A Report on

State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster for the Fiscal Year Ended August 31, 2016

February 2017
Report No. 17-027

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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 2016.

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 $81,618,988 in federal funds during fiscal year 2016 and (2) other selected federal programs.

From September 1, 2015, through August 31, 2016, the State of Texas expended $54 billion in federal funds. The State Auditor’s Office audited compliance with requirements for the Student Financial Assistance Cluster at 17 higher education institutions. Those 17 higher education institutions spent $3 billion in federal Student Financial Assistance Cluster funds during fiscal year 2016.
Auditors identified 55 findings for the Student Financial Assistance Cluster, including:

- Eight findings classified as material weaknesses and non-compliance.
- Forty-six findings classified as significant deficiencies and non-compliance.
- One finding classified as a significant deficiency.

(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.

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

- Lamar University.
- Stephen F. Austin State University.
- Texas A&M University.
- Texas Southern University.
- Texas State University.
- Texas Tech University.
- Texas Tech University Health Sciences Center.
- 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 Dallas.
- The University of Texas at El Paso.
- The University of Texas Rio Grande Valley.
- The University of Texas at San Antonio.
- The University of Texas at El Paso.
- The University of Texas at Austin.
- The University of Texas at San Antonio.

**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 University of Texas at San Antonio.

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

At 12 higher education institutions audited, auditors identified findings related to students’ eligibility for financial assistance. Specific eligibility findings were as follows:

➢ Eleven of the higher education institutions audited (1) awarded Student Financial Assistance Cluster funds to students who were not eligible to receive that assistance or (2) awarded incorrect amounts of Student Financial Assistance funds based on students’ eligibility. Those higher education institutions were:

  • Sam Houston State University.
  • Stephen F. Austin State University.
  • Texas Southern University.
  • Texas State University.
  • Texas Tech University.
  • Texas Tech University Health Sciences Center.
  • 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.

➢ Eight 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 Southern University.
  • Texas Tech University.
  • Texas Tech University Health Sciences Center.
  • Texas Woman’s University.
  • University of Houston.
  • The University of Texas at Arlington.
  • The University of Texas at El Paso.
  • The University of Texas Rio Grande Valley.
Seven of the higher education institutions audited (1) did not consistently follow their processes to determine students’ academic progress or (2) did not have adequate processes to determine whether students made satisfactory academic progress to be eligible for financial assistance. Those higher education institutions were:

- Texas Southern University.
- Texas Tech University Health Sciences Center.
- Texas Woman’s University.
- University of Houston.
- The University of Texas at Arlington.
- The University of Texas at El Paso.
- The University of Texas Rio Grande Valley.

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

Seven higher education institutions audited did not always accurately calculate the amount of Student Financial Assistance Cluster funds to be returned to the federal government and/or did not always return funds within the required time frames. Those higher education institutions were:

- Texas Southern University.
- Texas Tech University Health Sciences Center.
- Texas Woman’s University.
- University of Houston.
- University of North Texas.
- The University of Texas at El Paso.
- 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.

Five higher education institutions audited did not accurately verify all required information on students’ financial assistance applications and/or did not always correct Institutional Student Information Records when required. Those higher education institutions were:

- Texas Southern University.
- Texas Woman’s University.
- University of Houston.
The higher education institutions audited did not always comply with cash management requirements for the Student Financial Assistance Cluster.

Five higher education institutions audited did not always minimize the time between their drawdowns of federal funds and their disbursement of those funds, draw down funds from the correct federal award, and/or did not have sufficient internal controls over cash management. Those higher education institutions were:

- The University of Texas at Arlington.
- The University of Texas at Austin.
- The University of Texas at El Paso.
- The University of Texas Rio Grande Valley.
- The University of Texas at San Antonio.

The higher education institutions audited did not always comply with Federal Direct Student Loans requirements.

Five higher education institutions audited did not perform monthly reconciliations in accordance with requirements and/or did not always report accurate loan disbursement dates to the Direct Loan Servicing System. Those higher education institutions were:

- Sam Houston State University.
- Texas Southern University.
- Texas Woman’s University.
- The University of Texas at Arlington.
- 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:

- Stephen F. Austin State University.
- Texas Southern University.
- Texas Tech University Health Sciences Center.
- Texas Woman’s University.
- University of Houston.
• The University of Texas at El Paso.
• The University of Texas Rio Grande Valley.

Auditors followed up on higher education institutions’ corrective action plans for 50 audit findings from prior fiscal years related to the Student Financial Assistance Cluster.

Higher education institutions fully implemented corrective action plans for 21 (42 percent) of those 50 findings and partially implemented corrective action plans for 29 (58 percent) of those 50 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) provide 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, 2015, through June 30, 2016, which is the federal financial assistance award year. The audit work included control and compliance tests at 17 higher education institutions across the state.
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Independent Auditor’s Report

State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster for the Fiscal Year Ended August 31, 2016
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, 2016. 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, 2016. 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, 2016. 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, 2016.

**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:

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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.

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

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

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<tr>
<td></td>
<td>Special Tests and Provisions - Disbursements To or On Behalf of Students</td>
<td>2016-129</td>
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<tr>
<td></td>
<td>Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)</td>
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<td>Special Tests and Provisions - Institutional Eligibility</td>
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<td>Special Tests and Provisions - Verification</td>
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<td></td>
<td>Special Tests and Provisions - Return of Title IV Funds</td>
<td>2016-130</td>
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<td></td>
<td>Special Tests and Provisions - Enrollment Reporting</td>
<td>2016-131</td>
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<tr>
<td>University of North Texas</td>
<td>Special Tests and Provisions - Verification</td>
<td>2016-132</td>
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<td>Special Tests and Provisions - Return of Title IV Funds</td>
<td>2016-133</td>
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<td>Special Tests and Provisions - Enrollment Reporting</td>
<td>2016-134</td>
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<tr>
<td>University of Texas at Arlington</td>
<td>Cash Management Reporting Eligibility</td>
<td>2016-135</td>
</tr>
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<td></td>
<td>Special Tests and Provisions - Institutional Eligibility</td>
<td>2016-136</td>
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<tr>
<td></td>
<td>Special Tests and Provisions - Disbursements To or On Behalf of Students</td>
<td>2016-137</td>
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<tr>
<td></td>
<td>Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)</td>
<td>2016-139</td>
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<tr>
<td>University of Texas at Austin</td>
<td>Cash Management Eligibility</td>
<td>2016-140</td>
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<td>Special Tests and Provisions - Institutional Eligibility</td>
<td>2016-141</td>
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<tr>
<td>University of Texas at Dallas</td>
<td>Special Tests and Provisions - Enrollment Reporting</td>
<td>2016-142</td>
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<tr>
<td>University of Texas at El Paso</td>
<td>Cash Management Reporting Eligibility</td>
<td>2016-143</td>
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<tr>
<td></td>
<td>Activities Allowed or Unallowed Special Tests and Provisions - Verification</td>
<td>2016-144</td>
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<td></td>
<td>Special Tests and Provisions - Disbursements To or On Behalf of Students</td>
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<td></td>
<td>Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)</td>
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<td></td>
<td>Special Tests and Provisions - Institutional Eligibility</td>
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<tr>
<td></td>
<td>Special Tests and Provisions - Enrollment Reporting</td>
<td>2016-146</td>
</tr>
<tr>
<td>University of Texas Rio Grande Valley</td>
<td>Cash Management</td>
<td>2016-147</td>
</tr>
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</table>
### Higher Education Institution

<table>
<thead>
<tr>
<th>Compliance Requirement</th>
<th>Finding Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td></td>
</tr>
<tr>
<td>Activities Allowed or Unallowed Reporting</td>
<td>2016-148</td>
</tr>
<tr>
<td>Special Tests and Provisions - Disbursements To or On Behalf of Students</td>
<td>2016-150</td>
</tr>
<tr>
<td>Special Tests and Provisions - Institutional Eligibility</td>
<td>2016-151</td>
</tr>
<tr>
<td>Special Tests and Provisions - Return of Title IV Funds</td>
<td>2016-152</td>
</tr>
<tr>
<td>Special Tests and Provisions - Enrollment Reporting</td>
<td>2016-153</td>
</tr>
<tr>
<td>Special Tests and Provisions - Student Loan Repayments</td>
<td>2016-154</td>
</tr>
<tr>
<td>Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)</td>
<td>2016-155</td>
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<tr>
<td>Cash Management</td>
<td></td>
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<tr>
<td>Special Tests and Provisions - Enrollment Reporting</td>
<td></td>
</tr>
</tbody>
</table>

University of Texas at San Antonio

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, 2016, 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, 2016*.

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

February 21, 2017
## Schedule of Federal Program Expenditures for the Student Financial Assistance Cluster for the State of Texas For the Year Ended August 31, 2016

<table>
<thead>
<tr>
<th>Higher Education Institution Audited</th>
<th>Federal Program Direct Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lamar University</td>
<td>$ 92,488,387</td>
</tr>
<tr>
<td>Sam Houston State University</td>
<td>137,289,998</td>
</tr>
<tr>
<td>Stephen F. Austin State University</td>
<td>110,270,704</td>
</tr>
<tr>
<td>Texas A&amp;M University</td>
<td>334,597,275</td>
</tr>
<tr>
<td>Texas Southern University</td>
<td>118,777,112</td>
</tr>
<tr>
<td>Texas State University</td>
<td>253,685,083</td>
</tr>
<tr>
<td>Texas Tech University</td>
<td>193,539,607</td>
</tr>
<tr>
<td>Texas Tech University Health Sciences Center</td>
<td>77,974,462</td>
</tr>
<tr>
<td>Texas Woman’s University</td>
<td>102,272,882</td>
</tr>
<tr>
<td>University of Houston</td>
<td>244,157,730</td>
</tr>
<tr>
<td>University of North Texas</td>
<td>243,380,429</td>
</tr>
<tr>
<td>University of Texas at Arlington</td>
<td>242,681,629</td>
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<tr>
<td>University of Texas at Austin</td>
<td>359,015,773</td>
</tr>
<tr>
<td>University of Texas at Dallas</td>
<td>91,869,575</td>
</tr>
<tr>
<td>University of Texas at El Paso</td>
<td>139,887,505</td>
</tr>
<tr>
<td>University of Texas Rio Grande Valley</td>
<td>151,733,379</td>
</tr>
<tr>
<td>University of Texas at San Antonio</td>
<td>174,101,769</td>
</tr>
<tr>
<td><strong>Total Audited Student Financial Assistance Federal Program Expenditures</strong></td>
<td><strong>$3,067,723,299</strong></td>
</tr>
</tbody>
</table>

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, 2016.

Note 2: Federal expenditures for the Student Financial Assistance Cluster at state entities not included in the scope of this audit totaled $1,189,802,253 for the fiscal year ended August 31, 2016.

