strengthen controls over the establishment of the minimum number of credit hours required for different enrollment levels in Banner to ensure that students' statuses are accurate.

Views of Responsible Officials and Corrective Action Plan 2016:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Procedures have been modified to ensure all student status changes are reported correctly and in a timely manner. Clearinghouse reports are submitted every 30 days.

Procedures have been added that strengthen the controls for the SFATMST table in Banner. This is the table that controls the credit hour requirements for the enrollment levels. In addition, this table will be reviewed prior to the beginning of each term for accuracy.

Views of Responsible Officials and Corrective Action Plan 2017:

Clearinghouse reporting procedures have been modified to run once every 30 days to ensure all student status changes are reported correctly and in a timely manner. Additional edit reports are being generated

for the Director of Enrollment Services to review and update prior to CH reports being submitted. An alert report has been created to notify personnel when a time status has changed. This data can also be used to trigger a review of NSLDS data for accuracy.

Term set up procedures have been added that strengthen the controls for SFATMST in Banner. This table controls credit hour requirements based on enrollment levels. This form will be set up each term manually and will be reviewed for accuracy at the time of set up.

Implementation Date: September 2017

Responsible Persons: Tamara Krauser, Mike Carpenter, and Amanda McSween

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Health Sciences Center did not appropriately restrict access to its student financial assistance system, Banner. Specifically:

- Two programmers had inappropriate access to modify fund rules, tracking requirements, disbursement locks, budget tables, and default disbursement dates.
- Four financial assistance advisors had inappropriate access to budget tables, default disbursement dates, and programmable rules.

Those errors occurred because the Health Sciences Center did not restrict user access to high-profile roles within its student financial assistance system based on user job responsibilities. After auditors brought those errors to the Health Sciences Center's attention, it removed the inappropriate access for the users discussed above.

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

Corrective Action:

Corrective action was taken.

Texas Woman's University

Reference No. 2016-123

Eligibility

Activities Allowed or Unallowed

Cash Management

Reporting

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

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154153; CFDA 84.033, Federal Work-Study Program, P033A154153; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152330; CFDA 84.268, Federal Direct Student Loans, P268K162330; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162330; CFDA 93.364, Nursing Student Loans, 4 E4CHP27339-02-00; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, 5 T08HP25248-04-00 and 5 T08HP25296-04-00

Statistically valid sample – No

Type of finding – Material Weakness and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code (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).

Initial Year Written: 2016
Status: Partially Implemented

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

In determining whether a student is in need of a nursing student loan to pursue a full-time or half-time course of study, the institution will take into consideration (1) the financial resources available to the student by using one of the national need analysis systems or any other procedure approved by the U.S. Department of Education Secretary in combination with other information the institution has regarding the student's financial status; (2) and the costs reasonably necessary for the student's attendance at the institution, including any special needs and obligations which directly affect the student's financial ability to attend the school on a full-time or half-time basis. The institution must document the criteria used for determining those costs (Title 42, Code of Federal Regulations (CFR), Section 57.306(b), and Title 42, USC, Chapter 6A, Subchapter V, Section 293a).

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

Texas Woman's University (University) has established different COA budgets for undergraduate and graduate students based on term enrollment, residency, living status, and degree program. The University's student financial assistance system, Colleague, budgets students based on students' certification of anticipated enrollment. If the students' anticipated enrollment changes, the University will manually adjust students' budgets to reflect students' actual enrollment.

For 1 (2 percent) of 63 students tested, the University incorrectly calculated the COA. That error occurred because the University manually adjusted the student's COA for the Fall term based on actual enrollment and it incorrectly applied the same adjustment to the Spring term. As a result, the student's Spring COA was overstated by \$1,770; however, the University did not overaward financial assistance to that student. After auditors brought that error to the University's attention, it adjusted the student's COA budget. Therefore, there were no questioned costs.

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 668.34 (Title 34, CFR, Section 668.32(f); Title 42, CFR, Section 57.306(a)(1)(iv); and Title 42, USC, Section 293a(d)(2)). 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 *2015-2016 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)).

The SAP policy should also 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)).

The University's SAP policy did not meet all federal requirements. The policy allowed students to progress through an academic program at a pace that did not ensure that they will graduate within the maximum time frame. The policy specified a minimum number of hours that a student must complete based on the number of hours enrolled in a term. The University asserted that its SAP policy was more strict than federal requirements for Title IV recipients and, therefore, prevented financial aid abuse. However, 1 (2 percent) of 63 students tested would be ineligible for student financial assistance if the student's pace was calculated on a cumulative basis, as required. In addition, 1 (2 percent) of 63 students tested would have been eligible for student financial assistance if the student's pace were calculated on a cumulative basis, as required.

Calculating the pace of progression through an academic program by each term, rather than by a student's cumulative hours, increases the risk that the University could deny financial assistance to eligible students. In addition, calculating pace on a term 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.

Federal Direct 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 *2015-2016 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 Students (PLUS) Loans.

Based on a review of the full population of student financial assistance recipients, the University awarded \$12,712 in Subsidized Direct Loans to 4 students who were not eligible for that assistance. The University did not have controls during the 2015-2016 award year to ensure that graduate students did

not receive Subsidized Direct Loans. Those errors occurred because the University did not cancel Subsidized Direct Loans when those students became graduate students. After auditors brought those errors to the University's attention, it returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Pell Grants

In selecting students for Federal Pell Grants, an institution must determine whether students are eligible to receive Federal Pell Grants for the period of time required to complete their 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 \$2,166 in Federal Pell Grant funds to a student who was not eligible for that assistance. That error occurred because the University did not cancel the Federal Pell Grant funds when the student graduated and became a post-baccalaureate student. After auditors brought that error to the University's attention, it returned the Federal Pell Grant funds to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Pell Grant and Direct Loan Limits

The amount of a student's Federal Pell Grant for an academic year is based on schedules published by the U.S. Department of Education for each award year (Title 34, CFR, Section 690.62(a)). The amount of the award is obtained from the payment schedule, and it is based on the student's enrollment level, EFC, and COA (U.S. Department of Education *2015-2016 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 COA, the borrower's maximum borrowing limit, or the borrower's unmet financial need (U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

The University's controls over Direct Loans and Federal Pell Grants did not ensure that manually entered awards complied with federal financial assistance limits. The automated packaging process within Colleague had limits to prevent awarding more student financial assistance than a student is eligible to receive. However, if the University manually awarded student financial assistance, Colleague did not prevent students from being awarded more than the limits. The University did have a compensating control in place that correctly identified students with annual overawarded Federal Pell Grants. Overall this increases the risk that students could be overawarded federal financial assistance. Auditors tested 63 students and did not identify any students who were awarded federal financial assistance that exceeded their annual or aggregate award limits.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, cash management, reporting, and special tests and provisions – disbursements to or on behalf of students, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have sufficient controls or proper segregation of duties over its change management process. Specifically, 11 members of the application development team had access to migrate code changes to the production environment for its student financial assistance application, Colleague, and its financial accounting application, Oracle. Five of those team members also had access to migrate changes to the Colleague application servers. One of those team members also had administrator access to the Oracle application. The University's change management process allows developers to migrate their own code into

the production environment, and it does not have appropriate controls to track who migrates code or to document the review and approval of changes prior to migrating code to the production environment.

Not maintaining appropriate segregation of duties or having appropriate controls to track migration and document reviews and approvals increases the risk of unauthorized and unintended programming changes being made to critical information systems.

In addition, the University did not consistently maintain appropriate user access controls to Colleague. Specifically, two users had access to Colleague screens that allowed them to award and disburse federal financial assistance. After auditors brought that issue to its attention, the University removed the inappropriate access for those two individuals. Those errors occurred because the University did not have sufficient policies and procedures over user access and it had not implemented a formal, documented, periodic review of user access to critical information systems.

Not maintaining appropriate access increases the risk of unauthorized access to key processes.

Corrective Action:

This finding was reissued as current year reference number 2017-125.

Federal Supplemental Educational Opportunity Grants

An institution may award Federal Supplemental Educational Opportunity Grant (FSEOG) funds in an amount determined by the institution in accordance with a student's need to continue the student's studies, with a minimum annual amount of \$100 and a maximum annual amount of \$4,000 (Title 34, CFR, Section 676.20).

The University did not disburse the minimum amount of FSEOG assistance to 1 (20 percent) of 5 students tested who received FSEOG. The University awarded \$400 to the student; however, it disbursed only \$48 for the award year, which was less than the minimum of \$100. That occurred because the University reduced the student's disbursement to prevent an overaward of financial assistance to that student.

Corrective Action:

Correction action was taken.

Reference No. 2016-124

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154153; CFDA 84.033, Federal Work-Study Program, P033A154153; CFDA 84.038, Federal Perkins Loan – Federal Capital Contribution, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152330; CFDA 84.268, Federal Direct Student Loans, P268K162330; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162330

Statistically valid sample – No

Type of finding – Material Weakness 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, Supplemental Nutrition Assistance Program (SNAP), 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 79, Number 122).

Initial Year Written: 2016 Status: Partially Implemented 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).

An institution must require an applicant scheduled for verification to submit to it, within the period of time it or the Secretary of the U.S. Department of Education specifies, the documentation requested by the institution. If an applicant fails to provide the requested documentation within a reasonable time period established by the institution, the institution may not disburse any additional Federal Perkins Loan or Federal Supplemental Educational Opportunity Grant program funds, employ or continue to employ the applicant under the Federal Work-Study Program, originate or disburse any additional Direct Subsidized Loans, or disburse any additional Federal Pell Grant Program funds (Title 34, CFR, Section 668.60).

A Federal Pell Grant recipient selected for verification must complete the process by the earlier of the last date that the student was enrolled and eligible for payment or the deadline established by the Secretary of the U.S. Department of Education in the *Federal Register*. Campus-Based and Stafford Loan applicants must complete verification by the same deadline or by an earlier one established by the institution. Verification is complete when all of the requested documentation and a valid ISIR (one on which all the information is accurate and complete) has been received. This includes any necessary corrections, which must be made by the deadlines published in the *Federal Register* for the submission of paper or electronic corrections (Title 34, CFR, Sections 690.61 and 668.60; *Federal Register*, Volume 80, Number 47; and U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

An institution need not verify an applicant’s FAFSA information if: (1) the applicant dies; (2) the applicant does not receive assistance under Title IV for other reasons than not verifying FAFSA information; (3) the applicant is eligible to receive only unsubsidized loans; or (4) the applicant transfers and verification had been completed at the previous institution (Title 34, CFR, Section 668.54(b)). In addition, an institution would not need to complete verification if a student was selected for verification after ceasing to be enrolled at that institution and all (including late) disbursements were made (U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

For 3 (5 percent) of 59 students tested, Texas Woman's University (University) did not accurately verify certain required items on the FAFSA; therefore, it did not subsequently update its records and request updated ISIRs, as required. Specifically, the University did not accurately verify education credits or income tax paid. After auditors brought those errors to the University's attention, it asserted that those students were not overawarded financial assistance; however, it did not request updated ISIRs for those students because the deadline for the University to submit corrections had passed.

In addition, for 29 students in the population of Title IV recipients that were selected for verification by the U.S. Department of Education, the University did not follow its procedures. Those 29 students were selected for verification after the University had disbursed assistance to them. The University did not identify all students selected for verification because of manual errors it made, and it did not consistently apply its verification policies and procedures. Specifically:

- For 12 students, the University did not update its student financial assistance system, Colleague, to reflect that those students were no longer enrolled at the University, and it did not document its reason for not completing verification. Because those students were no longer enrolled, the University would not have been required to complete verification; therefore, there were no questioned costs.
- For 17 students, the University did not identify those students as requiring verification. After auditors brought those errors to the University's attention, it did not verify those students' FAFSA information and did not request updated ISIRs, as required, because the deadline for the University to submit corrections had passed. Therefore, the funds disbursed to those students were not based on valid ISIRs, which resulted in questioned costs totaling \$70,102 (of that amount, \$66,902 was associated with CFDA 84.063, Federal Pell Grants, award number P063P152330 and \$3,200 was associated with CFDA 84.007, Federal Supplemental Educational Opportunity Grants, award number P007A154153). Auditors determined that the University did not award further federal assistance to those students after they were selected for verification.

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.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have sufficient controls or proper segregation of duties over its change management process. Specifically, 11 members of the application development team had access to migrate code changes to the production environment for its student financial assistance application, Colleague, and its financial accounting application, Oracle. Five of those team members also had access to migrate changes to the Colleague application servers. One of those team members also had administrator access to the Oracle application. The University's change management process allows developers to migrate their own code into the production environment, and it does not have appropriate controls to track who migrates code or to document the review and approval of changes prior to migrating code to the production environment.

Not maintaining appropriate segregation of duties or having appropriate controls to track migration and document reviews and approvals increases the risk of unauthorized and unintended programming changes being made to critical information systems.

In addition, the University did not consistently maintain appropriate user access controls to Colleague. Specifically, two users had access to Colleague screens that allowed them to award and disburse federal financial assistance. After auditors brought that issue to its attention, the University removed the inappropriate access for those two individuals. Those errors occurred because the University did not have sufficient policies and procedures over user access and it had not implemented a formal, documented, periodic review of user access to critical information systems.