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 (FWS) Program.
- CFDA 84.038 Federal Perkins Loan (FPL) - Federal Capital Contributions.
- CFDA 84.063 Federal Pell Grant Program (Pell).
- CFDA 84.268 Federal Direct Student Loans (Direct Loan).
- CFDA 84.379 Teacher Education Assistance for College and Higher Education Grants (TEACH Grants).
- CFDA 84.408 Postsecondary Education Scholarships for Veteran’s Dependents (Iraq and Afghanistan Service Grants (IASG)).

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 Disadvantaged Students (SDS).
Schedule of Findings and Questioned Costs

State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster for the Fiscal Year Ended August 31, 2016
Section 1: 
**Summary of Auditor’s Results**

**Financial Statements**


**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? Yes

Type of auditor’s report issued on compliance for major programs: 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:**

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster</td>
<td>Student Financial Assistance</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $81,618,988

Auditee qualified as low-risk auditee? No
Section 2:

Financial Statement Findings

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).

### 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)).

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:

**Questioned Cost: $ 0**

U.S. Department of Education
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:

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.

Corrective Action Plan:

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.

Implementation Date: December 1, 2015 (hiring new staff), November 4, 2016 (NSLDS Access) February 1, 2017 (reporting data change)

Responsible Person: W. David Short
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.

Implementation Date: January 3, 2017
Responsible Person: W. David Short
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).

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.

Recommendation:

The University should award FSEOG assistance only to eligible students.

Views of Responsible Officials:

The University acknowledges and agrees with the findings of this audit. Management recognizes that eligibility for SEOG depends on Pell Grant being disbursed rather than a student only being Pell eligible.

Corrective Action Plan:

The University has already implemented a solution to this finding. The awarding rules were updated to only award FSEOG to students who were awarded Pell Grant. This alleviates potentially awarding FSEOG to a student that has met their Pell LEU. The disbursement rules for FSEOG will hold disbursement until Pell Grant has paid. Once the Pell Grant has disbursed, FSEOG will then disburse.

In addition, the accountants cross reference the SEOG and Pell funds in RPIFAWD to ensure that all SEOG recipients did receive Pell Grant.

Implementation Date: September 12, 2016

Responsible Person: Lydia Hall
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 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.

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

Views of Responsible Officials:
The University acknowledges and agrees with the findings. Management was unaware disbursement notifications, or right to cancel letters, were required to be sent to recipients of the TEACH Grant. Upon this discovery, the University created a process to send TEACH Grant Right to Cancel letters for the 1617 aid year.

Corrective Action Plan:
The University has already taken corrective action. Controls were implemented and a process was put in place to send right to cancel letters via school email within the required 30 days before or after crediting a student’s account with TEACH grants.

Implementation Date: September 13, 2016
Responsible Person: Lydia Hall
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).

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.

Recommendation:

The University should perform monthly reconciliations between its student financial assistance system and DLSS throughout the award year.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Due to responsibilities and demands placed on the current accounting staff, monthly reconciliations were not consistently done.

Corrective Action Plan:

The University is taking corrective action by requesting additional staffing positions to accommodate the crucial responsibilities of the accounting staff. The lead accountant will be able to delegate tasks to other skilled accountants so that they can focus on performing monthly SAS reconciliations.

In the interim, the responsibilities that previously kept accountants from performing monthly reconciliations have been delegated to other staff. This has allowed the accountants to complete monthly SAS reconciliations thus far for the fiscal year 2017.

Implementation Date: October 1, 2016

Responsible Person: Lydia Hall
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).

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.

Recommendations:

The University should:

- Award FSEOG assistance only to eligible students.
- Award Subsidized Direct Loans only to eligible undergraduate students.
- Appropriately limit access to Banner based on users’ job responsibilities.

Views of Responsible Officials:

Stephen F. Austin State University management acknowledges and agrees with the audit findings. Federal Supplemental Education Opportunity Grant (FSEOG) funds are awarded systematically, however the cancellation of awards was handled manually which allowed the opportunity for human error. University management recognizes that the Direct Subsidized Loan was awarded incorrectly and that Banner access should be limited. The University will implement the appropriate corrective actions.

Corrective Action Plan:

Federal Supplemental Education Opportunity Grant

While auditors were on site, University management cancelled the $1,600 FSEOG award to the student identified in the audit. University management reviewed all FSEOG recipients and found no additional students were awarded incorrectly. To establish appropriate controls, University management developed an exception report to identify potential issues. In addition, university management has retrained staff to ensure proper procedures are followed.

Federal Direct Student Loans

The $5,442 Subsidized Direct Loan to the one graduate student identified in the audit as incorrectly awarded was cancelled while auditors were on site. University management created an exception report to identify any graduate student that has a Subsidized Direct Loan award. University management has retrained staff to ensure proper awarding procedures are followed.

General Controls

University management corrected the inappropriate security access for the one employee identified in the audit. University management will ensure that appropriate access is given based on job responsibilities.

Implementation Date: FSEOG - January 2017
Direct Subsidized Loan - January 2017
General Controls - November 2016

Responsible Person: H. Rachele' Garrett

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)).

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 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.
Recommendations:

The University should:

- Maintain support for information it reports on its FISAP to ensure that the information is accurate.
- Appropriately limit access to Banner based on users' job responsibilities.

Views of Responsible Officials:

Stephen F. Austin State University management acknowledges and agrees with the audit findings. University management agrees that appropriate record retention of supporting documents is essential to maintaining accurate Fiscal Operations and Application to Participate (FISAP) reporting records. University management recognizes that Banner access should be limited. The University will implement the appropriate corrective actions.

Corrective Action Plan:

Fiscal Operations Report and Application to Participate
When the University changed information systems in 1995, the Federal Perkins Loan paid-in-full records were not retained for the time periods prior to the change. To determine the cumulative line items, University management developed a method to accurately report the Perkins Loan data from that point forward. University record retention procedures include maintaining all supporting documentation required to report information on the FISAP.

General Controls
University management corrected the inappropriate security access for the one employee identified in the audit. University management will ensure that appropriate access is given based on job responsibilities.

Implementation Date:
- Fiscal Operations Report and Application to Participate - November 2016
- General Controls - November 2016

Responsible Person: H. Rachele' Garrett

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) $ 0

U.S. Department of Education
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)).

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.

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.
- Appropriately limit access to Banner based on users’ job responsibilities.

Views of Responsible Officials:

Stephen F. Austin State University management acknowledges and agrees with the audit findings. Accurately reporting enrollment utilizing the National Student Clearinghouse (NSC) has been challenging. The Registrar’s Office has worked closely with the NSC to gain a better understanding of their procedures, error reporting and relationship with the National Student Loan Data System (NSLDS) and attempted to utilize every training opportunity provided by the NSC. The University will continue this effort to strengthen enrollment reporting accuracy. University management recognizes that Banner access should be limited. The University will implement the appropriate corrective actions.

Corrective Action Plan:

Enrollment Reporting

Accurately report status changes and effective dates to NSLDS in a timely manner. The Registrar’s Office establishes a reporting schedule with the NSC each semester. In addition, to the scheduled submissions, enrollment files can be submitted as often as we wish. The Registrar's Office will submit enrollment files every other week for the entire semester beginning after census date to ensure timely reporting.

Establish and implement a monitoring process to ensure that the status changes it reports to NSC are accurately reported to NSLDS. The Registrar’s Office made updates and changes to enrollment reporting procedures to include the extra steps of verifying a sample of students from the enrollment submission file against the NSLDS website. The Registrar’s Office is working with NSC to ensure data integrity and completeness of information reported through the use of error reports and other procedures. The Registrar's Office employees had additional training on error correction in January 2017.

General Controls

University management corrected the inappropriate security access for the one employee identified in the audit. University management will ensure that appropriate access is given based on job responsibilities.

Implementation Date: Enrollment Reporting - February 2017
General Controls - November 2016
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)).

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.

**Recommendation:**
The University should accurately report all student status changes and effective dates to NSLDS.

**Views of Responsible Officials:**
Texas A&M University acknowledges the indicated deficiencies in enrollment reporting and has worked to make significant improvements in the enrollment reporting processes to eliminate future deficiencies in the areas noted by the Texas State Auditor’s Office. We will continue to work on improvements to mitigate and eliminate audit findings.

- Concerning the issue of a student who received Title IV funds and was enrolled in both the Fall and Spring terms but was not reported to NSLDS: The Social Security Number maintained in Texas A&M University’s student information system and reported to the National Student Clearinghouse (NSC). NSLDS has another student in their database with the same SSN as our student. The mismatch has been corrected and the student is now being accurately reported.

- Concerning the issue of a student who was reported as Withdrawn at the end of the Fall 2015 semester, but not reported as Graduated at the end of the Spring 2016 semester: The student did not have to enroll at Texas A&M in Spring 2016 in order to complete degree requirements, therefore, he applied for graduation with a “Degree Only” status. Because the student was not enrolled during Spring 2016, he was removed from Texas A&M’s SSCR and not reported to NSLDS with a Graduated status. The student has been manually reported with the appropriate Graduated status to NSC and NSLDS.

- Concerning the issue of two students whose Graduated status start dates were incorrectly reported: The Graduated status start date of these students was reported as the last day of the standard Spring 2016 term, however, these students are enrolled in a part of term with different dates. The Graduated status start date for the students has been updated with NSC and NSLDS as the last day of the part of term within the standard Spring 2016 term that reflects their respective program cohort published calendar start and end dates.

- Concerning the issue of the student whose decreased enrollment status start date was incorrectly reported: The decreased status from full time for this student was reported as the day after the last day of the standard Spring 2016 term, however, the student was enrolled in a part of term with different dates. The decreased status effective date for this student has been updated with NSC and NSLDS as the day after the last day of the part of term within the standard Spring 2016 in which the student was enrolled. This reflects the students’ respective program calendar start and end dates.
Corrective Action Plan:

Concerning the issue of a student who received Title IV funds and was enrolled in both the Fall and Spring terms but was not reported to NSLDS: Reports of mismatches between SSNs for students reported by Texas A&M to the NSC and students on Texas A&M’s SSCR (Student Status Change Roster) from NSLDS are being monitored to update SSNs in Texas A&M’s student information system and the NSC database or in the NSLDS database. This requires communication between the Office of the Registrar and the Scholarships & Financial Aid Office to verify SSNs through the FAFSA process and the Social Security Administration. In some instances, this may also require reaching out to students individually to obtain SSN verification.

Implementation Date: October 2016

Responsible Persons: Venesa Heidick and Delisa Falks

Concerning the issue of a student who was reported as Withdrawn at the end of the Fall 2015 semester, but not reported as Graduated at the end of the Spring 2016 semester: The Office of the Registrar is requesting and monitoring reports of students who have applied for graduation with a “Degree Only” status. Students in “DO” status who clear their degree evaluation and are awarded a degree from Texas A&M University are manually updated with a “G” status in the NSC and NSLDS databases.