Not maintaining appropriate access increases the risk of unauthorized access to key processes.

Corrective Action:

This finding was reissued as current year reference number 2017-126.

Reference No. 2016-125

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154153; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152330; CFDA 84.268, Federal Direct Student Loans, P268K162330; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162330

Statistically valid sample – No

Type of finding – Material Weakness and Non-Compliance

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance 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: 2016
Status: Partially Implemented

U.S. Department of Education

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 68.22(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)).

Texas Woman’s University (University) did not consistently determine the amount of Title IV funds to return. For 6 (10 percent) of 60 students tested who had returns of Title IV funds, the University made errors in its return calculations. Specifically:

- The University incorrectly calculated the amount of institutional charges used to determine the amount that should have been returned for one student. As a result, the student returned more funds than required; however, the overall amount to be returned was accurate. Therefore, there were no questioned costs.

- For three students, the University used an incorrect number of days completed for the term in its return calculation. As a result, the University returned more funds than required for two of those students and less funds than required for one student. After auditors brought those errors to the University's attention, it returned the additional funds for one student; therefore, there were no questioned costs.
- The University used an incorrect withdrawal date for one student. As a result, the University returned less funds than required. After auditors brought that error to the University's attention, it returned the additional funds for that student; therefore, there were no questioned costs.
- For one student, the University incorrectly included non-federal funds in its return calculation. As a result, the University returned more funds than required.

Those errors occurred because of manual errors the University made in performing the return calculations, which resulted in miscalculations on its return worksheet; in addition, the University's review of return calculations was not sufficient to identify those errors. Not accurately 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.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have sufficient controls or proper segregation of duties over its change management process. Specifically, 11 members of the application development team had access to migrate code changes to the production environment for its student financial assistance application, Colleague, and its financial accounting application, Oracle. Five of those team members also had access to migrate changes to the Colleague application servers. One of those team members also had administrator access to the Oracle application. The University's change management process allows developers to migrate their own code into the production environment, and it does not have appropriate controls to track who migrates code or to document the review and approval of changes prior to migrating code to the production environment.

Not maintaining appropriate segregation of duties or having appropriate controls to track migration and document reviews and approvals increases the risk of unauthorized and unintended programming changes being made to critical information systems.

In addition, the University did not consistently maintain appropriate user access controls to Colleague. Specifically, two users had access to Colleague screens that allowed them to award and disburse federal financial assistance. After auditors brought that issue to its attention, the University removed the inappropriate access for those two individuals. Those errors occurred because the University did not have sufficient policies and procedures over user access and it had not implemented a formal, documented, periodic review of user access to critical information systems.

Not maintaining appropriate access increases the risk of unauthorized access to key processes.

Corrective Action:

This finding was reissued as current year reference number 2017-128.

Reference No. 2016-126

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152330; and CFDA 84.268, Federal Direct Student Loans, P268K162330

Statistically valid sample – No

Type of finding – Material Weakness 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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2016 Status: Partially Implemented 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).

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 30, 2012 (GEN-12-06)).

To protect a student's interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, Appendix C and Chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)).

Texas Woman's 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 5 (8 percent) of 61 students tested who had a status change, the University did not report status changes and effective dates to NSLDS accurately. Specifically:

- For two students who unofficially withdrew, the University reported the effective date of the withdrawals as the last day of the Spring term; however, it should have reported the effective date as the final day of academic activity. In addition, the University did not report another student's unofficial withdrawal. Those errors occurred because the Registrar's Office did not receive information regarding the last date of attendance from the Office of Financial Aid for unofficial withdrawals.

- For one student, the University did not report the student's graduated status to NSLDS. The student graduated and enrolled in a subsequent term. The University asserted that it reported the graduated status to NSC; however, because the student enrolled in a subsequent term and was not reported as graduated on two consecutive roster files, NSC did not report the graduated status to NSLDS.
- For one student, the University did not report the student's graduated status to NSLDS. The University asserted that it reported the student to NSC; however, because the student had withdrawn from the University in a prior term, NSC did not report the student to NSLDS.

For 14 (23 percent) of 61 students tested who had a status change, the University did not report those status changes to NSLDS in a timely manner. The University reported those status changes between 63 and 246 days after the effective date. Five of those students were the students discussed above and the errors discussed above resulted in those status changes not being reported to NSLDS in a timely manner. For the remaining nine students:

- For five students, the University did not report the status changes in a timely manner because NSC did not submit updated information to NSLDS until after it had received and replied to an NSLDS roster update.
- For four students, the University asserted that it reported the status changes for those students to NSC; however, NSC did not report the status changes to NSLDS in a timely manner.

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.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have sufficient controls or proper segregation of duties over its change management process. Specifically, 11 members of the application development team had access to migrate code changes to the production environment for its student financial assistance application, Colleague, and its financial accounting application, Oracle. Five of those team members also had access to migrate changes to the Colleague application servers. One of those team members also had administrator access to the Oracle application. The University's change management process allows developers to migrate their own code into the production environment, and it does not have appropriate controls to track who migrates code or to document the review and approval of changes prior to migrating code to the production environment.

Not maintaining appropriate segregation of duties or having appropriate controls to track migration and document reviews and approvals increases the risk of unauthorized and unintended programming changes being made to critical information systems.

In addition, the University did not consistently maintain appropriate user access controls to Colleague. Specifically, two users had access to Colleague screens that allowed them to award and disburse federal financial assistance. After auditors brought that issue to its attention, the University removed the inappropriate access for those two individuals. Those errors occurred because the University did not have sufficient policies and procedures over user access and it had not implemented a formal, documented, periodic review of user access to critical information systems.

Not maintaining appropriate access increases the risk of unauthorized access to key processes.

Corrective Action:

This finding was reissued as current year reference number 2017-129.

Reference No. 2016-127

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award number – CFDA 84.268, Federal Direct Student Loans, P268K162330

Statistically valid sample – No

Type of finding – Material Weakness and Non-Compliance

Borrower Data Transmission and Reconciliations

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 15 days of disbursement (*Office of Management and Budget No. 1845-0021*). Each month, the COD System provides institutions with a School Account Statement (SAS) data file, which consists of a cash summary, cash detail, and (optional at the request of the institution) loan detail records.

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

The institution is required to reconcile those files to its financial records on a monthly basis. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087e(k)(2), and U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

Texas Woman’s University (University) did not perform complete, monthly reconciliations during the award year for Direct Loan disbursements; it also did not reconcile required information. The University used an automated process in its student financial assistance system, Colleague, to reconcile SAS files with Colleague information. The automated process produced an error report that staff used to review and correct errors in student-level detail. However, the University did not perform complete monthly reconciliations, and its reconciliations did not include the required review of cash detail or cash summary records.

Not performing reconciliations increases the risk that the University could report inaccurate and incomplete Direct Loan disbursement data to the DLSS.

General Controls

Institutions must establish and maintain effective internal control over the federal award that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, Code of Federal Regulations, Section 200.303).

The University did not have sufficient controls or proper segregation of duties over its change management process. Specifically, 11 members of the application development team had access to migrate code changes to the production environment for its student financial assistance application, Colleague, and its financial accounting application, Oracle. Five of those team members also had access to migrate changes to the Colleague application servers. One of those team members also had administrator access to the Oracle application. The University’s change management process allows developers to migrate their own code into the production environment, and it does not have appropriate controls to track who migrates code or to document the review and approval of changes prior to migrating code to the production environment.

Not maintaining appropriate segregation of duties or having appropriate controls to track migration and document reviews and approvals increases the risk of unauthorized and unintended programming changes being made to critical information systems.

In addition, the University did not consistently maintain appropriate user access controls to Colleague. Specifically, two users had access to Colleague screens that allowed them to award and disburse federal financial assistance. After auditors brought that issue to its attention, the University removed the inappropriate access for those two individuals. Those errors occurred because the University did not have

sufficient policies and procedures over user access and it had not implemented a formal, documented, periodic review of user access to critical information systems.

Not maintaining appropriate access increases the risk of unauthorized access to key processes.

Corrective Action:

This finding was reissued as current year reference number 2017-130.

University of Houston

Reference No. 2016-128

Eligibility

Activities Allowed or Unallowed

Cash Management

Reporting

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

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

Special Tests and Provisions – Institutional Eligibility

(Prior Audit Issue 2015-120)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154166; CFDA 84.033, Federal Work-Study Program, P033A154166; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152333; CFDA 84.268, Federal Direct Student Loans, P268K162333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162333

Statistically valid sample - No

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, 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 *2015-2016 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)).

Initial Year Written: 2015
Status: Partially Implemented
U.S. Department of Education

The University did not configure its student financial assistance system in accordance with its SAP policy. For the majority of the active academic programs in the University's student financial assistance system, PeopleSoft, the University did not have accurate or established master- and doctoral-level rules to identify students who exceeded 150 percent of their program hours. 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 did not configure PeopleSoft to limit the maximum time frame for some graduate and law programs to 150 percent of the academic program hours. Specifically:

- The University did not have accurate 150 percent maximum hour limit rules for 96 (55 percent) of 175 active master- and doctoral-level programs in PeopleSoft.
- The University did not establish 150 percent maximum hour limit rules for 42 (24 percent) of 175 active master- and doctoral-level programs in PeopleSoft.
- The University did not establish the corresponding SAP status code for exceeding maximum hours in PeopleSoft for the seven maximum hour rules established for law students; that error made the maximum hour rules ineffective for all students in the University’s law programs.

During audit testing, auditors did not identify students who were ineligible for student financial assistance as a result of the issues discussed above. However, not determining maximum time frames correctly increases the risk that master- and doctoral-level students could receive financial assistance for which they are not eligible or be denied financial assistance for which they are eligible.

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 *2015-2016 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63(b)).

For 1 (3 percent) of 40 students tested who received a Federal Pell Grant, the University did not award the correct amount of Federal Pell Grant assistance. The University awarded that student \$2,887 in Federal Pell Grant assistance for the Spring term; however, the student was eligible to receive only \$1,444. That error occurred because the University disbursed a second Federal Pell Grant award to the student for the Spring term in the amount that a student enrolled full-time would be eligible to receive; however, that student was enrolled only half-time for the Spring term. After auditors brought that error to the University's attention, it corrected the student's award and returned \$1,443 in Federal Pell Grant funds to the U.S. Department of Education; therefore, there were no questioned costs.

Corrective Action:

This finding was reissued as current year reference number 2017-131.

Cost of Attendance

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

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

Federal Direct Student 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 *2015-2016 Federal Student Aid Handbook*).

The University of Houston (University) has established different COA budgets for undergraduate and graduate students based on term enrollment, residency, living status, and degree program. The University's student financial assistance system, PeopleSoft, initially budgets students based on anticipated full-time Fall and Spring enrollment. As a student's enrollment changes throughout the enrollment process, the budget continues to rebuild prior to the start of the Fall and Spring terms. After a term begins, the budgets are rebuilt to reflect students' actual enrollment, and they will continue to rebuild as students drop and add courses until

the official reporting day. If a student is not enrolled when the budget rebuild process runs, the student's budget is not updated. However, financial aid administrators can manually adjust the budgets if students self-report enrollment level changes prior to the census date.

For 21 (32 percent) of 65 students tested, the University incorrectly calculated the COA. Specifically:

- For 20 students, the COA that the University calculated was higher than it should have been. Those errors occurred because the University overstated either the transportation or miscellaneous expenses for those students by amounts ranging from \$275 to \$1,050.
- For one student, the COA that the University calculated was lower than it should have been. That error occurred because the University understated the amount of room and board expense by \$2,669 and overstated the student's transportation costs by \$775.

In addition to the students identified in testing, all less-than-half-time students had incorrect transportation expenses included in their COAs, and all three-quarter time students in the Summer term had incorrect miscellaneous expenses included in their COAs.

After auditors brought those errors to the University's attention, it adjusted the students' COA calculations and determined that the students were not underawarded or overawarded financial assistance. However, incorrect COA calculations could result in underawards or overawards of financial assistance.

In addition, for 1 (2 percent) of 65 students tested, the University awarded federal financial assistance in excess of the student's COA. The University awarded that student an unsubsidized Federal Direct Student Loan that exceeded the student's COA by \$4,918. That error occurred because of manual errors the University made during the award process. After auditors brought that error to the University's attention, it adjusted the student's award and reduced the amount of the unsubsidized Federal Direct Student Loan; therefore, there were no questioned costs.

Teacher Education Assistance for College and Higher Education Grants

A student who has submitted a completed application and meets the requirements of Title 34, CFR, Part 668, Subpart C, is eligible to receive a Teacher Education 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 enrolled in a TEACH grant-eligible institution in a TEACH grant-eligible program; and is completing coursework and other requirements necessary to begin a career in teaching or plans to complete such coursework prior to graduation (Title 34, CFR, Section 686.11(a)).