Implementation Date: December 2016

Responsible Persons: Venesa Heidick and Delisa Falks

Concerning the issue of two students whose Graduated status start dates were incorrectly reported: The Office of the Registrar modified the enrollment reporting process so it will extract and report start and end dates that accurately reflect the published start and end dates of cohorts within the professional programs where calendar dates do not coincide with the standard term academic calendar dates. Parts of terms have been established within the standard term with accurate start and end dates according to the individual cohort program calendars.

Implementation Date: January 2017

Responsible Persons: Venesa Heidick and Delisa Falks

Concerning the issue of the student whose decreased enrollment status start date was incorrectly reported: The Office of the Registrar has modified the enrollment reporting process so it will extract and report start and end dates that accurately reflect the published calendar start and end dates of cohorts within the professional programs; based on the parts of term within the professional program term.

Implementation Date: January 2017

Responsible Persons: Venesa Heidick and Delisa Falks
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).

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 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.

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.

**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 measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number 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.

Recommendations:

The University should:

- Strengthen controls to ensure that it properly assigns COA components and does not overaward financial assistance to students.
- Accurately award Federal Pell Grant amounts to students based on their EFCs and COAs.
- Award Subsidized Direct Loans and FSEOG only to eligible students.
- Strengthen controls to ensure that financial assistance does not exceed annual and aggregate limits.
- Strengthen controls for determining whether graduate students have met or exceeded the maximum timeframe based on the length of educational program hours and retain documentation of maximum time frame determinations made in the SAP process.
- Appropriately limit access to its student financial assistance system to users based on their job responsibilities and employment status.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has developed and is implementing the corrective actions to further improve the processes.

Corrective Action Plan:

- The University has developed a report to manually identify and correct the COA components and potential overawards for all categories of students.

Implementation Date: March 2017

Responsible Person: Linda Ballard

- The BANNER batch posting process is being revised to ensure the COA for students enrolled less than half-time in the appropriate term.

Implementation Date: March 2017
A manual report will identify any students whose budget has been manually adjusted to add books to the COA for students enrolled in the on-line Masters of Public Administration and Masters of Business Administration programs. Books are provided free of charge to program participants.

Implementation Date: March 2017

Responsible Person: Linda Ballard

The frequency of the monitoring for Federal Pell Grant program has been increased its monitoring to include an end of term review to ensure the student’s payments are in agreement with the enrollment status.

Implementation Date: May 2017

Responsible Person: Linda Ballard

The University has added a rule to the fund codes for the Federal Direct Subsidized Loans and FSEOG to ensure Graduate students will only disburse to eligible students. Controls are being further strengthened to develop a report to identify any students who received a Federal Pell Grant and FSEOG award and the Federal Pell Grant was subsequently cancelled.

Implementation Date: November 2017

Responsible Person: Linda Ballard

The University is developing a summary report that will identify students with possible overawards to ensure that financial assistance does not exceed the cost of attendance.

Implementation Date: March 2017

Responsible Person: Linda Ballard

The university will retain reports used to review SAP status for graduate programs that vary from the normal standard. Work has begun to incorporate all programs into the automated process to ensure graduate students who have met or exceeded the maximum time frame based on the length of educational program hours and included in the automated process.

Implementation Date: March 2017

Responsible Person: Linda Ballard

After research, the University immediately terminated access for the two (2) former employees that had access to the web and database server. Although the accounts were still active on the system – lifeline virtual private network (VPN) access was discontinued upon deactivation of each employee’s active directory account. Hence, limiting any access to the servers.

The University has already begun implementation of procedures to increase security in this area. A user audit script will be run quarterly to review access. Additionally, continuation of the use of the lifeline virtual private network (VPN) process will remain in place. Thereby, ensuring termination of access to the server(s) as an employee is separated from the University.

Implementation Date: March 2017

Responsible Person: Kathy Booker
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).

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.

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.

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.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request
  updated ISIRs when required.
- Strengthen the monitoring of its verification process.
- Include all required elements in its written verification policies and procedures.
- Appropriately limit access to its student financial assistance system to users based on their job
  responsibilities and employment status.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in
the audit, the University has developed and is implementing the corrective actions to further improve the
processes.

Corrective Action Plan:

The university has instituted additional training to ensure all required information for applicants selected
for verification is verified. All corrections are routinely updated, unfortunately the review conducted
occurred outside of the timeframe for corrections to be submitted and processed by the U.S. Department of
Education. BANNER’s ability to accurately calculate the EFC was utilized to recalculate any dollar items.
Oversites to updating benefits such as SNAP were address during training sessions.

Implementation Date: January 2017

Responsible Person: Linda Ballard

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 has been awarded to the
verification policies.

Implementation Date: January 2017

Responsible Person: Linda Ballard

After research, the University immediately terminated access for the two (2) former employees that had
access to the web and database server. Although the accounts were still active on the system – lifeline virtual
private network (vpn) access was discontinued upon deactivation of each employee’s active directory
account. Hence, limiting any access to the servers.

The University has already begun implementation of procedures to increase security in this area. A user
audit script will be run quarterly to review access. Additionally, continuation of the use of the lifeline virtual
private network (vpn) process will remain in place. Thereby, ensuring termination of access to the server(s)
as an employee is separated from the University.

Implementation Date: March 2017
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).

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.

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.

Recommendations:

The University should:

- Send disbursement notification letters within 30 days before or after crediting a student’s account with a Direct Loan or TEACH grant.
- Strengthen controls over its disbursement notification process to identify when it has not sent required disbursement notification letters to students.
- Appropriately limit access to its student financial assistance system to users based on their job responsibilities and employment status.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has developed and is implementing the corrective actions to further improve the processes.

Corrective Action Plan:

After researching the incident, the University reconfigured the letter generation process to ensure disbursement notification letters are sent within 30 days. Additionally, letters were sent to all recipients for the award year to ensure disbursement notification letters were sent for the entire year. The University will also develop a calendar to ensure critical dates within the loan generation process are properly updated.

Implementation Date: November 2017

Responsible Person: Linda Ballard

After research, the University immediately terminated access for the two (2) former employees that had access to the web and database server. Although the accounts were still active on the system – lifeline virtual private network (vpn) access was discontinued upon deactivation of each employee’s active directory account. Hence, limiting any access to the servers.

The University has already begun implementation of procedures to increase security in this area. A user audit script will be run quarterly to review access. Additionally, continuation of the use of the lifeline virtual private network (vpn) process will remain in place. Thereby, ensuring termination of access to the server(s) as an employee is separated from the University.

Implementation Date: March 2017

Responsible Person: Kathy Booker
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)).

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.

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.

Recommendations:

The University should:

- Establish and implement a process to identify students whose awards are canceled by Banner at the time of withdrawal and include all awards disbursed to students when it calculates returns of Title IV funds.
- Return Title IV funds within required time frames.
- Appropriately limit access to its student financial assistance system to users based on their job responsibilities and employment status.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has developed and is implementing the corrective actions to further improve the processes.
Corrective Action Plan:
The university has reassigned the task of reviewing students prior to the calculation of the R2T4 with heightened attention during the initial enrollment period for each term. The inconsistency identified was found to be associated with the cancellation of aid prior to the state reporting deadline. Additionally, the university will develop a report to assist in identifying Federal Pell Grant recipients whose grants who require a R2T4 calculation.

Implementation Date: March 2017
Responsible Person: Linda Ballard

After research, the University immediately terminated access for the two (2) former employees that had access to the web and database server. Although the accounts were still active on the system – lifeline virtual private network (vpn) access was discontinued upon deactivation of each employee’s active directory account. Hence, limiting any access to the servers.

The University has already begun implementation of procedures to increase security in this area. A user audit script will be run quarterly to review access. Additionally, continuation of the use of the lifeline virtual private network (vpn) process will remain in place. Thereby, ensuring termination of access to the server(s) as an employee is separated from the University.

Implementation Date: March 2017
Responsible Person: Kathy Booker

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)).

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

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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.

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.
- Appropriately limit access to its student financial assistance system to users based on their job responsibilities and employment status.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has developed and is implementing the corrective actions to further improve the processes.
Corrective Action Plan:

After researching the incidents, it was determined that a gap in timing between the reporting of information to the National Clearinghouse and the National Student Loan database caused some of the exceptions. The university will directly report enrollment status changes to the National Student Loan Database to meet the appropriate reporting deadlines for all enrollment and degree completion status changes.

The University is additionally revising the policy for grade reports to strengthen the university’s ability to report changes in enrollment statuses and graduation dates in the prescribed time frame.

Implementation Date: May 2017

Responsible Person: Marilyn Square

After research, the University immediately terminated access for the two (2) former employees that had access to the web and database server. Although the accounts were still active on the system – lifeline virtual private network (vpn) access was discontinued upon deactivation of each employee’s active directory account. Hence, limiting any access to the servers.

The University has already begun implementation of procedures to increase security in this area. A user audit script will be run quarterly to review access. Additionally, continuation of the use of the lifeline virtual private network (vpn) process will remain in place. Thereby, ensuring termination of access to the server(s) as an employee is separated from the University.

Implementation Date: March 2017

Responsible Person: Kathy Booker

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).

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.

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.

Recommendations:

The University should:

- Accurately report disbursement dates to the COD System.
• Document the reconciliations it performs between the financial aid disbursement records and the monthly SAS files it receives.
• Appropriately limit access to its student financial assistance system to users based on their job responsibilities and employment status.

Views of Responsible Officials:
The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has developed and is implementing the corrective actions to further improve the processes.

Corrective Action Plan:
The University has instituted a policy to retain the SAS reports for examination. The university additionally uses a manual report that compares the disbursements and COD records to ensure all accounts are properly reconciled on a monthly basis.

Implementation Date: January 2017
Responsible Person: Linda Ballard

After research, the University immediately terminated access for the two (2) former employees that had access to the web and database server. Although the accounts were still active on the system – lifeline virtual private network (vpn) access was discontinued upon deactivation of each employee’s active directory account. Hence, limiting any access to the servers.

The University has already begun implementation of procedures to increase security in this area. A user audit script will be run quarterly to review access. Additionally, continuation of the use of the lifeline virtual private network (vpn) process will remain in place. Thereby, ensuring termination of access to the server(s) as an employee is separated from the University.

Implementation Date: March 2017
Responsible Person: Kathy Booker
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).

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.

Recommendation:
The University should award Federal Direct Student Loans within the annual and aggregate limits.

Views of Responsible Officials:
The University acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the University implemented corrective action to ensure future compliance.

Corrective Action Plan:
Upon review of the exceptions, it was determined that Financial Aid and Scholarships did not have the information regarding how many hours from the 1st undergraduate degree satisfied requirements of the 2nd undergraduate degree. In August 2016, we requested that information from academic advisors for all current AY15-16 and AY16-17 2nd bachelor’s students. Once received, we calculated the students’ grade level and made the appropriate loan adjustments; if applicable. Moving forward, an automated process was
implemented that requires the student to provide that information from their academic advisor via a form once they are identified as pursuing a 2nd bachelor’s degree. The student will not be offered federal student loans until that information is received and the grade level can be calculated.

**Implementation Date:** August 2016

**Responsible Person:** Dr. Christopher D. Murr

Reference No. 2016-116

**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, 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)).

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.

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

Views of Responsible Officials:
Texas State University acknowledges and agrees with the finding. 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:
Texas State University has already implemented significant process enhancements in this area. We have
created a fulltime staff position entitled “Enrollment Data Auditor”. This position’s duties include the
complete review of enrollment and graduation data before it is sent to the NSC and will monitor that the
correct data is then reported to the NSLDS in a timely and accurate manner. We have developed relationships
with staff at both the NSC and the NSLDS to ensure that we maintain constant communication when issues
arise before they become out of compliance.

Implementation Date: November 2016

Responsible Person: Louis E. Jimenez Sr.
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).

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.

Recommendations:

The University should:

- Strengthen its process to ensure that manual COA budget adjustments are accurate, and sufficiently document the reasons for its professional judgments regarding those adjustments.
- Award Subsidized Direct Loans only to eligible undergraduate students.

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 added the following statement to our policies and procedures for documentation of cost of attendance budget adjustments: Advisors will ensure notes on RHACOMM and documentation in imaging if applicable.
- For changes to budget components as a result of enrollment changes, we have added the following statements to our policies and procedures: Documentation of student requested changes to the enrollment certifications are saved in RHACOMM. Upon receipt of documentation, students are re-budgeted by dedicated enrollment certification advisors.
- Packaging rules are in place to prevent awarding of undergraduate direct loan funds to graduate students. We updated our fund disbursement rules for all direct loan funds to ensure graduate students are not disbursed undergraduate loan funds

Implementation Date: September 2016 and January 2017

Responsible Person: Shannon Crossland
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)).

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.

Recommendation:
The University should report accurate status changes and effective dates to NSLDS.

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.
- Registrar reaches out to students to provide Social Security numbers. Registrar will provide list to Student Financial Aid to cross check financial aid tables for Social Security numbers.
- We have created a one-page reference document to utilize for consistency for enrollment reporting in terms of withdrawals, scheduled breaks, suspensions, continuous enrollment and graduates to ensure reporting of effective dates and enrollment changes to NSLDS.
- The last day of the term (last day of finals) will be the date used for students who complete a term and do not return for the following term.
- We will continue to ensure the enrollment information uploaded is accurate and timely.

Implementation Date: September 2016

Responsible Persons: Bobbie Brown and Shannon Crossland
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).

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 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 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.

Recommendations:

The Health Sciences Center should:

- Configure automated algorithmic budgeting rules to assign correct budget component amounts to students.
- Assign students the correct COA budgets according to their enrollment status.
- Update its SAP policy to meet federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than on a term or annual basis, and by ensuring that the policy requires students to graduate within the maximum time frame.
- Consistently and accurately apply its SAP policy to ensure that it assigns students the correct SAP status in a timely manner.
- Award students the correct amount of Federal Pell Grant funds according to their enrollment status for all terms.
- Award Subsidized Direct Loans only to eligible undergraduate students.
- Appropriately limit access to its student financial assistance system to users based on their job responsibilities.
Views of Responsible Officials:

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.

Corrective Action Plan:

The algorithmic budgeting process has been reviewed and revised to verify accuracy. Additional safeguards, such as periodic reviews have been put in place to maintain system accuracy. While it remains necessary to occasionally award a student manually, this capability is highly restricted and exercised only when necessary.

Implementation Date: November 2016
Responsible Person: Fabian Vasquez

The Texas Tech University Health Sciences Center’s Satisfactory Academic Progress (SAP) policies have been updated to include all federal requirements, including the quantitative pace requirement regarding a cumulative basis.

To ensure the consistent, accurate and timely review and documentation of SAP reviews, checklists have been added to document and track the processes.

Implementation Date: November 2016 and January 2017
Responsible Person: Teresa Diaz

Federal Pell eligible or potentially eligible students enrolled for summer terms are manually reviewed to determine eligibility for awards as “regular” awards or Crossover Pell awards. This includes all levels of enrollment. Documentation is maintained.

Implementation Date: November 2016
Responsible Persons: Fabian Vasquez, Karen Burnett

Additional reviews have been added to identify students receiving federal awards designated for undergraduates while enrolled in a graduate or professional program.

Implementation Date: November 2016
Responsible Person: Karen Burnett

All users’ job responsibilities and system access requirements were reevaluated. The two programmers were assigned to a new user group. All advisors were assigned to one of two different user groups. User access will be reviewed at least twice per year, during the TTUS EAS (Enterprise Application Security) audit. Additional reviews will be performed as needed.

Implementation Date: September 2016
Responsible Person: Marcus Wilson
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).

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.

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.

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.
- Appropriately limit access to its student financial assistance system to users based on their job responsibilities.

Views of Responsible Officials:

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.

Corrective Action Plan:

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.

Implementation Date: November 2016

Responsible Person: Fabian Vasquez

All users’ job responsibilities and system access requirements were reevaluated. The two programmers were assigned to a new user group. All advisors were assigned to one of two different user groups. User access will be reviewed at least twice per year, during the TTUS EAS (Enterprise Application Security) audit. Additional reviews will be performed as needed.

Implementation Date: September 2016

Responsible Person: Marcus Wilson
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)).

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.

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.
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.
- Appropriately limit access to its student financial assistance system to users based on their job responsibilities.

Views of Responsible Officials:
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.

Corrective Action Plan:
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.

Implementation Date: November 2016
Responsible Persons: Mia Myers, Lena Hooker

All users’ job responsibilities and system access requirements were reevaluated. The two programmers were assigned to a new user group. All advisors were assigned to one of two different user groups. User access will be reviewed at least twice per year, during the TTUS EAS (Enterprise Application Security) audit. Additional reviews will be performed as needed.

Implementation Date: September 2016
Responsible Person: Marcus Wilson
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)).

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 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, 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.

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.

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.
- Appropriately limit access to its student financial assistance system to users based on their job responsibilities.

Views of Responsible Officials:

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.
Corrective Action Plan:

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.

Implementation Date: November 2016
Responsible Person: Mike Carpenter

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.

Implementation Date: December 2016
Responsible Person: Tamara Krauser

All users’ job responsibilities and system access requirements were reevaluated. The two programmers were assigned to a new user group. All advisors were assigned to one of two different user groups. User access will be reviewed at least twice per year, during the TTUS EAS (Enterprise Application Security) audit. Additional reviews will be performed as needed.

Implementation Date: September 2016
Responsible Person: Marcus Wilson
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 T08HP25296-04-00 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).

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.

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.

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 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.

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.

Recommendations:

The University should:

- Calculate each student’s COA based on the correct budget and apply manual adjustments accurately.
- Award and disburse at least the minimum required amount of FSEOG assistance to students.
- Update its SAP policy to meet federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than on term basis, and ensure that its SAP policy requires students to graduate within the maximum time frame.
- Award Subsidized Direct Loans only to undergraduate students.
- Award Federal Pell Grants only to undergraduate students.
- Establish and implement a process to ensure that manual student financial assistance awards do not cause students’ total awards to exceed annual and aggregate award limits.
- Strengthen controls for change management and remove individuals’ access to migrate the code changes that they make to the production environment.
- Strengthen controls over user access to ensure that access is appropriate based on users’ job functions.

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 will modify its procedures to ensure that the calculation of each student's COA is based on the correct budget and that manual adjustments are applied correctly.

- The University will modify its disbursement process to ensure that no FSEOG is disbursed for less than the $100 minimum amount.

- The University will update its SAP policy to meet federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than on term basis, and ensure that its SAP policy requires students to graduate within the maximum time frame.

- The University will strengthen its controls to ensure that Subsidized Direct Loans are only awarded to undergraduate students.

- The University will strengthen its controls to ensure that Federal Pell Grants are only awarded to first-time undergraduate students.

- The University will establish and implement a process to ensure that manual student financial assistance awards do not cause students' total awards to exceed annual and aggregate award limits.

- The University will implement appropriate segregation of duties, controls to track migration and document reviews, and approvals of changes to critical information systems.

- The University will strengthen controls over user access to ensure that access is appropriate based on users' job functions.

Implementation Date: April 2017

Responsible Persons: Governor Jackson
Dr. Robert Placido

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).
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.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Strengthen controls over its process to obtain required documentation to complete its verification of students’ FAFSA information.
- Strengthen controls for change management and remove individuals’ access to migrate the code changes that they make to the production environment.
- Strengthen controls over user access to ensure that access is appropriate based on users’ job functions.

Views of Responsible Officials:

The University acknowledges and agrees with the findings, but does not agree with the total questioned costs assigned to these findings. As additional information, seven students were selected for verification after they had completed enrollment in the academic/award year. Additionally, five of the students who were not verified by the institutional deadline were verified after the deadline during the audit, and there was no change in any of the EFCs. Since there were no changes to the five EFCs, the five ISIRs on hand were determined to be valid ISIRs after the verifications were completed. The Ellucian software used to recalculate
the five ISIRs met all of the CPS specifications and had been validated against all CPS test cases for recalculating valid EFCs. The University believes that questioned costs should be re-evaluated on the basis of that information. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Auditor Follow-up Comment:

The University did not receive verification documents from the students in question prior to the due date established in the Federal Register. After review and consideration of management’s response, the State Auditor’s Office stands by its conclusions based on the evidence presented and compiled during this audit.

Corrective Action Plan:

- The University will modify its procedures to ensure verification of all required FAFSA information for students selected for verification and request updated ISIRs when required.
- The University will strengthen its controls over its process to obtain required documentation to complete its verification of students’ FAFSA information.
- The University will implement appropriate segregation of duties, controls to track migration and document reviews, and approvals of changes to critical information systems.
- The University will strengthen controls over user access to ensure that access is appropriate based on users’ job functions.

Implementation Date: April 2017

Responsible Persons: Governor Jackson
Dr. Robert Placido

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)).

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 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.

**Recommendations:**

The University should:

- Enhance the reviews of its calculations of Title IV funds required to be returned to the U.S. Department of Education, including the variables it uses in those calculations.
- Strengthen controls for change management and remove individuals’ access to migrate the code changes that they make to the production environment.
- Strengthen controls over user access to ensure that access is appropriate based on users’ job functions.

**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 will enhance the reviews of its calculations of Title IV funds required to be returned to the U.S. Department of Education, including the variables it uses in those calculations.
- The University will implement appropriate segregation of duties, controls to track migration and document reviews, and approvals of changes to critical information systems.
- The University will strengthen controls over user access to ensure that access is appropriate based on users’ job functions.

**Implementation Date:** April 2017

**Responsible Persons:** Governor Jackson  
Dr. Robert Placido
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)).

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.
Recommendations:

The University should:

- Accurately report status changes and effective dates to NSLDS in a timely manner.
- Establish and implement a process to communicate accurate attendance information regarding students who unofficially withdraw.
- Strengthen controls for change management and remove individuals’ access to migrate the code changes that they make to the production environment.
- Strengthen controls over user access to ensure that access is appropriate based on users’ job functions.