The University awarded TEACH grant funds to one student who was not eligible for those funds. The University disbursed \$3,728 in TEACH grant funds to that student without evidence the student was enrolled in one of the University's TEACH grant-eligible programs. The student was enrolled in Mathematics, which is a high-need subject area according to the University's policy; however, that policy also requires a student to be enrolled within specific programs with an emphasis in a high-need subject area, and it does not allow for eligibility based solely on a student being enrolled in a high-need subject area. The University did not have documentation showing that the student was enrolled in one of those specific programs. The disbursement of \$3,728 was associated with CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, award number P379T162333 and was considered a questioned cost.

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 if the institution wants to disburse Title IV, HEA program funds to students enrolled at 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)).

The University's most recent ECAR did not include all additional locations. Specifically, the University had two additional locations in Houston that offered more than 50 percent of an eligible program. However the University did not include those locations on its most recent ECAR and it did not notify the U.S. Department of Education about those locations. The University disbursed \$70,023 in federal student financial assistance to 8 students at the unreported Houston locations during the Fall 2015 term. Those disbursements were associated with CFDA 84.268, Federal Direct Student Loans, award number P268K162333 and were considered questioned costs. The University asserted that it moved the eligible program to an approved location for the Spring 2016 term.

That error occurred because the University did not adequately review its ECAR to ensure that it reported all locations at which it offered more than 50 percent of an eligible program with the intention to disburse federal student financial assistance. 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.

Other Compliance Requirements

Although the general controls weaknesses described below apply to activities allowed or unallowed, cash management, reporting, special tests and provisions – disbursements to or on behalf of students, and special tests and provisions – borrower data transmission and reconciliation (direct loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system, PeopleSoft, or its change management system, Stat. Specifically, one individual had inappropriate access to the PeopleSoft packaging awards role, which assigns different types of federal financial assistance. That occurred because the University did not appropriately review user access to PeopleSoft across all departments to determine the appropriateness of users' access based on their job responsibilities.

In addition, one former student worker had inappropriate access to Stat and PeopleSoft, which gave that individual the authority to make changes to PeopleSoft. That occurred because the supervising department did not remove the student worker's access when it was no longer appropriate.

After auditors brought those issues to its attention, the University removed the inappropriate access for those two individuals. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 2016-129

Special Tests and Provisions – Verification

(Prior Audit Issues 2015-121 and 2014-139)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154166; CFDA 84.033, Federal Work-Study Program, P033A154166; CFDA 84.063, Federal Pell Grant Program, P063P152333; CFDA 84.268, Federal Direct Student Loans, P268K162333; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162333; and CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable.

Statistically valid sample – No

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, Supplemental Nutrition Assistance Program (SNAP), 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 79, Number 122).

Initial Year Written: 2014
Status: Partially Implemented

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, the 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).

An institution must require an applicant scheduled for verification to submit to it, within the period of time it or the Secretary of the U.S. Department of Education specifies, the documentation requested by the institution. If an applicant fails to provide the requested documentation within a reasonable time period established by the institution, the institution may not disburse any additional Federal Perkins Loan or Federal Supplemental Educational Opportunity Grants Program funds, employ or continue to employ the applicant under Federal Work-Study, originate or disburse any additional Direct Subsidized Loans, or disburse any additional Federal Pell Grant Program funds (Title 34, CFR, Section 668.60).

For 5 (8 percent) of 63 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. Specifically, the University did not accurately verify education credits, adjusted gross income, or child support paid. After auditors brought those errors to the University’s attention, it did not make corrections to those students’ ISIRs when required. Therefore, auditors were unable to determine whether there were any questioned costs.

Those errors occurred because the University did not have an effective monitoring process during the award year. 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 2017-132.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system, PeopleSoft, or its change management system, Stat. Specifically, one individual had inappropriate access to the PeopleSoft packaging awards role, which assigns different types of federal financial assistance. That occurred because the University did not appropriately review user access to PeopleSoft across all departments to determine the appropriateness of users' access based on their job responsibilities.

In addition, one former student worker had inappropriate access to Stat and PeopleSoft, which gave that individual the authority to make changes to PeopleSoft. That occurred because the supervising department did not remove the student worker's access when it was no longer appropriate.

After auditors brought those issues to its attention, the University removed the inappropriate access for those two individuals. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 2016-130

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issue 2015-123)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154166; CFDA 84.063, Federal Pell Grant Program, P063P152333; CFDA 84.268, Federal Direct Student Loans, P268K162333; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162333; and CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable

Statistically valid sample – No

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 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)).

Initial Year Written: 2015 Status: Partially Implemented U.S. Department of Education

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of more than 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours (Title 34, CFR, Section 668.22(e)(2)).

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 the period (Title 34, CFR, Section 668.22(f)(2)(i)).

For 8 (13 percent) of 63 students tested for whom the University of Houston (University) should have returned funds, the University did not accurately determine the withdrawal dates and, as a result, it did not calculate the amounts of Title IV funds to return correctly. Specifically:

- The University inaccurately backdated withdrawal dates for two students. For one of those students, the University used the day after the last date of academic activity as the withdrawal date. As a result, the University returned less than it was required to return. After auditors brought that error to the University's attention, it corrected the return calculation and returned the additional funds; therefore, there were no questioned costs. For the other student, the University used the day prior to the last day of classes before Spring break as the withdrawal date. As a result, the University returned more funds than was required; therefore, there were no questioned costs.
- The University incorrectly used the date that five students dropped courses online as the last academic activity date for unofficial withdrawals. However, dropping courses is not considered an academic activity and the University should have determined those students' last date of attendance.
- The University determined that one student did not attend courses, and it did not follow its policy to identify or document that student's last date of attendance. The University should have used the 50 percent date of the term to calculate the return amount.

In addition, for 12 (19 percent) of 63 students tested for whom the University should have returned funds, the University did not return the correct amount of funds. The errors discussed above resulted in the University returning an incorrect amount of funds for 8 of those 12 students. The University disbursed funds to the four remaining students for a term in which those students withdrew. Those students enrolled in a subsequent term and the University's student financial assistance system, PeopleSoft, disbursed Federal Pell Grant funds to those students for the term in which they withdrew. That resulted in questioned costs of \$5,211 associated with those four students for CFDA 84.063, Federal Pell Grant Program, award number P063P152333.

Auditors identified three additional students in the sample to whom the University disbursed funds for a term in which they withdrew; however, the University identified two of those errors prior to the audit and returned the funds for two of those students. The error associated with the third student resulted in questioned costs of \$347 for CFDA 84.063, Federal Pell Grant Program, award number P063P152333.

The University also did not correctly determine the 60 percent completion point for the Spring term. Specifically, for 1 (2 percent) of 63 students tested, the University did not correctly calculate the amount of Title IV funds earned or the amount of funds to be returned because it incorrectly determined the number of days in the payment period. Specifically, the University incorrectly used 9 days for its Spring break period when it should have used 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. That error affected the percent completion used in the return calculation by less than half a percent. The University identified the error at the end of the Spring term and performed recalculations for all withdrawn students and made corrections to students' accounts as necessary.

Auditors identified an additional 16 (25 percent) of the 63 students tested who withdrew at or after the 60 percent completion point. However, either (1) the University's recalculation of returns for those students did not result in additional funds needing to be returned or (2) the University made corrections within required time frames.

Auditors determined that the error regarding the Spring break period discussed above affected all students who withdrew on or before March 31, 2016, for the Spring term. Depending on the withdrawal date, those students may have earned more 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.

Those errors occurred because the University did not have a process to review the term dates prior to performing return calculations or assessing return calculations for accuracy. Not accurately 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.

Timeliness of Returns

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)).

For 8 (13 percent) of 63 students tested for whom the University should have returned funds, the University did not return funds within the required time frame. The University returned those funds between 46 and 209 days after the students had withdrawn. Specifically:

- The University returned one student's funds 190 days after the student withdrew. That error occurred because the student's withdrawal was not completely processed until March 2016, after the student declared an intent to withdraw in October 2015. The University promptly performed the return calculation and returned funds after its Office of Scholarships and Financial Aid was notified of the withdrawal.
- The University returned funds for three students 46 days after the date it determined those students withdrew.
- The University inappropriately disbursed loan funds to one student for a term in which that student withdrew. The University appropriately determined that a return was not necessary when the student appeared to have received all failing grades for the Fall term and because the student had not been disbursed any Title IV funds. While the student had been offered Direct Loan funds, the student did not accept those loan funds until the subsequent term. As a result, the University originated and disbursed the loan funds for the Fall term at the same time it disbursed funds for the Spring term. At the time of disbursement of the Fall funds, however, the student was no longer eligible for those funds and the University should not have disbursed those funds. After auditors brought the error to its attention, the University returned those funds, which occurred 192 days after it had disbursed those funds.
- One student had not completed entrance counseling and did not have a signed master promissory note at the time the University disbursed loan funds to that student; therefore, the student was not eligible for those funds, and the University should have returned those funds. However, the University did not return those funds until after auditors brought that error to its attention, which occurred 209 days after the term had ended.
- As discussed above in the section on return calculations, the University determined that one student did not attend courses, but it did not follow its policy to identify or document that student's last date of attendance. After auditors brought that error to the University's attention, it canceled all funds for the term; that occurred 62 days after the term had ended.
- As a result of the error regarding the Spring break period discussed above, the University was required to return additional funds for one student. The University returned those funds 112 days after the date it determined that student withdrew.

Not making returns within required time frames 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 2017-133.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system, PeopleSoft, or its change management system, Stat. Specifically, one individual had inappropriate access to the PeopleSoft packaging awards role, which assigns different types of federal financial assistance. That occurred because the University did not appropriately review user access to PeopleSoft across all departments to determine the appropriateness of users' access based on their job responsibilities.

In addition, one former student worker had inappropriate access to Stat and PeopleSoft, which gave that individual the authority to make changes to PeopleSoft. That occurred because the supervising department did not remove the student worker's access when it was no longer appropriate.

After auditors brought those issues to its attention, the University removed the inappropriate access for those two individuals. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 2016-131

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2015-124, 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, 2015 to June 30, 2016

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P152333; CFDA 84.268, Federal Direct Student Loans, P268K162333; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Statistically valid sample – No

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b) and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only 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

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 2 (3 percent) of 60 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. For those two students, the University did not report correct effective dates to NSLDS. In addition, for one of those two students, the University reported an incorrect enrollment status to NSLDS. The University initially reported correct enrollment statuses with accurate effective dates; however, a later submission to NSLDS caused the initial status for one student and effective dates for both students to be overwritten with inaccurate information. That submission could have affected additional students; however, the University did not have the ability to identify those additional students.

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.

Corrective Action:

This finding was reissued as current year reference number 2017-134.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its financial assistance information system, PeopleSoft, or its change management system, Stat. Specifically, one individual had inappropriate access to the PeopleSoft packaging awards role, which assigns different types of federal financial assistance. That occurred because the University did not appropriately review user access to PeopleSoft across all departments to determine the appropriateness of users' access based on their job responsibilities.

In addition, one former student worker had inappropriate access to Stat and PeopleSoft, which gave that individual the authority to make changes to PeopleSoft. That occurred because the supervising department did not remove the student worker's access when it was no longer appropriate.

After auditors brought those issues to its attention, the University removed the inappropriate access for those two individuals. Allowing inappropriate or excessive access to a system increases the risk of inappropriate changes to the system and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

University of North Texas

Reference No. 2016-132

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154085; CFDA 84.033, Federal Work-Study Program, P033A154085; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152293; CFDA 84.268, Federal Direct Student Loans, P268K162293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162293

Statistically valid sample – No

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, Supplemental Nutrition Assistance Program (SNAP), 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 79, Number 122).

Initial Year Written: 2016
Status: Partially Implemented
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, the 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 61 students tested, the University of North Texas (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. The University did not accurately verify one or more of the following items for those students: household size, number of household members who are in college, education credits, and other untaxed income.

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

- For three students, the errors resulted in the students’ EFCs being understated, which resulted in a total of \$2,300 in overawards of Federal Pell Grant funds. The University subsequently adjusted those students’ awards; therefore, there were no questioned costs.
- For one student, the error did not result in a change to the student’s EFC or to the financial assistance that was awarded.

Those errors occurred because of manual errors the University made during the verification process, and because the University’s monitoring of completed verifications was not adequately designed to identify those errors.

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

Corrective Action:

This finding was reissued as current year reference number 2017-135.

Reference No. 2016-133

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154085; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152293; CFDA 84.268, Federal Direct Student Loans, P268K162293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162293

Statistically valid sample – No

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)).

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

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

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 the institution determined that a student withdrew (Title 34, CFR, Section 668.22(j)(1)).

The University of North Texas (University) did not correctly determine the 60 percent completion point for the Spring 2016 term. Specifically, for 13 (21 percent) of 63 students tested for whom the University should have returned Title IV funds, the University did not correctly calculate the amount of Title IV funds earned or the amount of funds to be returned because it incorrectly determined the number of days in the payment period. The University incorrectly used 5 days (instead of 8 days) for its spring break period when it determined the length of enrollment for the Spring 2016 term. As a result, it 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. For all 13 of those students, the University returned to the U.S. Department of Education more funds than it was required to return; therefore, there were no questioned costs.

In addition, for 1 (2 percent) of those 63 students tested for whom the University should have returned Title IV funds, the University did not return Title IV funds within the required time frame. After the University identified the error regarding the 60 percent completion point, it manually performed a return calculation and returned additional funds to the U.S. Department of Education for that student. However, it returned those funds more than 45 days after the University became aware that the student had withdrawn.

The University identified the error in its determination of the 60 percent completion point in April 2016 and then identified students affected by that error. The University subsequently corrected the number of days for spring break in its financial aid system for the Spring 2016 term, manually performed the return calculations again for 92 students, and made adjustments to the amount of funds it returned, as necessary. The University provided auditors with its updated guidelines for entering the academic calendar in its financial aid system to ensure that spring break dates are correct. Auditors confirmed that 92 students in the Spring 2016 term had been affected by the error in the University's determination of the 60 percent completion point and that the University performed manual recalculations for all students included in testing.

Corrective Action:

This finding was reissued as current year reference number 2017-136.

Reference No. 2016-134

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issue 2015-126)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152293; and CFDA 84.268, Federal Direct Student Loans, P268K162293

Statistically valid sample – No

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2015 Status: Implemented U.S. Department of Education

The University of North Texas (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's

responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 3).

For 6 (10 percent) of 61 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- The University reported one student as withdrawn when the student was deceased. The University asserted that it reported that student as withdrawn because it did not require a death certificate from the student's family.
- The University did not report one student as withdrawn when the student withdrew at the end of the Fall 2015 term. The student was administratively withdrawn after the end of the Fall 2015 term due to medical reasons. The University asserted that it did not report the student as withdrawn because it had a reasonable expectation that the student would continue enrollment because the student was registered for the Spring 2016 term. As a result, the effective date of the status change was also not reported to NSLDS.
- The University reported one student's graduated status to NSC; however, NSC did not report that status change to NSLDS. That error occurred because the student was not included on the roster file from NSLDS, and the University misinterpreted that as meaning that the student was not required to be reported. As a result, the effective date of the status change was also not reported to NSLDS.
- The University reported incorrect effective dates for status changes for two students because of manual errors it made while correcting error reports that NSC provided.
- The University reported an incorrect effective date for one student who withdrew from the prior term. The student unofficially withdrew in the Fall 2015 term and was enrolled in the Spring 2016 term as three-quarter time. The University reported the Spring 2016 term enrollment status of three-quarter time effective as of September 2015 because it was the same status the student had prior to withdrawing from the Fall 2015 term.

For 2 (3 percent) of 61 students tested who had a status change, the University did not report the status change to NSLDS in a timely manner. Those two students were discussed above, and the errors discussed resulted in the status changes not being reported to NSLDS.

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

Corrective Action:

Corrective action was taken.

University of Texas at Arlington

Reference No. 2016-135

Cash Management Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154172; CFDA 84.033, Federal Work-Study Program, P033A154172; CFDA 84.063, Federal Pell Grant Program, P063P152335; CFDA 84.268, Federal Direct Student Loans, P268K162335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162335

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

If an institution submits a request for the advance payment of funds, the request 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 1 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 1 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 \$500 per award year (Title 34, CFR, Section 668.163(c)(3)).

Initial Year Written: 2016
 Status: Partially Implemented
 Department of Education

The University of Texas at Arlington (University) did not always minimize the time between its drawdowns of federal funds and its disbursement of those funds. For 2 (13 percent) of 15 drawdowns tested, the University did not disburse those funds within three business days of drawing down those funds. Specifically:

- The University did not include Federal Supplemental Educational Opportunity Grants refunds totaling \$27,200 in its calculation for one of those drawdowns. The University used institutional funds for the initial disbursements to students, and it then requested reimbursement of those funds from the U.S. Department of Education after it had closed and reconciled the fund account for the month. That error occurred because the University did not make adjustments to its drawdown calculation based on transactions that occurred between the end of the month and the date of the drawdown. Specifically, the drawdown amount was not net of the refunds identified above that the University received after the initial disbursement but before the drawdown request. The University returned the excess funds during the subsequent month's reconciliation process; therefore, there were no questioned costs.
- The University used an incorrect dollar amount in its reconciliation of funds for one of those drawdowns, which resulted in it drawing \$309,954 in excess Federal Work-Study Program funds. The University identified that error during the subsequent month's reconciliation process. The University returned all excess funds; therefore, there were no questioned costs. That error occurred because (1) the University used a cumulative number in the calculation instead of the monthly expenditures and (2) the University's review of the drawdown was not sufficient.

The potential interest obligation resulting from the errors discussed above was less than the threshold for remitting interest to the federal government; therefore, there were no questioned costs.

The University used the U.S. Department of Education's G5 system to request reimbursement of federal funds based on the reconciliations it performed. For financial reporting purposes, the University is considered to have submitted a financial report at the time it makes a request for reimbursement using the G5 system.

Therefore, as a result of the errors discussed above, the University did not accurately report financial information.

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:

This finding was reissued as current year reference number 2017-137.

Reference No. 2016-136

Eligibility

Special Tests and Provisions – Institutional Eligibility

(Prior Audit Issues 2015-128, 2014-148, 2013-170, 13-154, and 12-156)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154172; CFDA 84.033, Federal Work-Study Program, P033A154172; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152335; CFDA 84.268, Federal Direct Student Loans, P268K162335; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162335; and CFDA 93.264, Nurse Faculty Loan Program, E01HP28792

Statistically valid sample – No

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).

Initial Year Written: 2011
Status: 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 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).

The University of Texas at Arlington (University) has established different COA budgets for undergraduate and graduate students based on term enrollment, residency, living status, and degree program. The University’s student financial assistance system, PeopleSoft, initially budgets students based on anticipated half-time Summer enrollment, and full-time Fall and Spring enrollment. Approximately two weeks before the start of the Fall and Spring term, the University “rebuilds” the budgets to reflect each student’s actual enrollment. If a student is not enrolled when the budget rebuild process runs, the student’s budget is not updated. However, financial aid administrators can manually adjust the budgets if students self-report enrollment changes prior to the census date.

For 2 (3 percent) of 62 students tested, the University incorrectly calculated the COA. Specifically:

- The University manually adjusted the COA budget for one student when that student enrolled in courses after the University had run the budget rebuild process. The University had anticipated that the student would enroll full-time as a graduate student and, therefore, the student had a full-time COA in PeopleSoft; however, the student enrolled only half-time as an undergraduate student. The University's manual adjustment combined the full-time graduate COA with the half-time undergraduate COA, instead of replacing the initial full-time COA budget with the updated half-time COA budget. As a result, the COA for the student was higher than it should have been, and the University overawarded the student \$1,642 in subsidized Federal Direct Student Loans.
- The University assigned one student to a budget group that did not correspond to the student's degree plan. As a result, that student's COA was higher than it should have been, and the University overawarded the student \$734 in unsubsidized Federal Direct Student Loans.

After auditors brought those errors to the University's attention, it adjusted the students' COA budgets and 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 that the U.S. Department of Education provides each year to determine 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 *2015-2016 Federal Student Aid Handbook*, and Title 34, CFR, Section 690.63(b)).

The University did not accurately award Federal Pell Grant funds to 2 (7 percent) of 30 students tested who received Federal Pell Grants. PeopleSoft assigns students a half-time COA budget for the Summer term, and the University performs a post-summer manual review to adjust for actual enrollment. Those errors occurred because the University did not identify those two students in its manual review. Those students were eligible to receive an additional \$1,443 and \$1,444 in Federal Pell Grant funds based on their levels of enrollment.

After auditors brought those errors to the University's attention, it disbursed the additional Federal Pell Grant funds to those 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 meet the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should 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 *2015-2016 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 (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)).

The University’s SAP policy did not meet all federal requirements for the entire award year. The policy allowed students to progress through an academic program at a pace that did not ensure that they would graduate within the maximum allowed time frame. The University calculated a student’s pace for the Summer and Fall 2015 terms by dividing the number of hours the student completed by the number of hours the student attempted in the prior academic year. However, its SAP 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.

The University asserted that, in September 2015, after it had disbursed financial assistance for the Summer and Fall 2015 terms, it implemented a new SAP policy that met all federal requirements and that it corrected its SAP policy by calculating the quantitative pace requirement on a cumulative basis, rather than on an annual basis. After correcting its SAP policy, the University recalculated students’ pace for the award year and identified 61 students who did not meet its SAP policy because of their pace and to whom the University had incorrectly disbursed financial assistance. The University reviewed those students’ academic records, and it placed them on SAP probation for the 2015-2016 award year; however, the University did not require those 61 students to submit a written appeal to be placed on probation, as the University’s SAP policy requires. The University disbursed \$595,505 in Title IV funds to those 61 students during the 2015-2016 award year. Those students were eligible to receive financial assistance because the University placed them on probation for the entire award year; therefore, there were no questioned costs.

Corrective Action:

Corrective action was taken.

Reference No. 2016-137

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

(Prior Audit Issues 2015-130 and 2014-150)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154172; CFDA 84.033, Federal Work-Study Program, P033A154172; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152335; CFDA 84.268, Federal Direct Student Loans, P268K162335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162335

Statistically valid sample – No

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

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

information it receives allows it to make the disbursement (Title 34, Code of Federal Regulations, Section 668.19).

The University of Texas at Arlington (University) did not always perform required reviews of transfer students prior to disbursing student financial assistance. For 15 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 financial assistance. The University implemented a process in the 2015-2016 award year to identify transfer students and add those students to its transfer monitoring list; however, the query it used to identify transfer students did not include all of the admission codes required. As a result, the University did not add those 15 student to its transfer monitoring list during the award year. In addition, the University did not place a seven-day hold on any transfer students' accounts prior to disbursement.

During audit testing, auditors did not identify students to whom the University overawarded financial assistance as a result of the issues 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.

Corrective Action:

Corrective action was taken.

Reference No. 2016-138

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2015-131, 2014-152, and 2013-173)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152335; and CFDA 84.268, Federal Direct Student Loans, P268K162335

Statistically valid sample – No

Type of finding – Material Weakness 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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only 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

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).

To protect a student's interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*NSLDS Enrollment Reporting Guide*, Appendix C and Chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)).

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 all students who graduated in the Fall 2015 term to NSLDS. For 5 (8 percent) of 66 students tested, the University reported the students' status as withdrawn effective the last day of the Fall 2015 term. That occurred because of an error in the graduation file that the University uploaded to NSC in January 2016. NSC rejected that file, and the University did not submit a corrected file. That issue affected a total of 3,676 students who graduated in the Fall 2015 term.

The University did not always report students who unofficially withdrew from all courses for the term to NSLDS or did not report the withdrawn status in a timely manner. 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 always report all of those students as withdrawn to NSLDS. Specifically:

- One (2 percent) of 66 students unofficially withdrew from the Fall 2015 term as of November 1, 2015. Although the University manually reported Fall 2015 unofficial withdrawals to NSLDS, it did not do so in a timely manner. As a result, NSLDS was not updated until March 4, 2016. Because the University was working with NSC to implement a process to report unofficially withdrawn students, it did not submit the Fall 2015 unofficially withdrawn students until late February 2016. That affected a total of 84 students who unofficially withdrew from the Fall 2015 term and were not reported in a timely manner to NSLDS.
- One (2 percent) of 66 students tested unofficially withdrew from the Spring 2016 term as of March 11, 2016. The University did not report unofficial withdrawals to NSLDS for the Spring 2016 term and it was unable to determine the number of students who unofficially withdrew from the Spring term.

In addition, the University did not always report the correct effective date for a student's status change. For 1 (2 percent) of 66 students tested, the University correctly reported the student as withdrawn; however, it reported an incorrect effective date for the withdrawn status. The University asserted that occurred due to a manual error it made when it updated the student's status with NSC.

The University does not have an adequate process to ensure that student status changes are reported to NSLDS accurately and completely. 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 2017-141.

Reference No. 2016-139

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award Number – CFDA 84.268, Federal Direct Student Loans, P268K162335

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 15 days of disbursement. An institution participating in the Direct Loan Program must ensure that any information it provides to the Secretary of the U.S. Department of Education in connection with loan origination is complete and accurate. An institution must provide to the Secretary of the U.S. Department of Education borrower information that includes, but is not limited to, (1) the student's eligibility for a loan, as determined in accordance with Title 34, Code of Federal Regulations (CFR), Sections 685.200 and 685.203; (2) the student's loan amount; and (3) the anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds (Title 34, CFR, Sections 685.301(a) and (c)).

Initial Year Written: 2016 Status: Implemented U.S. Department of Education

The University of Texas at Arlington (University) did not always report accurate loan disbursement dates to the COD System. For 2 (3 percent) of 60 students tested to whom the University disbursed Federal Direct Student Loans, the University reported incorrect disbursement dates to the COD System. The University asserted that those errors occurred because it did not reconcile information in the COD System with information in its student financial assistance system, PeopleSoft, between May 2015 and February 2016. In June 2016, the University reconciled the information in those two systems and determined that it had not reported those disbursements to the COD System. The University then manually updated the COD System; however, it did not update the disbursement date with the actual disbursement dates. After auditors brought those errors to the University's attention, it corrected the disbursement dates in the COD System to the actual loan disbursement dates.

Not accurately reporting disbursement dates to the COD System increases the risk that U.S. Department of Education could rely on inaccurate information to manage and monitor Federal Direct Student loans and that students could be overawarded loans.