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 has worked with the National Student Clearinghouse (NSC) to identify the necessary changes to ensure that status changes and effective dates to NSLDS will be reported in a timely manner. Specifically, additional end-of-term report submissions to the NSC will ensure graduated statuses are reported to the NSLDS regardless if the student re-enrolls or had fallen off previous SSCR submissions.
- The University will establish and implement a process to communicate accurate attendance information regarding students who unofficially withdraw.
- The University will implement appropriate segregation of duties, controls to track migration and document reviews, and approvals of changes to critical information systems.
- The University will strengthen controls over user access to ensure that access is appropriate based on users' job functions.

Implementation Date: April 2017

Responsible Persons: Governor Jackson  
Robert Lothringer  
Dr. Robert Placido
Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)

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).

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

Questioned Cost: $ 0

U.S. Department of Education
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.

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 Colleague and the monthly SAS files it receives.
- Strengthen controls for change management and remove individuals’ access to migrate the code changes that they make to the production environment.
- Strengthen controls over user access to ensure that access is appropriate based on users’ job functions.

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 will perform and document complete monthly reconciliations, including reviews of cash detail and cash summary records, between the financial assistance information in Colleague and the monthly SAS files it receives.
- The University will implement appropriate segregation of duties, controls to track migration and document reviews, and approvals of changes to critical information systems.
- The University will strengthen controls over user access to ensure that access is appropriate based on users’ job functions.

Implementation Date: April 2017

Responsible Persons: Governor Jackson
Colette Woods/Carolyn Whitlock
Dr. Robert Placido
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

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.

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)).

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.

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.

Recommendations:

The University should:

- Calculate each student’s COA based on the correct budget.
- 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.
- Award students the correct amount of Federal Pell Grant assistance for an award year.
- Award TEACH grants only to eligible students.
- Update its ECAR as required, and ensure that it does not disburse financial assistance to students at locations that are not on its ECAR.
- Strengthen its periodic access review process to ensure that it is comprehensive across all departments and includes each role to which a user is assigned.
- Limit access to its information systems based on users’ job responsibilities.
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:

Calculate each student’s COA based on the correct budget.

In order to help ensure the accuracy and compliance of our cost of attendance calculations, we have changed our internal process of calculating cost of attendance. We have done this by adding layers of approval to the process of budget development which will help ensure that, at the beginning of each payment period, COAs will be reviewed. Policies and procedures will be updated with the new process. In addition, SFA has a new director of IT, who will be more actively involved in the budget formula process to help ensure that PeopleSoft is accurately set up.

In addition, staff have been advised to be more careful when manually adjusting a student's cost of attendance. Finally, to assist in developing accurate figures for non-tuition components of the budget, students were surveyed.

Implementation Date: March 2017

Responsible Person: Scott A. Moore

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.

We have changed our internal process to help ensure compliance with the maximum hours requirements. A query has been created to help ensure that the hours requirements within our SAP programming match those listed in the PeopleSoft system for each academic program.

A second query will search for students who are enrolled in programs for which there are no maximum hours rules within our SAP programming. If a student is enrolled in a program with no maximum hours rule, the student will appear on an authentication fail report which is manually reviewed and corrected.

These two queries will be reviewed by staff prior to the start of each term, and will help ensure accuracy in the calculation of the 150% hours rules.

Implementation Date: November 2016

Responsible Person: Scott A. Moore

Award students the correct amount of Federal Pell Grant assistance for an award year.

This incident resulted from an isolated manual error. Staff have been advised to be more cautious in manual awarding processes.

Implementation Date: September 2016

Responsible Person: Candida DuBose
Award TEACH grants only to eligible students.

Schools that participate in the TEACH Grant Program determine which of the programs they offer are TEACH Grant-eligible. The University of Houston will update its website and policies to clarify which academic programs are TEACH-eligible and will confirm that all applicants are enrolled only in eligible programs, prior to awarding.

Implementation Date: February 2017
Responsible Person: Briget A. Jans

Update its ECAR as required, and ensure that it does not disburse financial assistance to students at locations that are not on its ECAR.

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

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

Implementation Date: January 2016
Responsible Persons: Chris Stanich, Briget A. Jans

Strengthen its periodic access review process to ensure that it is comprehensive across all departments and includes each role to which a user is assigned.

Limit access to its information systems based on users' job responsibilities.

The Office of Scholarships and Financial Aid implemented new PeopleSoft financial aid security roles that are more restrictive and dynamic, as part of a three-month project that included reviewing all financial aid pages, designing new financial aid security roles for all job levels, and areas in our office. In addition, SFA revamped quarterly PeopleSoft security audit reviews to include all staff members, regardless of department, that have financial aid roles.

Implementation Date: September 2016
Responsible Person: Leticia Gallegos
UNIVERSITY OF HOUSTON

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).

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.

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.

Recommendations:

The University should:

- Accurately verify all required FAFSA information for students selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification, and properly document its verification process.
- Strengthen its periodic access review process to ensure that it is comprehensive across all departments and includes each role to which a user is assigned.
- Limit access to its information systems based on users’ job responsibilities.

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:

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

Establish and implement an effective monitoring process for verification, and properly document its verification process.

Subsequent to the auditors' visit, SFA reviewed the five students identified in the finding. Three of the five students had no change to their EFCs and did not require a correction. Two required corrections that would have resulted in a decrease to the students’ EFCs. UH has since replaced the additional Pell Grant funds to which the students would have been entitled with institutional funds to make the students whole.

To help ensure compliance going forward, SFA moved to a two-step process that results in complicated verification situations being reviewed by two staff members. In addition, SFA has provided additional training to the quality control staff responsible for verification. Staff meets regularly with the Executive Director of SFA to help ensure clarity in both processing and in student-specific documentation requirements. Staff is aware of the need to take action when verification documents are received.

In addition, policies and procedures will be updated with the new process.

Implementation Date: November 2016
Strengthen its periodic access review process to ensure that it is comprehensive across all departments and includes each role to which a user is assigned.

Limit access to its information systems based on users' job responsibilities.

The Office of Scholarships and Financial Aid implemented new PeopleSoft financial aid security roles that are more restrictive and dynamic, as part of a three-month project that included reviewing all financial aid pages, designing new financial aid security roles for all job levels, and areas in our office. In addition, SFA revamped quarterly PeopleSoft security audit reviews to include all staff members, regardless of department, that have financial aid roles.

Implementation Date: September 2016

Responsible Person: Leticia Gallegos

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 Capita 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)).

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

Questioned Cost: $ 5,558
U.S. Department of Education
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.

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 recalculation 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.

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.

Recommendations:
The University should:

- Accurately determine students’ withdrawal dates and calculate the amount of Title IV funds to be returned.
- Accurately determine the number of days in scheduled breaks and calculate returns of Title IV funds correctly based on the period of enrollment excluding scheduled breaks.
- Return Title IV funds within required time frames.
- Strengthen its periodic access review process to ensure that it is comprehensive across all departments and includes each role to which a user is assigned.
- Limit access to its information systems based on users’ job responsibilities.

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:

Accurately determine students’ withdrawal dates and calculate the amount of Title IV funds to be returned.

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

Return 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 to help ensure that he understands the importance of properly calculating and returning the funds in a timely manner. Processes are now being run more frequently to help ensure that funds are being returned timely.

In addition, SFA has worked more closely with the Office of the University Registrar to help ensure we are using accurate dates, as well as stressed to the academic departments the need to process student withdrawals in a timely manner.

In addition, policies and procedures will be updated with the new process.

Implementation Date: September 2016

Responsible Person: Candida DuBose
Strengthen its periodic access review process to ensure that it is comprehensive across all departments and includes each role to which a user is assigned.

Limit access to its information systems based on users' job responsibilities.

The Office of Scholarships and Financial Aid implemented new PeopleSoft financial aid security roles that are more restrictive and dynamic, as part of a three-month project that included reviewing all financial aid pages, designing new financial aid security roles for all job levels, and areas in our office. In addition, SFA revamped quarterly PeopleSoft security audit reviews to include all staff members, regardless of department, that have financial aid roles.

Implementation Date: September 2016

Responsible Person: Leticia Gallegos

Reference No. 2016-131

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, 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)).

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.

**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.

**Recommendations:**

The University should:

- Accurately report all status changes and effective dates to NSLDS.
- Strengthen its periodic access review process to ensure that it is comprehensive across all departments and includes each role to which a user is assigned.
- Limit access to its information systems based on users’ job responsibilities.

**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:**

Accurately report all status changes and effective dates to NSLDS.

The University has implemented significant process enhancements in this area. The Office of Scholarships and Financial Aid is working more closely with the Office of the University Registrar (OUR) to help ensure that OUR is advised of students who are identified as unofficial withdrawals at the end of each term. With this information, OUR can help ensure that enrollment statuses are properly reported to NSLDS.

**Implementation Date:** January 2017
Responsible Person: Debbie Henry

Strengthen its periodic access review process to ensure that it is comprehensive across all departments and includes each role to which a user is assigned.

Limit access to its information systems based on users' job responsibilities.

The Office of Scholarships and Financial Aid implemented new PeopleSoft financial aid security roles that are more restrictive and dynamic, as part of a three-month project that included reviewing all financial aid pages, designing new financial aid security roles for all job levels, and areas in our office. In addition, SFA revamped quarterly PeopleSoft security audit reviews to include all staff members, regardless of department, that have financial aid roles.

Implementation Date: September 2016

Responsible Person: Leticia Gallegos
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).

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.

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

A Report on State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster
For the Fiscal Year Ended August 31, 2016
SAO Report No. 17-027
February 2017
Page 98
Recommendations:

The University should:

- Accurately and adequately 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.

Views of Responsible Officials:

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 the corrective action plan.

Corrective Action Plan:

Management reviewed manual errors with employees and made changes to improve its verification entry, review and monitoring processes of completed verifications.

Implementation Date: June 2016

Responsible Persons: Dena Guzman-Torres and Lacey Thompson

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)).

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.

Recommendations:

The University should:

- Accurately determine the number of days in scheduled breaks, and calculate returns of Title IV funds correctly based on the period of enrollment excluding scheduled breaks.
- Return Title IV funds within required time frames.

Views of Responsible Officials:

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.
Corrective Action Plan:

The Office of the Registrar and the Office of Financial Aid updated its procedures to verify the accuracy of the number of days in scheduled breaks to ensure calculations for the Return of Title IV funds are correct based on the period of enrollment excluding scheduled breaks, and Title IV funds are returned within the required time frames.

Implementation Date: July 2016

Responsible Persons: Bryan Heard, Melissa Boyer and Lacey Thompson

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)).

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.

Recommendation:
The University should report accurate status changes and effective dates to NSLDS in a timely manner.

Views of Responsible Officials:
Management is attentive to the U.S. Department of Education requirements associated with Student Status Changes. Management has updated and implemented business controls to ensure accurate and timely reporting to the National Student Clearinghouse and the National Student Loan Data System for all students who have status changes.

Corrective Action Plan:
The Office of the Registrar has implemented the following to ensure the timely and accurate reporting of enrollment:

- New business procedures addressing the reporting of deceased students.
- Errors related to the reporting of students enrolled between terms have been corrected via changes to protocols for processing of administrative changes.
- New business procedures for the correction of errors for manual error correction processes with the National Student Clearinghouse have also been implemented.

Implementation Date: December 2016

Responsible Person: Bryan Heard
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)).

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.

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 returns and refunds in its drawdown calculations.
- Immediately return any federal funds that exceed 1 percent of the prior year’s total drawdowns or that remain in its accounts after seven days.

Views of Responsible Officials:

The University agrees with the finding and recommendations.

Corrective Action Plan:

The University has revised its policies and procedures to ensure no excess funds are drawn down from the U.S. Department of Education.

Implementation Date: December 2016

Responsible Persons: Stephanie Scott and Andrea Wright

Reference No. 2016-136

Eligibility

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, 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 10871).

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 “rebuilt” 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 if 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.

Recommendations:

The University should:

- Calculate each student’s COA based on the correct budget and apply manual adjustments accurately.
- Award students the correct amount of Federal Pell Grants according to their enrollment status for the Summer, Fall, and Spring terms.
Continue to ensure that its SAP policy meets federal requirements by calculating the quantitative pace requirement on a cumulative basis, rather than on an annual basis, and ensure that the SAP policy requires students to graduate within the maximum time frame.

**Views of Responsible Officials:**

*The University agrees with the findings and recommendations.*

**Corrective Action Plan:**

*The University has reviewed our policies and procedures to ensure they meet the requirements of the U.S. Department of Education. Staff training has been conducted to mitigate a future occurrence.*

**Implementation Date:** October 2016

**Responsible Person:** Karen Krause

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**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 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.

**Recommendation:**

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

**Views of Responsible Officials:**

The University agrees with the finding and recommendation.

**Corrective Action Plan:**

The University has reviewed our policies and procedures to ensure compliance with NSLDS Transfer Monitoring requirements.

**Implementation Date:** November 2016

**Responsible Person:** Karen Krause

Reference No. 2016-138

**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, 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)).

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.

Recommendation:

The University should accurately report all status changes and effective dates to NSLDS in a timely manner.

Views of Responsible Officials:

The University agrees with the findings and recommendation.

Corrective Action Plan:

The University is reviewing our policies and procedures to ensure compliance with NSLDS Enrollment Reporting requirements.
Implementation Date: August 2016

Responsible Person: Hans Gatterdam

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)).

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.

Recommendation:

The University should accurately report disbursement dates to the COD System.

Views of Responsible Officials:

The University agrees with the finding and recommendation.

Corrective Action Plan:

The University provided staff training to mitigate a future occurrence.

Implementation Date: October 2016

Responsible Person: Lea Ann Sikora
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)).

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.
Recommendations:
The University should:

- Develop and implement a process to minimize the time between drawdowns of federal funds and the disbursement of those funds.
- Immediately return any federal advance funds exceeding 1 percent of the prior year’s total drawdowns or that remain in its account after seven days.

Views of Responsible Officials:
The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University has developed and implemented corrective action to improve the process.

Corrective Action Plan:
The University has significantly enhanced process controls by implementing an additional level of review and approval. The procedure manual has been revised accordingly and contains documentation to support the review.

Implementation Date: February 2017
Responsible Person: Karen Derouen

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)).

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.
Recommendations:

The University should:

- Award Federal Perkins Loans in amounts that are within the annual limits.
- Establish and implement a process to ensure that awards that staff enter manually into Define do not exceed the annual limit.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. The Office of Financial Aid (OFA) reviewed the two student files and determined that the Perkins Loan over-awards were due to human error.

Corrective Action Plan:

OFA has developed a corrective action plan whereby multiple staff members will now be reviewing system generated reports designed to indicate potential over-awards. The reports will be reviewed on a regularly scheduled basis during each semester and any potential issues will be resolved.

Implementation Date: January 2017

Responsible Person: Christine Gauger
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)).

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:
The University acknowledges and agrees with the enrollment reporting finding and recommendation.

Corrective Action Plan:
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 recurrence of this issue

Implementation Date: June 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, 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).

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 drawdown 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 over drew from the Trans-National Institute of Health Research Support program by the same amount.

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

**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.

**Recommendations:**

The University should:

- Request drawdowns only from the correct awards.
- Develop and implement written policies and procedures to ensure compliance with cash management compliance requirements.
- Develop and implement a review and approval process for drawdown requests.
- Develop and implement a process to accurately calculate amounts for drawdown requests.
- Appropriately limit access to its student financial assistance system based on user’s job responsibilities and employment status.
- Establish and implement a documented process to perform formal, periodic reviews of access to its student financial assistance system.

**Views of Responsible Officials:**

**Cash Management:**

_Human error between the two different accounts caused the incorrect drawdowns and adjustments to occur._
General Controls:

The University asserts that the “access at the database server level” does not provide excessive access but, instead, only allows the employee to receive file outputs from jobs ran in the Banner system and does not provide access into the Banner system. Therefore, the University has not provided “inappropriate” access. In order to receive output from Banner, the employee must have “access” to the database server. IT has reviewed the employees on the audit list and has determined that only one employee was not accurately terminated from HR. The employees listed as “active” were provided with the necessary access needed to perform their job duties within their respective positions and departments.

Auditor Follow-up Comment:

To prevent unintended back-end access to applications, access to servers that house application databases should be restricted to only individuals whose duties require that access. After review and consideration of management’s response, the State Auditor’s Office stands by its conclusions based on the evidence presented and compiled during this audit.

Corrective Action Plan:

Cash Management:

A meeting took place in late June 2016, to address internal controls over drawdowns, checks and balances and coordination of efforts between the Office of Student Financial Aid and the Contracts and Grants Office. During that meeting, it was decided that the University would no longer use “letter of credit reports” (commonly referred to as “invoices”) to manage the drawdown of Title IV federal funds. As a replacement, the University established a policy of checks and balances for each disbursement based on actual expenditures in order to request funds and reconcile accurately between Banner, PeopleSoft and G5. The new policy was incorporated into the Office of Student Financial Aid’s internal Policies and Procedures Manual.

Implementation Date: DONE – June 2016

Responsible Persons: Ron Williams and Guadalupe Gomez

General Controls:

The University has submitted clarification of its three mutually exclusive security access levels to the auditors. UTEP will institute a process that will require that any University official providing individuals with this level of access to stipulate a beginning date and an end date to ensure that the access is clearly indicated.

Implementation Date: June 2017

Responsible Person: Luis Hernandez
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.
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 measurable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education 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 (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 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.

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.

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.

Recommendations:

The University should:

- Calculate COA based on students’ actual or expected enrollment.
- Update its SAP policy to meet federal requirements.
- Configure Banner to calculate pace based on its SAP policy.
- Award Subsidized Direct Loans only to undergraduate students.
- Award FSEOG assistance only to eligible students.
Appropriately limit access to its student financial assistance system based on user’s job responsibilities and employment status.

Establish and implement a documented process to perform formal, periodic reviews of access to its student financial assistance system.

Views of Responsible Officials:

Enrollment Level:

In reviewing the University’s response to the 2014-2015 audit report, the University stated that its automated process ensured that any Title IV disbursement to students could not exceed the student’s need based on actual enrollment level. The University’s automated disbursement process calculates the need at three-quarter and half-time enrollment and locks the disbursement level at the lowest enrollment level of eligibility. Therefore, no over-awards could occur based on a student’s enrollment status and disbursement amount.

Satisfactory Academic Progress:

The Office of Student Financial Aid received the final report for last year’s audit of the 2014-2015 award year in early Spring 2016. In accordance with that report and to be in compliance with federal regulations, in March 2016, the University revised its SAP policy effective for the next award year, 2016-2017. In order not to negatively impact the current 15-16 award year students, the University did not change its policy mid-year for 2015-2016. During the site visit, the auditors requested a copy of our current SAP policy (which was the revised policy) and were informed where it could be found on the Institution’s website.

Federal Direct Loans:

After a thorough evaluation of the five graduate students, out of the entire population of 1518 graduate students, who received Subsidized Direct Loans, the University has determined that all five students were accessed correctly at the time of the award process as these students showed enrollment as an undergraduate student. However, a few weeks later, at the time of disbursement for the beginning of the Summer 2016 term, these students were now enrolled as graduate students, but still remained accessed at the undergraduate level. As noted in the audit, the Institution immediately corrected these mistakes during the site visit and returned the loan funds to the U. S. Department of Education.

Supplemental Educational Opportunity Grant:

The University agrees with the fact that it paid one student SEOG who did not qualify for the grant based on the fact that the institution inadvertently overlooked reinstating the student’s Pell Grant award when the student’s award package was manually re-packaged; thereby making the student inadvertently ineligible for the SEOG payment. The Institution asked the auditors why one student for this year’s audit report would constitute a finding and was informed that the finding was interpreted as a duplicate error based on the prior year’s audit. After an in-depth review of last year’s audit report, the University does not agree that this error constitutes a duplicate finding. Last year’s audit of SEOG reported students that received SEOG who should not have based on these students reaching their lifetime Pell Grant eligibility and an automated process was immediately instituted by the University to ensure no re-occurrence of this type of error. And no re-occurrence of this type of error has occurred in this year’s audit report. Even though the two different errors affect the same award type, SEOG, the issues are completely different and therefore, should not constitute a reoccurring mistake, especially since there was only one error of SEOG cited in this year’s audit for an amount of $400.

Auditor Follow-up Comment:

Prior year finding 2015-141 identified ineligible students who received Federal Supplemental Educational Opportunity Grant funds and the current year finding 2016-144 identified an ineligible student who received Federal Supplemental Educational Opportunity Grant funds. After review and consideration of
management’s response, the State Auditor’s Office stands by its conclusions based on the evidence presented and compiled during this audit.

**General Controls:**

_The University asserts that the “access at the database server level” does not provide excessive access but, instead, only allows the employee to receive file outputs from jobs ran in the Banner system and does not provide access into the Banner system. Therefore, the University has not provided “inappropriate” access. In order to receive output from Banner, the employee must have “access” to the database server. IT has reviewed the employees on the audit list and has determined that only one employee was not accurately terminated from HR. The employees listed as “active” were provided with the necessary access needed to perform their job duties within their respective positions and departments._

**Auditor Follow-up Comment:**

To prevent unintended back-end access to applications, access to servers that house application databases should be restricted to only individuals whose duties require that access. After review and consideration of management’s response, the State Auditor’s Office stands by its conclusions based on the evidence presented and compiled during this audit.