Corrective Action:

Corrective action was taken.

University of Texas at Austin

Reference No. 2016-140

Cash Management

Student Financial Assistance Cluster

Award years – July 1, 2014 to June 30, 2015 and July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K152336 and P268K162336

Statistically valid sample – No

Type of finding – Significant Deficiency and 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 1 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 1 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 \$500 per award year (Title 34, CFR, Section 668.163(c)(3)).

Initial Year Written: 2016

Status: Implemented

U.S. Department of Education

The University of Texas at Austin (University) did not always minimize the time between drawdowns of federal funds and disbursement of those funds. The University drew down funds for the Federal Direct Student Loans program that exceeded the amount of funds it needed for immediate disbursement, and it did not disburse those funds within three business days of receipt. Specifically:

- The University drew down \$4,058,825 in Federal Direct Student Loans from award year 2015-2016 and deposited those funds in the award year 2014-2015 account; however, it did not expend those funds within three business days. The University returned those funds after 65 days in accordance with the U.S. Department of Education's request.
- The University drew down \$25,070 in Federal Direct Student Loans from award year 2014-2015 instead of from award year 2015-2016. It expended those funds during the next 16 days. The University had a balance of \$126,476 in the account for award year 2014-2015 when it drew down those funds. The University partially expended those funds after 92 days, and it returned \$70,251 to the U.S. Department of Education upon the U.S. Department of Education's request.

The University has a review and approval process to ensure that it draws down funds correctly; however, that process did not identify the errors discussed above. The University did not maintain those advances in interest-bearing accounts, and it did not calculate the interest it earned on those advances. Auditors determined that the University would have earned \$630 in interest on those funds. After the \$500 allowance for administrative expenses, the University would be required to remit interest totaling \$19 associated with award number P268K152336 and \$111 associated with award number P268K162336, which are considered questioned costs.

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. 2016-141

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

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

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Annual loan maximums for the Federal Perkins Loans 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, Section 674.12(a)).

Initial Year Written: 2016
Status: Implemented

U.S. Department of Education

Based on a review of all federal student financial assistance recipients, the University of Texas at Austin (University) awarded two undergraduate students Federal Perkins Loans in excess of the annual limit. The amounts by which those awards exceeded the annual limit were \$1,326 and \$200. After auditors brought those errors to the University's attention, it corrected the overawards; therefore, there were no questioned costs.

Those errors occurred because, during the award year, the University manually awarded Federal Perkins Loans to students, and it did not identify that those awards exceeded the annual limit. Although the University's financial assistance system, Define, has controls to check annual limits for other awards, it did not have a control to check manually awarded Perkins loans against the annual limits.

Not having adequate controls for aggregate and annual assistance limits increases the risk that the University could overaward student financial assistance.

Corrective Action:

Corrective action was taken.

University of Texas at Dallas

Reference No. 2016-142

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P153234; and CFDA 84.268, Federal Direct Student Loans, P268K163234

Statistically valid sample – No

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2016
Status: Partially Implemented
U.S. Department of Education

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 System (NSLDS) Enrollment Reporting Guide*, Appendix C). To protect a student's interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*NSLDS Enrollment Reporting Guide*, Appendix C and Chapter 4).

The University of Texas at Dallas (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 3).

For 15 (24 percent) of 63 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- For two students who attended a term but did not return for a subsequent term, the University reported those students as withdrawn with an effective date of the first day of the Spring term. However, the University should have reported the effective date as the last day of the previous term. The University asserted that it reported the effective date of those students' withdrawal as the first day of the Spring term because those students had enrolled for the Spring term but subsequently withdrew without attending that term or withdrew prior to the census date.
- The University incorrectly reported the effective date for one student who officially withdrew. The student withdrew on January 27, 2016; however, the University reported the effective date of the withdrawal as January 11, 2016. That occurred because the University determined that the student withdrew prior to the census date and reported the withdrawal as of the first day of the term.

- The University reported one student's enrollment level change from half-time to less than half-time with an effective date of January 28, 2016, rather than the date the student's enrollment level actually changed, which was January 17, 2016.
- The University reported incorrect effective dates for 10 students whose enrollment levels changed during a term. Those errors occurred because the University's automated process to extract the reporting file for submission to NSC assigned the effective date as the date the automated process ran, when it should have reported the effective date as the date the enrollment levels changed.
- The University did not report one student's graduated status to NSLDS. The student graduated at the end of the Fall term and subsequently enrolled in the Spring term. The University asserted that it reported that student as graduated to NSC; however, it reported the student as graduated at the institutional level and not at the program level. As a result, NSC noted the student's enrollment in the Spring term and it did not report the graduated status to NSLDS. In addition, the University incorrectly reported the effective date of the Spring enrollment status because the graduated status was not reported.

For 13 (21 percent) of 63 students tested who had a status change, the University did not report the status changes to NSLDS in a timely manner. The University reported those status changes between 61 and 107 days after the effective date. Two of those students were the students discussed above, and the errors discussed above resulted in the status changes not being reported in a timely manner. Specifically:

- Two students changed their enrollment levels during a term, but the University did not report that within 60 days. It reported one student 71 days after the status change occurred and the other student 107 days after the status change occurred.
- Seven students graduated at the end of the Fall 2015 term with an effective date of the last day of that term, which was December 17, 2015. However, the University did not process its graduation report for Fall 2015 in a timely manner, which resulted in six of those students being reported to NSLDS on February 16, 2016, which was 61 days after the effective date. The seventh student's graduated status was never reported to NSLDS.
- For four students, the University did not finalize those students' withdrawals in a timely manner. Those students were reported between 65 and 75 days after the University determined that those students withdrew.

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

Recommendation:

The University should accurately report status changes and effective dates to NSLDS in a timely manner.

Views of Responsible Officials and Corrective Action Plan 2016:

The University acknowledges and agrees with the enrollment reporting finding and recommendation.

The University has updated its data extract to the National Student Clearinghouse (NSC) and business processes to ensure that accurate dates for students' changes in enrollment status are accurately reported to the National Student Loan Data System (NSLDS) within the appropriate timeframe.

The appropriate graduation status has been reported to NSLDS for the student whose graduation status was reported to NSC on the institutional level but not program level and, therefore, not reported to NSLDS. The University is currently working with NSC to prevent a reoccurrence of this issue

Views of Responsible Officials and Corrective Action Plan 2017:

The University acknowledges and agrees with the enrollment reporting finding and recommendation.

The University will increase the frequency of enrollment reporting to National Student Clearinghouse (NSC) to ensure exceptions in processing are reported within the appropriate timeframe to National Student Loan Data System (NSLDS).

Implementation Date: October 2017

Responsible Person: Jennifer McDowell

University of Texas at El Paso

Reference No. 2016-143

Cash Management Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154176; CFDA 84.033, Federal Work-Study Program, P033A154176; CFDA 84.063, Federal Pell Grant Program, P063P152338; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162338; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, 1 T08HP25261-04-00

Non-Major Program:

Research and Development Cluster

Award year – July 1, 2015 to June 30, 2016

Award number - CFDA 93.310, Trans-National Institute of Health Research Support, 8RL5GM118969-02

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Cash Management

An institution must use a financial management system that enables it to (1) identify, in its accounts, all federal awards received and expended and the federal programs under which they were received; (2) provide for accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements in Title 2, Code of Federal Regulations (CFR), Sections 200.327 and 200.328; (3) maintain records that adequately identify the source and application of funds for federally-funded activities; (4) establish effective internal control, and accountability for, all funds, property, and other assets, and adequately safeguard those assets, and ensure that they are used only for authorized purposes; (5) compare actual expenditures with the approved budget for the federal award; (6) establish written procedures to implement the requirements of Title 2, CFR, Section 200.305; and (7) establish written procedures for determining the allowability of costs in accordance with the applicable federal cost principles and the terms and conditions of the federal award (Title 2, CFR, Section 200.302).

Initial Year Written: 2016
Status: Partially Implemented

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

In addition, institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University of Texas at El Paso (University) did not always manage its federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. The University's internal controls were not sufficient to ensure that it requested drawdowns from the appropriate federal award. Specifically, using the U.S. Department of Health and Human Services' Payment Management System (PMS), the University:

- Submitted 5 drawdown or adjustment requests totaling \$581,606 for the Scholarships for Health Professions Students from Disadvantaged Backgrounds (SDS) student financial assistant program from the Trans-National Institute of Health Research Support program (a research and development award).
- Submitted 4 drawdowns requests totaling \$208,462 for the Trans-National Institute of Health Research Support program from the SDS program.

As a result, the University underdrew from the SDS program by \$373,144 and overdrew from the Trans-National Institute of Health Research Support program by the same amount.

Those errors occurred because the University incorrectly entered the award numbers in PMS when it made the drawdown requests. After auditors brought those errors to the University's attention, it made adjustments in PMS to correct the drawdowns.

In addition, the University generated letter of credit reports for all student financial assistance drawdown requests, except for Federal Direct Loans and the Nurse Faculty Loan Program, to determine the amount of its drawdown requests during the award year. However, those letter of credit reports did not always include all expenditure transactions, which affected the drawdown amounts requested. The University asserted that it could not determine the reason it excluded certain expenditure transactions and that it would subsequently include the excluded expenditures in future drawdown requests. Auditors did not identify instances where excess cash was drawn; however, excluding expenditure transactions from the calculation of drawdown amounts increases the risk that the University would not draw down enough funds to cover disbursements.

The University also did not have adequate, written cash management policies and procedures, and it did not have an adequate review process prior to making drawdown requests. Not having adequate controls over cash management increases the risk that the University could draw down funds in excess of its needs.

Corrective Action:

This finding was reissued as current year reference number 2017-144.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not consistently maintain high-profile user access at the database server level for its student financial assistance application system, Banner. Specifically, one former employee had inappropriate access to the database server, and 10 current employees had inappropriate access to the database server based on their job responsibilities. Those errors occurred because the University did not appropriately review users' access based on their job responsibilities and employment status. The University's policy required a documented process for periodically reviewing existing user accounts for validity; however, that policy did not specify the frequency with which the University must perform those reviews.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-144

Eligibility

Activities Allowed or Unallowed

Special Tests and Provisions – Verification

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

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

Special Tests and Provisions – Institutional Eligibility

(Prior Year Issues 2015-141, 13-164, 11-171, and 11-170)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154176; CFDA 84.033, Federal Work-Study Program, P033A154176; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152338; CFDA 84.268, Federal Direct Student Loans, P268K162338; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162338; CFDA 93.264, Nurse Faculty Loan Program, E01HP27044-01-00; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, 1 T08HP25261-04-00

Statistically valid sample – No

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, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f), and Title 42, CFR, Section 57.306(a)(iv)). 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 *2015-2016 Federal Student Aid Handbook*).

Initial Year Written: 2010
 Status: Partially Implemented

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

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 (or quantitative component) of SAP (Title 34, CFR, Section 668.34(b)).

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, repetition of courses, and transfer of credits from other institutions. 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. In making that 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).

The University’s SAP policy did not meet certain federal requirements. 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. While the policy specified that students must complete at least 75 percent of attempted hours, the University configured Banner to calculate pace based on a minimum number of hours that must be completed; that minimum was based on the cumulative number of hours enrolled, which did not always ensure that students had completed at least 75 percent of attempted hours. In addition, the University did not include transfer hours in its calculation. The University also configured Banner to calculate the maximum

time frame required to complete a degree program based on predefined hour limits for each program, rather than 150 percent of actual program length.

The University's policy also did not specify how a student's grade point average (GPA) was affected by course incompletes, withdrawals, repetition of classes, or the transfer of hours from other institutions.

Auditors did not identify students during testing who would be ineligible for student financial assistance as a result of the issues discussed above. However, not including required elements in the University's SAP policy increases the risk that students will not graduate within the maximum time frame required or meet GPA requirements, and, therefore, would be ineligible for federal financial assistance.

Federal Supplemental Educational Opportunity Grant

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG 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 all federal student financial assistance recipients, the University awarded \$400 in FSEOG assistance to one student who did not also receive Federal Pell Grant assistance. The University did not award FSEOG assistance to all other Federal Pell Grant recipients before awarding FSEOG to that student. The University initially awarded that student Federal Pell Grant and FSEOG funds appropriately; however, the student later became ineligible for financial assistance and the University appropriately returned the Federal Pell Grant and FSEOG funds. The student subsequently became eligible for financial assistance again, and the University disbursed FSEOG funds to that student; however, it did not also disburse the Federal Pell Grant funds to that student due to a manual error in its disbursement process. After auditors brought that error to the University's attention, it disbursed the Federal Pell Grant funds to the student.

Corrective Action:

This finding was reissued as current year reference number 2017-145.

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

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; Title 42, CFR, Section 57.306(b); and Title 42, USC, Chapter 6A, Subchapter V, Section 293a).

The University of Texas at El Paso (University) assigns all students a COA budget based on full-time enrollment and determines the amount of financial assistance a student is eligible to receive based on that

COA budget. The University's student financial assistance system, Banner, calculates a student's COA at half-time and three-quarter-time enrollment to determine the lowest level of enrollment at which the student's awards could be disbursed without resulting in an overaward of financial assistance. Banner will not disburse funds to a student whose enrollment level drops below that level.

The 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 37 (80 percent) of 46 students tested, the University based the students' COA on full-time enrollment when those students were enrolled less than full-time. The University's automated process helps ensure that it does not disburse financial assistance to students that exceeds their need based on actual enrollment level.

Auditors did not identify students during testing who were overawarded financial assistance as a result of the COA issue. However, not calculating COA budgets on students' actual or expected enrollment level increases the risk that the University could overaward financial assistance.

Federal Direct 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 *2015-2016 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 Students (PLUS) Loans.

Based on a review of the full population of federal student financial assistance recipients, the University disbursed 5 graduate students Subsidized Direct Loans totaling \$30,383 that those students were not eligible to receive. The University asserted that those errors occurred because it had not updated Banner to reflect that those students were graduate students.

After auditors brought those errors to the University's attention, it returned the loan funds to the U.S. Department of Education; therefore, there were no questioned costs.

Other Compliance Requirements

Although the general control weaknesses described below apply to activities allowed or unallowed, special tests and provisions – verification, special tests and provisions – disbursements to or on behalf of students, and special tests and provisions – borrower data transmission and reconciliation (direct loan), auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not consistently maintain high-profile user access at the database server level for its student financial assistance application system, Banner. Specifically, one former employee had inappropriate access to the database server, and 10 current employees had inappropriate access to the database server based on their job responsibilities. Those errors occurred because the University did not appropriately review users' access based on their job responsibilities and employment status. The University's policy required a documented process for periodically reviewing existing user accounts for validity; however, that policy did not specify the frequency with which the University must perform those reviews.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-145

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154176; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152338; CFDA 84.268, Federal Direct Student Loans, P268K162338; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162338

Statistically valid sample – No

Type of finding – Material Weakness and Non-Compliance

Return of Title IV

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)).

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

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

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 the institution determined that a student withdrew (Title 34, CFR, Section 668.22(j)(1)).

The University of Texas at El Paso (University) did not consistently determine the amount of Title IV funds to return and it did not always return the correct amount of Title IV funds. For 11 (18 percent) of 60 students tested for whom the University should have returned Title IV funds, the University incorrectly calculated the amount of funds to be returned. Specifically:

- The University did not perform a return calculation for one student. That occurred because the student withdrew prior to the census date and the University returned all Title IV funds associated with that student without performing a return calculation. As a result, the University returned more funds than was required; therefore, there were no questioned costs.
- The University used an incorrect end-of-term date in its return calculations for three students. Those students withdrew in the Summer term, which had an end date of August 2, 2016; however, the

University used an end date of August 9, 2016, in its return calculation. As a result, the University returned more funds than was required; therefore, there were no questioned costs.

- The University did not correctly calculate the amount of Title IV funds earned or the amount of funds to be returned for seven students because it made an error when it determined the number of days in the payment period. The University did not configure its student financial assistance system, Banner, to exclude the number of days for Spring break in the return calculation. As a result, all students who officially withdrew in the Spring term had incorrect return calculations. That error would not have affected the return calculations for unofficial withdrawals because the University calculated those returns using the 50 percent point of the term, which occurred after the Spring break. For two of those seven students, the University returned \$146 less than was required; that amount was associated with CFDA 84.268, Federal Direct Student Loans, award number P268K162338, and was considered questioned costs.

For 6 (10 percent) of 60 students tested for whom the University should have returned Title IV funds, the University did not return those funds within the required time frame. The University returned those funds between 76 and 81 days after it had determined that those students had withdrawn. The University asserted that those errors occurred because it was understaffed and, therefore, did not return all funds in a timely manner.

For 2 (3 percent) of 62 students tested who withdrew and for whom the University did not return Title IV funds, the University did not correctly determine whether those students sufficiently completed the enrollment period to have earned the Title IV funds they received. Specifically, the University did not correctly determine the 60 percent completion point for the Spring term. Those errors occurred because the University did not configure Banner to exclude the number of days for Spring break in the return calculation. As a result, those two students did not meet the 60 percent completion date and did not earn all of their Title IV funds. For those two students, the University returned \$1,643 less than was required; that amount was associated with CFDA 84.268, Federal Direct Student Loans, award number P268K162338, and was considered questioned costs.

The errors discussed above occurred because the University did not have an adequate monitoring process for its return calculation process to ensure that it was accurate and complete.

In addition, the University was not able to provide a complete list of students who withdrew or who never attended. Specifically, the University did not have a process to identify students who never attended or to identify and document the complete population of students who withdrew. The University provided auditors with two populations of students who withdrew: one population was from the Registrar's Office and one population was from the Office of Student Financial Aid; however, there were discrepancies between those two populations. As a result, auditors were unable to determine whether the population of students the University provided was complete and whether the University made appropriate determinations regarding returns of Title IV assistance when required.

Corrective Action:

This finding was reissued as current year reference number 2017-147.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not consistently maintain high-profile user access at the database server level for its student financial assistance application system, Banner. Specifically, one former employee had inappropriate access to the database server, and 10 current employees had inappropriate access to the database server based on their job responsibilities. Those errors occurred because the University did not appropriately

review users' access based on their job responsibilities and employment status. The University's policy required a documented process for periodically reviewing existing user accounts for validity; however, that policy did not specify the frequency with which the University must perform those reviews.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-146

Special Test and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152338; and CFDA 84.268, Federal Direct Student Loans, P268K162338

Statistically valid sample – No

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education

To protect a student's interest subsidy, institutions are required to report a graduated status for students who have completed their course of study (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, Appendix C and Chapter 4, and *Dear Colleague Letter*, April 14, 2014 (GEN-14-07)).

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 transaction showing the completion of the first program and its effective date and credential level, and another transaction showing the enrollment in the second program and its effective date (*Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Institutions must report students on whose behalf a loan was certified or awarded who were admitted, may have enrolled, but never attended classes at the institution as never attended to NSLDS (*NSLDS Enrollment Reporting Guide*, Appendix C).

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University of Texas at El Paso (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 10 (16 percent) of 64 students tested who had a status change, the University did not report the status change or effective dates to NSLDS accurately. Specifically:

- The University reported incorrect effective dates for two students who withdrew from the University.
- The University did not report the graduated status for three students. Those students enrolled for a subsequent term; however, the University should have reported their graduated status.
- The University reported incorrect effective dates for five students who graduated. The University was inconsistent in reporting the dates on which students completed their course of study.

In addition, the University did not have a process to identify students who were admitted and awarded or certified a loan but never attended courses at the University. Therefore, auditors could not determine whether the University appropriately reported those students to NSLDS as never attending.

In addition, for 38 (59 percent) of 64 students tested who had a status change, the University did not report the status change to NSLDS or did not report the status change in a timely manner. The University reported the status changes for those students between 63 and 147 days after the effective dates of those changes. Five of those students were the students discussed above, and the errors discussed above resulted in those students not being reported to NSLDS or not being reported in a timely manner.

Those errors occurred because the University did not have a control to ensure that the information it reported to NSC was subsequently submitted accurately to NSLDS in a timely manner.

Not reporting student status changes accurately and in a timely manner 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 2017-148.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not consistently maintain high-profile user access at the database server level for its student financial assistance application system, Banner. Specifically, one former employee had inappropriate access to the database server, and 10 current employees had inappropriate access to the database server based on their job responsibilities. Those errors occurred because the University did not appropriately review users' access based on their job responsibilities and employment status. The University's policy required a documented process for periodically reviewing existing user accounts for validity; however, that policy did not specify the frequency with which the University must perform those reviews.

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

Corrective Action:

Corrective action was taken.

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 1087ll).

Initial Year Written:	2015
Status:	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 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.

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.

Corrective Action:

Corrective action was taken.

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 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).

Initial Year Written: 2015
 Status: Partially Implemented

 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 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 2015:

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.

Views of Responsible Officials and Corrective Action Plan 2016:

The updated process we implemented in 2015 has greatly improved our accuracy with verification. The error identified in the follow up was a training issue regarding what data to use from a tax transcript and additional training has been given to our staff in an effort to prevent this in the future. The Director is continuing to review 100% of students selected for verification prior to disbursement to ensure accuracy and completion.

Views of Responsible Officials and Corrective Action Plan 2017:

The Director is reviewing 100% of students selected for verification to ensure that the verification is completed correctly. The verification is not considered complete until the Director has signed off. Federal funds are not being disbursed until verification is completed.

Implementation Date: October 2017

Responsible Person: Carol Cromie

University of Texas of the Permian Basin

Reference No. 2014-166

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress Policy

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

Initial Year Written: 2014 Status: 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.

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.

Corrective Action:

Corrective action was taken.

Reference No. 2014-167

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

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

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.

Corrective Action:

Corrective action was taken.

University of Texas Rio Grande Valley

Reference No. 2016-147

Cash Management

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154091; CFDA 84.033, Federal Work-Study Program, P033A154091; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152296; CFDA 84.268, Federal Direct Student Loans, P268K162296; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162296; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP29369 and T08HP29428

Statistically valid sample – No

Type of finding – Significant Deficiency

Cash Management

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 (Title 34, Code of Federal Regulations (CFR), Section 668.162(b), and Title 45, CFR, Section 75.305). 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, CFR, Section 668.162(b)(3)). 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 1 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 1 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 \$500 per award year (Title 34, CFR, Section 668.163(c)(3), and Title 45, CFR, Section 75.305(b)(9)).

Initial Year Written: 2016 Status: Partially Implemented U.S. Department of Education U.S. Department of Health and Human Services
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Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University of Texas Rio Grande Valley (University) did not have formalized, documented cash management controls or policies and procedures during the award year. As a result:

- The University’s accounting system inappropriately consolidates transactions from multiple award years during the invoice process for drawing down federal funds.
- The University did not consistently document its review and approval of supporting documentation for drawing down federal funds prior to those drawdowns.
- The University did not retain detailed, transaction-level documentation to support the amount it requested at the time it requested a drawdown. The University retained only summary-level documentation, which did not include sufficient detail necessary to determine whether the University recognized the appropriate award type and amount of expenditures prior to requesting reimbursement.

Not having formalized, documented policies and procedures increases the risk that the University will not conduct its cash draws in compliance with federal requirements and will not minimize the time between the drawdowns of federal funds and the disbursement of those funds.

Despite the weaknesses discussed above, auditors identified no issues in audit testing of compliance with cash management requirements.

Corrective Action:

This finding was reissued as current year reference number 2017-156.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provide reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner, or its database. Specifically:

- Two former employees had inappropriate access to Banner because the University did not remove their access when those employees separated from the University. The University had, however, removed one of those employee's access to its network, which prevented that employee from being able to access Banner.
- Two employees had access that was not appropriate based on their job responsibilities because they were incorrectly granted modify access when the University updated their roles in Banner based on an incorrect request.
- One employee had access to the database that was not appropriate for that employee's job responsibilities. That occurred because the employee changed job responsibilities within the University and no longer needed access; however, the University did not remove that access because it asserted that the employee was still assisting the employee's previous department. Auditors determined that the employee had not logged on to the database in more than one year. After auditors brought that error to the University's attention, it removed the inappropriate access.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-148

Eligibility

Activities Allowed or Unallowed

Reporting

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

Special Tests and Provisions – Institutional Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154091; CFDA 84.033, Federal Work-Study Program, P033A154091; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152296; CFDA 84.268, Federal Direct Student Loans, P268K162296; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162296; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP29425 and T08HP29428

Statistically valid sample – No

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). For a student receiving all or part of the student’s instruction by means of telecommunications technology, no distinction shall be made with respect to the mode of instruction in determining costs (Title 20, USC, Chapter 28, Subchapter IV, Section 1087ll(10)).

Initial Year Written: 2016 Status: Implemented U.S. Department of Education U.S. Department of Health and Human Services
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For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

The University of Texas Rio Grande Valley (University) established different COA budgets based on classification, residency, living status, enrollment level, and a student’s tuition and fee rate. The University’s financial assistance system, Banner, initially budgeted students based on full-time enrollment. At the census date, the University locked each student’s enrollment level for financial assistance purposes, and the University then used each student’s actual enrollment level to calculate a revised COA, if applicable.

For 3 (5 percent) of 63 students tested, the University incorrectly calculated the COA. Specifically:

- The University overstated one student’s COA by \$6,965 when it assigned a COA for both a regular graduate program and a graduate online accelerated program for the same term. The University asserted that error occurred because the student’s COA was locked in the student financial assistance system and, therefore, it could not be updated when the automated COA calculation process occurred. Although the student’s COA was overstated, that did not result in an overaward of financial assistance; therefore, there were no questioned costs.

- The University understated the COA for two students by \$455 and \$911 when it assigned incorrect living status components to those students' COAs. Those errors occurred because of manual errors the University made in updating those students' COAs.