**Corrective Action Plan:**

**Enrollment Level:**

_As of Fall 2016-2017 (the beginning of the new award year immediately following last year’s audit), to further address the prior year’s audit report, the University increased its safeguards by locking the student’s enrollment level at census date in order to match the Cost of Attendance to enrollment status. Therefore, Banner now has two levels of “security” to ensure that the system is generating the correct award amounts based on the student’s enrollment status and cost of attendance._

*Implementation Date: DONE – June/July 2016*

*Responsible Person: Ron Williams*

**Satisfactory Academic Progress:**

_NONE – Revised SAP policy March, 2016, and implemented for the 2016-2017 award year._

*Implementation Date: DONE – March 2016*

*Responsible Person: Ron Williams*

**Federal Direct Loans:**

_To avoid this manual error in the future, immediately following the site visit, the University instituted an automated process to prevent students changing from undergraduate to graduate to be listed on an exception report and reviewed prior to disbursement._

*Implementation Date: DONE – December 2016*

*Responsible Person: Ron Williams*

**Supplemental Educational Opportunity Grant:**

_The University will closely monitor all students whose award packages are manually re-packaged to ensure compliance with SEOG regulations._
Implementation Date: DONE – December 2016
Responsibility Person: Ron Williams

General Controls:

The University has submitted clarification of its three mutually exclusive security access levels to the auditors. UTEP will institute a process that will require that any University official providing individuals with this level of access to stipulate a beginning date and an end date to ensure that the access is clearly indicated.

Implementation Date: June 2017
Responsibility Person: Luis Hernandez

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)).

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)).

Questioned Cost: $ 1,789
U.S. Department of Education
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.

**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.

**Recommendations:**

The University should:

- Enhance internal controls for its calculation of Title IV funds to be returned to ensure that its calculations are accurate and that it returns funds within required time frames.
- Develop and implement a process to identify all students who withdraw from the University.
- Appropriately limit access to its student financial assistance system based on user’s job responsibilities and employment status.
- Establish and implement a documented process to perform formal, periodic reviews of access to its student financial assistance system.

**Views of Responsible Officials:**

**Return of Title IV:**

The University acknowledges the findings cited within this section of the report. Unfortunately, at the time of the year the Institution enters its academic semester dates into the Banner student system, there was a new Registrar who evidently omitted entering the correct Spring break dates. That Registrar no longer works at the University. While prior financial aid audits never indicated that the University did not accurately process Return of Title IV, due to numerous changes in personnel and a decrease in staff size, it became difficult for the office to manage this area.

After an extensive analysis of the exceptions identified in this audit, the University will implement corrective actions to improve the processes in order to ensure compliance with all Return of Title IV regulations.

**General Controls:**

The University asserts that the “access at the database server level” does not provide excessive access but, instead, only allows the employee to receive file outputs from jobs ran in the Banner system and does not provide access into the Banner system. Therefore, the University has not provided “inappropriate” access. In order to receive output from Banner, the employee must have “access” to the database server. IT has reviewed the employees on the audit list and has determined that only one employee was not accurately
terminated from HR. The employees listed as “active” were provided with the necessary access needed to perform their job duties within their respective positions and departments.

Auditor Follow-up Comment:
To prevent unintended back-end access to applications, access to servers that house application databases should be restricted to only individuals whose duties require that access. After review and consideration of management’s response, the State Auditor’s Office stands by its conclusions based on the evidence presented and compiled during this audit.

Corrective Action Plan:

Return of Title IV:
The University has already implemented significant process enhancements in this area. Immediately following the auditors’ site visit, the University entered the accurate calendar dates into Banner and is recalculation all Spring 2016 Title IV returns to be in compliance with Title IV regulations. Additionally, upon a review of the financial aid office structure in Spring 2016, it was determined that the Office of Student Financial Aid was indeed gravely understaffed. As such, between July, 2016, and January, 2017, four new staff members have been hired to assist the financial aid department. Two of these newly hired staff members will be directly responsible for monitoring Return of Title IV to ensure that all future calculations are accurate and submitted timely.

After a discussion with members of the University’s senior management team, the University determined that not all faculty members were utilizing class rosters to determine which students never attended at census date. Stronger enforcement of this policy will occur within the next few months. In the future, after census, a list of students who never attended and were awarded financial aid will be compiled in order to return funds on student’s accounts for which they are not eligible and submit accurate enrollment status data to NSLDS. For students who attend class, but withdrew prior to census, the Return of Title IV calculations will be performed and the student’s status accurately reflected in the submission to NSLDS.

Implementation Date: Work began during the site visit but will be ongoing in order to complete training of new staff and faculty members, automate specific processes to ensure compliance and revise institutional policies.

Expected Completion Date - May 2017

Responsible Persons: Ron Williams and Nohemi Gallarzo

General Controls:
The University has submitted clarification of its three mutually exclusive security access levels to the auditors. UTEP will institute a process that will require that any University official providing individuals with this level of access to stipulate a beginning date and an end date to ensure that the access is clearly indicated.

Implementation Date: June 2017

Responsible Person: Luis Hernandez
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)).

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.

Questioned Cost:  $0

U.S. Department of Education
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.

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.

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 in a timely manner.
- Establish and implement a process to identify students who were admitted and awarded or certified a loan but never attended courses at the University to ensure that it appropriately reports those students to NSLDS.
- Appropriately limit access to its student financial assistance system based on user’s job responsibilities and employment status.
- Establish and implement a documented process to perform formal, periodic reviews of access to its student financial assistance system.
Views of Responsible Officials:

Enrollment Reporting:

The University acknowledges the findings cited within this section of the report. Unfortunately, there was a new Registrar who evidently had not accurately submitted the correct submission dates nor completely automated the procedures and processes to accurately reflect changes in student enrollment statuses and submit this information to the National Student Clearinghouse and to the National Student Loan Data System. That Registrar no longer works at the University.

General Controls:

The University asserts that the “access at the database server level” does not provide excessive access but, instead, only allows the employee to receive file outputs from jobs ran in the Banner system and does not provide access into the Banner system. Therefore, the University has not provided “inappropriate” access. In order to receive output from Banner, the employee must have “access” to the database server. IT has reviewed the employees on the audit list and has determined that only one employee was not accurately terminated from HR. The employees listed as “active” were provided with the necessary access needed to perform their job duties within their respective positions and departments.

Auditor Follow-up Comment:

To prevent unintended back-end access to applications, access to servers that house application databases should be restricted to only individuals whose duties require that access. After review and consideration of management’s response, the State Auditor’s Office stands by its conclusions based on the evidence presented and compiled during this audit.

Corrective Action Plan:

Enrollment Reporting:

The University has already implemented significant process enhancements in this area in order to be in compliance. Immediately following the site visit, the University revised its Clearinghouse submission dates for enrollment reporting, automated all processes and removed any manual manipulation of these reports to ensure accurately and timely submission of this information. A copy of the correct enrollment reporting dates has already been provided to the auditors. In addition, two staff members, one individual in the Office of Student Financial Aid and one person in the Registrar’s Office, have been assigned to monitor enrollment reporting and are responsible for reviewing and verifying that the correct enrollment statuses and dates are being submitted accurately and timely to NSLDS.

Implementation Date: DONE – December 2016

Responsible Persons: Ron Williams and Nohemi Gallarzo

After a discussion with members of the University’s senior management team, the University determined that not all faculty members were utilizing class rosters to determine which students never attended at census date. Stronger enforcement of this policy will occur within the next few months. In the future, after census, a list of students who never attended and were awarded financial aid will be compiled in order to return funds on student’s account for which they are not eligible and submit accurate enrollment status data to NSLDS. For students who attend class, but withdrew prior to census, the Return of Title IV calculations will be performed and the student’s status accurately reflected in the submission to NSLDS.

Implementation Date: Work began during the site visit but will be ongoing in order to complete training of new staff and faculty members, automate specific processes to ensure compliance and revise institutional policies.
Expected Completion Date - May 2017

Responsible Persons: Ron Williams and Nohemi Gallarzo

General Controls:

The University has submitted clarification of its three mutually exclusive security access levels to the auditors. UTEP will institute a process that will require that any University official providing individuals with this level of access to stipulate a beginning date and an end date to ensure that the access is clearly indicated.

Implementation Date: June 2017

Responsible Person: Luis Hernandez
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)).

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.
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.

Recommendations:

The University should:

- Document its review and approval of drawdowns of federal funds.
- Retain sufficiently detailed documentation to support its drawdowns of federal funds.
- Develop and implement formalized policies and procedures for cash management, including its drawdowns of federal funds.
- Appropriately limit access to its information systems to current and key personnel.
- Appropriately grant access to its information systems based on user roles and current job responsibilities.

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:

- **Document its review and approval of drawdowns of federal funds.**
- **Retain sufficiently detailed documentation to support its drawdowns of federal funds.**
- **Develop and implement formalized policies and procedures for cash management, including its drawdowns of federal funds.**

The University will implement significant enhancements in the drawdown of federal funds process. Different project accounts will be created for each award year and communicated to the Financial Aid office.
University will create and maintain a comprehensive cash management manual. The University will document processes to include steps to retain detailed, transactional-level documentation to support all drawdowns.

- Appropriately limit access to its information systems to current and key personnel.

UTRGV has made several changes to the user provisioning and access request process. In September 2016, UTRGV required that all persons requesting access to university resources exist in the Human Resources (HR) system of record before any access is granted. All records in the HR system are setup with an end of assignment date that is used to disable access. Once setup in the HR system, a user may request access to other university resources thru the online Access Request process. As users contacted the IT Service Desk for access requests, instructions were provided on completing the request to grant access. On January 20, 2017, a mass communication was emailed to the employee listserv communicating the process. When a record reaches the end of assignment date, an automated process is executed that triggers the removal of access to the users whose assignment has ended. Access Admin office processes the request and access to the Student Information System is removed. Access Admins also have an alternative method to override the HR assignment end, for exceptions, that also initiates the automated process for removal of access.

The Information Security Office will implement training through an approved mechanism to ensure Data Owners understand their responsibilities under UTS 165 including access verification and updating. To ensure that no unauthorized users have access to the Information Systems or that their access is appropriate, a process for review of access will be implemented. A report listing the users and their access to the Student Information System will be generated quarterly by the Access Admin office for the Information System owner to review. It will be the responsibility of the Information System owner to review the list and sign-off on access being appropriate or request that access be removed or updated. The Access Admin office will be responsible for documenting the reviews and actions taken if any as a result of the review.

The University will also produce a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. The review will also ensure that access to the student information system is disabled for staff no longer employed by UTRGV. Necessary adjustments to access will be made through the appropriate Student System Access Process.

- Appropriately grant access to its information systems based on user roles and current job responsibilities.

The University will develop a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. Necessary adjustments to access will be made through the appropriate Student System Access Process.

Implementation Date: August, 2017

Responsible Persons: Raquel Garcia, Frank Zecca, and Thomas Owen
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 Stated 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)).

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 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 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.