Additionally, not all of the University's COA budgets meet federal requirements. The University created a separate COA for its online accelerated master's degree programs. Unlike COAs for traditional campus-based programs, the COAs for online accelerated master's degree programs included only the cost of tuition, fees, books, and room and board; they do not include transportation or personal costs. As a result, COAs for students in online accelerated master's degree programs were understated, which could result in the underaward of financial assistance. A total of 490 students were enrolled in an online accelerated master's degree program and received Direct Loan funds during the award 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 668.34 (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 *2015-2016 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. For a graduate program, a period defined by the institution that is based on the length of the educational program should be used to determine the maximum time frame for the quantitative component of SAP (Title 34, CFR, Section 668.34(b)).

The University evaluates SAP at the end of each term after grades are posted. Students who fail to meet the minimum requirements, other than maximum time frame, will be allowed one warning term to restore satisfactory standing. At the end of the warning term, students must have regained satisfactory SAP status to continue receiving financial assistance. Students who have reached the maximum time frame to complete a program cannot receive a warning term and are no longer eligible to receive financial assistance.

The University's SAP policy does not meet all federal requirements. The University's graduate SAP policy specified that graduate students enrolled in a master's program have a maximum of 63 attempted credit hours. However, the policy did not address the maximum time frame requirements for students in the master of science in occupational therapy program, the master of physician assistant studies program, and the school psychology master of arts program. The University asserted that SAP requirements for those programs were available in an internal desk manual; however, those requirements were not part of the SAP policy published on the University's Web site or the SAP policy it provided to auditors.

Having inadequate policies and procedures increases the risk that the University may not determine SAP in accordance with federal requirements and that students may not understand the requirements they must satisfy to receive financial assistance.

In addition, for 4 (6 percent) of 63 students tested, the University did not assign a SAP status in a timely manner or did not assign a correct SAP status. Specifically:

- The University did not assign the SAP status for three students for the Fall term before that term began. For two of those three students, the Fall term was their first term of enrollment at the University and they did not have a SAP status documented in the student financial assistance system. The University identified those students at the end of the term and manually updated their SAP status in its student financial assistance system. The third student had previously attended the University and should have been placed on a warning status. The University identified that student during the Fall term and manually updated that student's status in its student financial assistance system; however, it used an incorrect SAP code. After auditors brought that error to the University's attention, it corrected the SAP status for that student.

- The University assigned one student an incorrect SAP status for the Spring term. That error occurred because of a manual error the University made when it updated the student's SAP status in its student financial assistance system. After auditors brought that error to the University's attention, it corrected the SAP status for that student.

The students discussed above were eligible for the financial assistance they received; therefore, there were no questioned costs. However, not following established policies and procedures increases the risk that students could receive financial assistance for which they are not eligible.

Incarcerated Students

An institution does not qualify as an eligible institution if more than 25 percent of its regular enrolled students were incarcerated (Title 34, CFR, Section 600.7(a)(1)(iii)), and institutions must demonstrate compliance with that requirement (U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

The University did not have procedures to identify incarcerated students, and it was not able to demonstrate that less than 25 percent of its enrolled students were incarcerated. The University's process was to place a hold on a student's account that would prevent disbursement of financial assistance if it becomes aware of a student's incarcerated status. However, the University did not have a process to actively identify incarcerated students to demonstrate that it is meeting the incarcerated student limitation. Auditors did not note any evidence of incarceration for the 63 students tested.

Not having procedures in place to identify incarcerated students increases the risk that the University may not qualify as an eligible institution.

Other Compliance Requirements

Although the control weaknesses described below apply to activities allowed or unallowed, reporting, and special tests and provisions – disbursements to or on behalf of students, auditors identified no compliance issues regarding those compliance requirements.

Policies and Procedures

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have adequate policies and procedures during the 2015-2016 award year. The University's Office of Student Financial Services' policy and procedure manual provided to auditors was for the University of Texas – Pan American, which was renamed to form the University of Texas Rio Grande Valley. The University had some policies and procedures for reporting and special tests and provisions – disbursements to or on behalf of students; however, those policies and procedures were not considered to be official University policies and procedures, and they did not contain enough detailed information to replicate the processes.

Not having policies and procedures increases the risk that the University may not perform its processes in accordance with federal requirements.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provide reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner, or its database. Specifically:

- Two former employees had inappropriate access to Banner because the University did not remove their access when those employees separated from the University. The University had, however, removed one

of those employee's access to its network, which prevented that employee from being able to access Banner.

- Two employees had access that was not appropriate based on their job responsibilities because they were incorrectly granted modify access when the University updated their roles in Banner based on an incorrect request.
- One employee had access to the database that was not appropriate for that employee's job responsibilities. That occurred because the employee changed job responsibilities within the University and no longer needed access; however, the University did not remove that access because it asserted that the employee was still assisting the employee's previous department. Auditors determined that the employee had not logged on to the database in more than one year. After auditors brought that error to the University's attention, it removed the inappropriate access.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-149

Special Tests and Provisions – Verification

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154091; CFDA 84.033, Federal Work-Study Program, P033A154091; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152296; CFDA 84.268, Federal Direct Student Loans, P268K162296; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162296

Statistically valid sample – No

Type of finding – Material Weakness 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, Supplemental Nutrition Assistance Program (SNAP), 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 79, Number 122).

Initial Year Written: 2016 Status: Partially Implemented 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, the institution must recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

For 10 (16 percent) of 62 students tested, the University of Texas Rio Grande Valley (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. Specifically, the University did not accurately verify one or more of the following items: income information for tax filers, income information for non-tax filers, number of household members, number in college, or the student's identity. Those errors occurred because of manual errors the University made during the verification process and because the University did not have an adequate process to monitor verification.

When auditors brought those errors to the University's attention, the deadline to submit corrections for the award year had passed. The University asserted that those errors did not result in a change to the students' EFC or the amounts of financial assistance they received; however, 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 2017-157.

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 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 populations (U.S. Department of Education *2015-2016 Application and Verification Guide*).

The University's verification policies and procedures did not include two of the required elements. Specifically, the University's policies and procedures did not address:

- The time period within which an applicant shall provide the documentation and the consequences of failing to provide such documentation.
- 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 cost of attendance or to the values of the data items required to calculate the EFC.

Having incomplete policies and procedures increases the risk that students may not be aware of all actions required for verification or the consequences related to their not completing those actions.

During the scope of the audit, the University provided conflicting information about its verification process and was unable to confirm its verification policies and procedures during audit fieldwork. Specifically:

- The University asserted that it participated in the U.S. Department of Education’s QAP; however, it was unable to provide a copy of the QAP agreement. The University requested a copy of the QAP agreement from the U.S. Department of Education to provide to auditors.
- The policies and procedures that the University initially provided to auditors specified that the University would perform verification of students flagged by the U.S. Department of Education for non-standard verification tracking groups. However, the University provided conflicting information on whether it performed verification for those non-standard tracking groups. Auditors determined that the University did not verify child support paid and household resources, but the University did some verification of the custom and aggregate verification groups. After auditors brought those issues to the University’s attention, the University asserted that it would verify the child support paid and household resources verification groups only if they had been selected through the QAP selection process.
- The University asserted that it had provided an outdated policy to auditors and that the policy it provided was developed during the transition period from the University of Texas – Pan American into the University of Texas Rio Grande Valley.

If student financial assistance staff are not aware of the approved policies and procedures for verification, students who should be verified may not be selected for verification, which could result in inconsistencies in the verification process.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provide reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner, or its database. Specifically:

- Two former employees had inappropriate access to Banner because the University did not remove their access when those employees separated from the University. The University had, however, removed one of those employee’s access to its network, which prevented that employee from being able to access Banner.
- Two employees had access that was not appropriate based on their job responsibilities because they were incorrectly granted modify access when the University updated their roles in Banner based on an incorrect request.
- One employee had access to the database that was not appropriate for that employee’s job responsibilities. That occurred because the employee changed job responsibilities within the University and no longer needed access; however, the University did not remove that access because it asserted that the employee was still assisting the employee’s previous department. Auditors determined that the employee had not logged on to the database in more than one year. After auditors brought that error to the University’s attention, it removed the inappropriate access.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-150

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A154091; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152296; CFDA 84.268, Federal Direct Student Loans, P268K162296; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T162296

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds 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 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)).

Initial Year Written: 2016
Status: Partially Implemented
U.S. Department of Education

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

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 the institution determined that a student withdrew (Title 34, CFR, Section 668.22(j)(1)).

The University of Texas Rio Grande Valley (University) did not always accurately determine the amount of Title IV funds to return or return the correct amount. For 3 (5 percent) of 65 students tested who had a return of Title IV funds, the University did not accurately determine the amount of Title IV funds to return or did not return the correct amount of Title IV funds as required. Specifically:

- For one student, the University did not accurately determine the amount of Title IV funds to return. That error occurred because the student dropped a course one day prior to officially withdrawing and the University included the institutional charges for that dropped course in the return of Title IV calculations. As a result, the University returned less funds than it was required to return. After auditors brought that issue to the University’s attention, it corrected the return calculation and returned the additional funds; therefore, there were no questioned costs.
- For one student, the University appropriately calculated the amount of Title IV funds to return; however, it returned \$2 more than required. The University submitted corrections to the U.S. Department of Education’s Common Origination and Disbursement System; however, those corrections were not accepted. To correct the error, the University subsequently canceled the full loan amount of \$400 that

the student earned. After auditors brought that issue to the University's attention, it disbursed the earned funds to the student.

- For one student, the University appropriately calculated the amount of Title IV funds to return; however, it returned \$2 less than required. That occurred because of a manual error the University made when it returned funds. Additionally, the University awarded Title IV funds in error to that student after the student withdrew from all courses. That occurred because the University changed a \$500 Texas Public Educational Grant to a Federal Supplemental Educational Opportunity Grant (FSEOG) to exhaust additional FSEOG funds, and it did not consider that the student had unofficially withdrawn. After auditors brought those errors to the University's attention, it returned the \$2 and the \$500 in additional FSEOG funds; therefore, there were no questioned costs.

In addition, for 2 (3 percent) of 65 students tested who had a return of Title IV funds, the University did not return those funds within required time frames. Specifically, the University returned funds 51 days and 130 days after it determined those students withdrew. Those errors occurred because the students withdrew online and the University did not perform in a timely manner reviews of students who dropped all of their courses online.

Post-withdrawal Disbursement

If the total amount of Title IV grant or loan assistance, or both, that a student earned as calculated above exceeds the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a Parent Loan for Undergraduate Student (PLUS) loan, as of the date of the institution's determination that the student withdrew, the difference between those amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, CFR, Section 668.164(j) (Title 34, CFR, Section 668.22(a)(5)).

For 1 (2 percent) of 65 students tested, the University did not complete a post-withdrawal disbursement as required. That error occurred because the student withdrew from all classes online prior to the disbursement of any federal financial aid. As a result, a return of Title IV funds was not required; however, the student was eligible for a post-withdrawal disbursement.

After auditors brought that error to the University's attention, it completed the return of Title IV funds calculation. At the time of the withdrawal in September 2015, the student may have been eligible for a late Direct Loan disbursement. However, the student was reported as having never attended for one class in October 2015, resulting in less-than-half-time enrollment. Half-time enrollment is required for a Direct Loan. Because the University did not complete the post-withdrawal disbursement as required and within required time frames, the calculation was based on less-than-half-time enrollment. As a result, the student was not eligible for a Direct Loan disbursement and the University underawarded the student \$145 in Federal Pell Grant funds.

Corrective Action:

This finding was reissued as current year reference number 2017-158.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provide reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner, or its database. Specifically:

- Two former employees had inappropriate access to Banner because the University did not remove their access when those employees separated from the University. The University had, however, removed one

of those employee's access to its network, which prevented that employee from being able to access Banner.

- Two employees had access that was not appropriate based on their job responsibilities because they were incorrectly granted modify access read-the University updated their roles in Banner based on an incorrect request.
- One employee had access to the database that was not appropriate for that employee's job responsibilities. That occurred because the employee changed job responsibilities within the University and no longer needed access; however, the University did not remove that access because it asserted that the employee was still assisting the employee's previous department. Auditors determined that the employee had not logged on to the database in more than one year. After auditors brought that error to the University's attention, it removed the inappropriate access.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-151

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P152296; and CFDA 84.268, Federal Direct Student Loans, P268K162296

Statistically valid sample – No

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 within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2016 Status: Partially Implemented 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).

The University of Texas Rio Grande Valley (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 the students with Title IV financial aid and reports the status those students as 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 7 (11 percent) of 61 students tested who had a status change, the University did not report status changes or effective dates to NSLDS accurately. Specifically:

- The University did not report one student's graduated status to NSLDS. NSC reported the student's enrollment status as withdrawn (instead of graduated) when the student did not enroll in the subsequent term.
- The University incorrectly reported one student as withdrawn (instead of half-time) because it incorrectly coded that student's courses as withdrawn in its student financial assistance system, Banner. That resulted in the effective date also being inaccurately reported to NSLDS.
- The University did not report one student's enrollment status at the beginning of a term. That error occurred because the student withdrew before the University made the first submission for that term; as a result, that student's initial less-than-half-time status was never reported to NSLDS. The University attempted to correct NSLDS by reporting the initial enrollment status; however, it reported the status for a university that no longer existed. In addition, the University reported the withdrawal for an incorrect term because of a manual error it made during the reporting process. Those errors resulted in the effective date also being inaccurately reported to NSLDS.
- For four students, the University reported inaccurate effective dates. Those errors occurred because the University made its first submission for a term late, and those students had a change in enrollment status that occurred before that submission. As a result, the effective date for those students' initial enrollment status was never reported to NSLDS.

In addition, for 17 (28 percent) of 61 students tested, the University did not report student status changes to NSLDS in a timely manner. Six of those students were among the students discussed above, and the errors discussed above resulted in the status change not being reported in a timely manner. For eleven additional students:

- The University reported the graduated status of 7 students 78 days after those students graduated. Those errors occurred because the University did not have sufficient controls to ensure that it reported graduated statuses in a timely manner. For 8 (80 percent) of 10 terms in the 2015-2016 award year, the University transmitted degree verification files to NSC (and, therefore, subsequently to NSLDS) more than 60 days after the end of the term. That resulted in a total of 4,975 graduated statuses not being reported in a timely manner.
- The University did not report the initial enrollment status for two students at the beginning of a term because the University made its first submission for the term late and those students had a change in enrollment status that occurred before that submission. As a result, those students' initial enrollment status was never reported to NSLDS.
- The University reported the status for two students late because it made its first submission for a term late.

Policies and Procedures

Institutions must establish and maintain effective internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not have adequate policies and procedures for its enrollment reporting process.

While the University had procedures with detailed information, those procedures were not a part of a formal policy or procedure handbook and they contained references to processes of the University of Texas - Pan American, which was renamed to form the University of Texas Rio Grande Valley. There were no dates to determine when or whether those procedures had been created, reviewed, or revised.

Not having updated policies and procedures increases the risk that University staff will not report status changes accurately or in a timely manner.

Corrective Action:

This finding was reissued as current year reference number 2017-159.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provide reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner, or its database. Specifically:

- Two former employees had inappropriate access to Banner because the University did not remove their access when those employees separated from the University. The University had, however, removed one of those employee's access to its network, which prevented that employee from being able to access Banner.
- Two employees had access that was not appropriate based on their job responsibilities because they were incorrectly granted modify access when the University updated their roles in Banner based on an incorrect request.
- One employee had access to the database that was not appropriate for that employee's job responsibilities. That occurred because the employee changed job responsibilities within the University and no longer needed access; however, the University did not remove that access because it asserted that the employee was still assisting the employee's previous department. Auditors determined that the employee had not logged on to the database in more than one year. After auditors brought that error to the University's attention, it removed the inappropriate access.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-152

Special Tests and Provisions – Student Loan Repayments

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

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

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Student Loan Repayments

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, an 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: 2016 Status: Partially Implemented U.S. Department of Education

The grace period immediately follows a period of enrollment and immediately precedes the date of the first required repayment on a loan. A grace period is always day specific—an initial grace period begins the day after the day the borrower drops below half-time enrollment (Title 34, CFR, Section 674.2(b), and U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

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, Sections 674.43(b) and (c)).

The University of Texas Rio Grande Valley (University) did not have a process to ensure that it converted students’ Federal Perkins Loans to repayment status in accordance with federal requirements or in a timely manner. Specifically, the University’s process to determine the start of the grace period depended on a student’s separation date. If a student separated before the tenth of the month, the University used the first day of that month as the start of the grace period. If a student separated after the tenth of the month, the University used the first day of the subsequent month as the start of the grace period. As a result, for all 20 students tested whose loans entered repayment status, the University did not convert those students’ loans to repayment status in a timely manner, and those students’ grace periods exceeded 9 months. Specifically, the grace periods for the 20 students tested were overstated by 14 to 19 days. The University asserted that those errors occurred because of a limitation within its billing system for loans.

The University also did not have a process to ensure that it performed all contact and collection procedures in accordance with requirements. Specifically:

- For 20 (91 percent) of 22 students tested whose loans entered repayment status, the University did not send notifications at the required intervals. The University did not have a process to send required notifications at 90, 150, and 240 days after the beginning of the grace period. The University sent an initial repayment plan and notifications at 30, 60, and 90 days prior to the first payment due date; however, those notifications did not comply with federal requirements.
- For all 17 defaulted loans tested, the University did not send required overdue notices. The University did not have a process to send notifications 15 days after the payment due date, 30 days after the first overdue notice, or a final demand notice 15 days after the second overdue notice. The University generally sent overdue notices 30, 60, or 90 days after the payment was past due; however, that process was not formalized and did not comply with federal requirements.

Not sending notifications within the required time frames increases the risk that students will be (1) unaware of the terms of Federal Perkins Loan repayment and the first payment due date and (2) unaware that their defaulted Federal Perkins Loan will be referred for collection; as a result, students may not have appropriate time to resolve balance deficiencies and prevent their loans from being transferred to a collection agency.

In addition, the University did not have policies and procedures for administering student loan repayments. Not having policies and procedures increases the risk that the University may not perform billing and collection procedures in accordance with federal requirements.

Corrective Action:

This finding was reissued as current year reference number 2017-160.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provide reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner, or its database. Specifically:

- Two former employees had inappropriate access to Banner because the University did not remove their access when those employees separated from the University. The University had, however, removed one of those employee's access to its network, which prevented that employee from being able to access Banner.
- Two employees had access that was not appropriate based on their job responsibilities because they were incorrectly granted modify access when the University updated their roles in Banner based on an incorrect request.
- One employee had access to the database that was not appropriate for that employee's job responsibilities. That occurred because the employee changed job responsibilities within the University and no longer needed access; however, the University did not remove that access because it asserted that the employee was still assisting the employee's previous department. Auditors determined that the employee had not logged on to the database in more than one year. After auditors brought that error to the University's attention, it removed the inappropriate access.

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

Corrective Action:

Corrective action was taken.

Reference No. 2016-153

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

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award number – CFDA 84.268, Federal Direct Student Loans, P268K162296

Statistically valid sample – No

Type of finding – Significant Deficiency and Non-Compliance

Borrower Data Transmission and Reconciliation

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 15 days of disbursement (*Office of Management and Budget No. 1845-0021*). Each month, the COD System provides institutions with a school account statement (SAS) data file, which consists of cash summary, cash detail, and (optional at the request of the institution) loan detail records. The institution is required to reconcile those files to its financial records. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087e(k)(2), and U.S. Department of Education *2015-2016 Federal Student Aid Handbook*).

Initial Year Written: 2016
Status: Implemented
U.S. Department of Education

The University of Texas Rio Grande Valley (University) did not perform SAS reconciliations on a monthly basis during the 2015-2016 award year. The University completed reconciliations for Direct Loan student-level detail records between the COD System and the University’s student financial assistance system, Banner, on a monthly basis. However, the University did not complete monthly reconciliations for the cash summary and cash detail portion, as required. The University asserted that it did not perform those reconciliations because of a miscommunication between departments.

Not preparing reconciliations between the student financial assistance system and DLSS in a timely manner increases the risk that disbursement data reported to DLSS could be inaccurate and incomplete.

In addition, the University did not have adequate policies and procedures during the 2015-2016 award year. The policies and procedure manual the University provided to auditors was for the University of Texas – Pan American, which was renamed to form the University of Texas Rio Grande Valley. The University had a desk manual that included guidance related to its Direct Loan process; however, the University had not updated that manual to reflect the current process for the 2015-2016 award year.

Not having policies and procedures increases the risk that the University may not perform its processes in accordance with federal requirements.

General Controls

Institutions must establish and maintain effective internal control over federal programs that provide reasonable assurance that the institutions are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict access to its student financial assistance information system, Banner, or its database. Specifically:

- Two former employees had inappropriate access to Banner because the University did not remove their access when those employees separated from the University. The University had, however, removed one of those employee’s access to its network, which prevented that employee from being able to access Banner.
- Two employees had access that was not appropriate based on their job responsibilities because they were incorrectly granted modify access when the University updated their roles in Banner based on an incorrect request.

- One employee had access to the database that was not appropriate for that employee's job responsibilities. That occurred because the employee changed job responsibilities within the University and no longer needed access; however, the University did not remove that access because it asserted that the employee was still assisting the employee's previous department. Auditors determined that the employee had not logged on to the database in more than one year. After auditors brought that error to the University's attention, it removed the inappropriate access.

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

Corrective Action:

Corrective action was taken.

University of Texas at San Antonio

Reference No. 2016-154

Cash Management

Student Financial Assistance Cluster

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

Award number – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144169

Statistically valid sample - No

Type of finding – Significant Deficiency and 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 1 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 1 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 \$500 per award year (Title 34, CFR, 668.163(c)(3)).

Initial Year Written: 2016

Status: Implemented

U.S. Department of Education

The University of Texas at San Antonio (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 Federal Supplemental Educational Opportunity Grants from a prior award year and did not disburse those funds within three business days of receipt. Specifically, on February 1, 2016, the University drew down \$77,455 as a carry forward from award year 2014-2015, but it did not fully expend those funds for another 94 days. The drawdown amount exceeded 1 percent of the total amount from the prior year and the University exceeded the seven-day tolerance period. The interest the University earned on those funds would not have exceeded the \$500 allowance; therefore, the University was not required to remit any interest.

That error occurred because the University did not draw down its 2014-2015 available carry forward amount prior to drawing down from its 2015-2016 funds. The U.S. Department of Education notified the University that the carry forward amount would expire, and then the University drew down those funds without determining its immediate needs for disbursement purposes.

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. 2016-155

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 2015-150, 2014-168, and 2013-191)

Student Financial Assistance Cluster

Award year – July 1, 2015 to June 30, 2016

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P153294; CFDA 84.268, Federal Direct Student Loans, P268K163294; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Statistically valid sample – No

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 Perkins Loan, 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 674.19(f), 685.309(b), and 682.610(c)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2), and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Initial Year Written: 2013
Status: 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 3).

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

- The University did not report one student’s withdrawn status and the effective date for the Fall term to NSLDS. Instead, it backdated the student’s withdrawal after the Fall term had ended; as a result, that student was not reported as withdrawn to NSLDS in the final report submitted to NSC for the Fall term in December 2015. That error occurred because the University’s process to identify students with backdated withdrawals after the end of a term did not identify that student.
- Two students withdrew before the census date, and the University did not report them to NSC. NSC reported the students as withdrawn because the University no longer reported them; however, NSC did not know when the students had withdrawn, and it assigned the effective date of their withdrawals as either the first date of the term or the last date of the previous term they attended. Those errors occurred because the University adjusted the parameters of its reports to NSC by removing students with a “WS” (withdrawn before census) status; therefore, students who withdrew before the census date would not be captured in the first reports for a term. In addition, the University reported one of those student’s status change to NSLDS 72 days after the date of the status change. That occurred because of a timing difference between when the University reported to NSC and when NSC reported to NSLDS.

Additionally, the University did not always ensure that enrollment files submitted to NSC were complete. Specifically, due to a formatting error, NSC deleted 17 records in the March 2016 file that the University submitted. NSC informed the University about the deletion of those records; however, the University did not immediately address that issue due to an oversight by University staff. The University asserted that the April 2016 file it submitted to NSC corrected 15 of those records, and NSC corrected the remaining 2 records manually at the University’s request.

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

Corrective Action:

Corrective action was taken.

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) express an opinion on whether the State complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on the Student Financial Assistance Cluster in accordance with the Single Audit Act Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Scope

The audit scope covered federal funds that the State spent for the Student Financial Assistance Cluster from July 1, 2016, through June 30, 2017, which is the federal financial assistance award year. The audit work included control and compliance tests at 18 higher education institutions across the state.

Methodology

The audit methodology included developing an understanding of controls over each compliance area that was direct and material to the Student Financial Assistance Cluster at each higher education institution audited.

Sampling Methodology

Auditors selected nonstatistical 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 March 1, 2017. 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 nonstatistical samples primarily through random selection. In some cases, auditors selected additional items for compliance testing based on risk.

Auditors conducted tests of compliance and of the controls identified for each direct and material compliance area and performed analytical procedures when appropriate.

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 non-compliance.
- Compliance testing for samples of transactions for each direct and material compliance area.
- Tests of design and effectiveness of key controls and tests of design of controls to assess the sufficiency of each higher education institution's control structure.
- Tests of design and effectiveness of general controls over information systems that supported the control structure related to federal compliance.

Criteria used included the following:

- Title 20, U.S. Code, Chapter 28.
- Title 42, U.S. Code, Chapter 6A.
- Title 34, Code of Federal Regulations.
- Title 42, Code of Federal Regulations.
- Title 2, Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Appendix XI Compliance Supplement*.
- *Federal Register*, volume 80, number 123.
- *Federal Register*, volume 81, number 64.
- U.S. Department of Health and Human Services loan and scholarship guidelines.
- U.S. Department of Education Federal Student Aid letters and announcements.
- U.S. Department of Education *Federal Student Aid Handbook*.
- U.S. Department of Education *Electronic Data Exchange Technical Reference*.
- Higher education institution policies and procedures.
- National Student Loan Data System *Enrollment Reporting Guide*.

Project Information

Audit fieldwork was conducted from April 2017 through January 2018. 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 Title 2, Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The following members of the State Auditor's staff performed the audit:

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Copies of this report have been distributed to the following:

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