Recommendations:
The University should:

- Adjust COAs accurately for all students.
- Ensure that its COA budgets meet all federal requirements.
- Ensure that its SAP policy meets federal requirements by defining a maximum time frame based on the length of the educational program for all graduate students.
- Consistently and accurately apply its SAP policy to ensure that it assigns students the correct SAP status in a timely manner.
- Develop and implement procedures to demonstrate its compliance with the incarcerated student limitation.
- Develop and implement policies and procedures for the eligibility, activities allowed or unallowed, reporting, and special tests and provisions – disbursements or on behalf of students processes.
- Appropriately limit access to its information systems to current and key personnel.
- Appropriately grant access to its information systems based on user roles and current job responsibilities.

Views of Responsible Officials:

UTRGV acknowledges and agrees with the findings. UTRGV will work to develop and implement corrective action to address the findings and recommendations related to Eligibility.

Corrective Action Plan:

- Adjust COAs accurately for all students.

A report has been created to verify budgets for students in the accelerated online program. This report will be run and monitored by the appointed Financial Aid Coordinator during the course of the academic year.

In addition, after the census date of each semester, the Financial Aid Office will identify and correct any budget discrepancies by reviewing a cost of attendance report created for this specific purpose.

- Ensure that its COA budgets meet all federal requirements.

The UTRGV COA budgets have been reviewed and updated to ensure all federal requirements are met. The online accelerated program budgets have been updated to reflect all required cost of attendance components, including transportation and personal costs.
• Ensure that its SAP policy meets federal requirements by defining a maximum time frame based on the length of the educational program for all graduate programs.

UTRGV has taken corrective action to ensure that the published SAP policy meets federal requirements by defining time frame maximums based on educational program length for all graduate programs. The updated SAP policy can be found at http://www.utrgv.edu/ucentral/_files/documents/fin-aid/sap-policy-graduate.pdf

• Consistently and accurately apply its SAP policy to ensure that it assigns students the correct SAP status in a timely manner

Through analysis of the exceptions identified in the audit, the University will develop and implement corrective action to further improve SAP processes. The University is developing a report that will identify SAP statuses for students who have entered new programs to ensure the appropriate statuses are assigned prior to census date.

In addition, the UTRGV Financial Aid Office will create an audit report to assist in identifying and correcting manual errors.

• Develop and implement procedures to demonstrate its compliance with the incarcerated student limitation.

The UTRGV Financial Aid Office will develop and implement procedures to identify incarcerated students by analyzing suspicious addresses.

• Develop and implement policies and procedures for the eligibility, activities allowed or unallowed, reporting, and special tests and provisions – disbursements or on behalf of students processes.

UTRGV Financial Aid leadership staff are reviewing and updating the UTRGV Policies and Procedures to reflect the eligibility, activities allowed or unallowed, reporting and disbursements or on behalf of students processes.

• Appropriately limit access to its information systems to current and key personnel.

UTRGV has made several changes to the user provisioning and access request process. In September 2016, UTRGV required that all persons requesting access to university resources exist in the Human Resources (HR) system of record before any access is granted. All records in the HR system are setup with an end of assignment date that is used to disable access. Once setup in the HR system, a user may request access to other university resources thru the online Access Request process. As users contacted the IT Service Desk for access requests, instructions were provided on completing the request to grant access. On January 20, 2017, a mass communication was emailed to the employee listserv communicating the process. When a record reaches the end of assignment date, an automated process is executed that triggers the removal of access to the users whose assignment has ended. Access Admin office processes the request and access to the Student Information System is removed. Access Admins also have an alternative method to override the HR assignment end, for exceptions, that also initiates the automated process for removal of access.

The Information Security Office will implement training through an approved mechanism to ensure Data Owners understand their responsibilities under UTS 165 including access verification and updating. To ensure that no unauthorized users have access to the Information Systems or that their access is appropriate, a process for review of access will be implemented. A report listing the users and their access to the Student Information System will be generated quarterly by the Access Admin office for the Information System owner to review. It will be the responsibility of the Information System owner to review the list and sign-off on access being appropriate or request that access be removed or updated. The Access Admin office will be responsible for documenting the reviews and actions taken if any as a result of the review.

The University will also produce a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. The review will also ensure that access to the student information system is disabled for
staff no longer employed by UTRGV. Necessary adjustments to access will be made through the appropriate Student System Access Process.

- Appropriately grant access to its information systems based on user roles and current job responsibilities.

The University will develop a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. Necessary adjustments to access will be made through the appropriate Student System Access Process.

Implementation Date: July 2017

Responsible Persons: Arnold Trejo, Frank Zecca, and Thomas Owen

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).

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.

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 makes changes to the applicant’s cost of attendance or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

The University 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.

**Recommendations:**

The University should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.
- Include all required elements in its verification policies and procedures.
- Ensure that all staff who perform verifications are knowledgeable of the verification process as stated in the University’s policies and procedures.
- Appropriately limit access to its information systems to current and key personnel.
- Appropriately grant access to its information systems based on user roles and current job responsibilities.
Views of Responsible Officials:

UTRGV acknowledges and agrees with the findings. UTRGV will work to develop and implement corrective action to address the findings and recommendations related to Verification.

Corrective Action Plan:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Establish and implement an effective monitoring process for verification.
- Include all required elements in its verification policies and procedures.
- Ensure that all staff who perform verifications are knowledgeable of the verification process as stated in the University’s policies and procedures.

UTRGV will adhere to the FSA Handbook to ensure all verifiable items are reviewed and corrected, and upon submitting a correction will request an updated ISIR, as required. A report will be used to monitor corrections to ensure updated ISIRs are received and processed accordingly. The Financial Aid Office will conduct a self-audit of 10% of all records selected for verification as a monitoring process for verification.

The Financial Aid Office will conduct a review of its verification policies and procedures to ensure that they adhere to the requirements established by the U.S. Department of Education. Additional training will be provided to Financial Aid staff working in the verification area to ensure they are fully aware of the different required elements of verification as stated in the University’s policies and procedures.

- Appropriately limit access to its information systems to current and key personnel.

UTRGV has made several changes to the user provisioning and access request process. In September 2016, UTRGV required that all persons requesting access to university resources exist in the Human Resources (HR) system of record before any access is granted. All records in the HR system are setup with an end of assignment date that is used to disable access. Once setup in the HR system, a user may request access to other university resources thru the online Access Request process. As users contacted the IT Service Desk for access requests, instructions were provided on completing the request to grant access. On January 20, 2017, a mass communication was emailed to the employee listserv communicating the process. When a record reaches the end of assignment date, an automated process is executed that triggers the removal of access to the users whose assignment has ended. Access Admin office processes the request and access to the Student Information System is removed. Access Admins also have an alternative method to override the HR assignment end, for exceptions, that also initiates the automated process for removal of access.

The Information Security Office will implement training through an approved mechanism to ensure Data Owners understand their responsibilities under UTS 165 including access verification and updating. To ensure that no unauthorized users have access to the Information Systems or that their access is appropriate, a process for review of access will be implemented. A report listing the users and their access to the Student Information System will be generated quarterly by the Access Admin office for the Information System owner to review. It will be the responsibility of the Information System owner to review the list and sign-off on access being appropriate or request that access be removed or updated. The Access Admin office will be responsible for documenting the reviews and actions taken if any as a result of the review.

The University will also produce a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. The review will also ensure that access to the student information system is disabled for staff no longer employed by UTRGV. Necessary adjustments to access will be made through the appropriate Student System Access Process.
• Appropriately grant access to its information systems based on user roles and current job responsibilities.

The University will develop a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. Necessary adjustments to access will be made through the appropriate Student System Access Process.

Implementation Date: July 2017

Responsible Persons: Arnold Trejo, Frank Zecca, and Thomas Owen

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)).

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.
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.

Recommendations:

The University should:

- Accurately calculate and return the required amount of Title IV funds within required time frames.
- Strengthen controls to ensure that it identifies all withdrawn students.
- Complete post-withdrawal disbursements when required.
- Appropriately limit access to its information systems to current and key personnel.
- Appropriately grant access to its information systems based on user roles and current job responsibilities.

Views of Responsible Officials:

UTRGV acknowledges and agrees with the findings related to Return of Title IV Funds. UTRGV will work to develop and implement corrective action to address the findings and recommendations related to Return of Title IV Funds.

Corrective Action Plan:

- Accurately calculate and return the required amount of Title IV funds within required timeframes.

The UTRGV Financial Aid Office has implemented corrective actions to ensure the accuracy and timeliness of Return to Title IV calculations. These actions include quality control review processes by performing a second level review on all relevant transactions to ensure calculations are performed and funds are returned within the federally specified timeframes. In addition, the UTRGV Financial Aid Office will utilize a report to identify potential official withdrawal students that might have dropped a course prior to officially withdrawing.
• **Strengthen controls to ensure that it identifies all withdrawn students.**

The UTRGV Financial Aid Office has implemented corrective action to ensure all withdrawn students requiring a Return of Title IV calculation are identified. The UTRGV Financial Aid Office created an exception report that helps in identifying potential online withdrawals. Furthermore, the Registrar’s Office maintains a report, which is evaluated to ensure proper withdrawal codes.

• **Complete post withdrawal disbursements when required.**

To ensure completion of post withdrawal disbursements as required, the UTRGV Financial Aid Office will utilize an audit report to identify students who require a post withdrawal disbursement.

The University will develop a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. Necessary adjustments to access will be made through the appropriate Student System Access Process.

• **Appropriately limit access to its information systems to current and key personnel.**

UTRGV has made several changes to the user provisioning and access request process. In September 2016, UTRGV required that all persons requesting access to university resources exist in the Human Resources (HR) system of record before any access is granted. All records in the HR system are setup with an end of assignment date that is used to disable access. Once setup in the HR system, a user may request access to other university resources thru the online Access Request process. As users contacted the IT Service Desk for access requests, instructions were provided on completing the request to grant access. On January 20, 2017, a mass communication was emailed to the employee listserv communicating the process. When a record reaches the end of assignment date, an automated process is executed that triggers the removal of access to the users whose assignment has ended. Access Admin office processes the request and access to the Student Information System is removed. Access Admins also have an alternative method to override the HR assignment end, for exceptions, that also initiates the automated process for removal of access.

The Information Security Office will implement training through an approved mechanism to ensure Data Owners understand their responsibilities under UTS 165 including access verification and updating. To ensure that no unauthorized users have access to the Information Systems or that their access is appropriate, a process for review of access will be implemented. A report listing the users and their access to the Student Information System will be generated quarterly by the Access Admin office for the Information System owner to review. It will be the responsibility of the Information System owner to review the list and sign-off on access being appropriate or request that access be removed or updated. The Access Admin office will be responsible for documenting the reviews and actions taken if any as a result of the review.

The University will also produce a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. The review will also ensure that access to the student information system is disabled for staff no longer employed by UTRGV. Necessary adjustments to access will be made through the appropriate Student System Access Process.

• **Appropriately grant access to its information systems based on user roles and current job responsibilities.**

The University will develop a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. Necessary adjustments to access will be made through the appropriate Student System Access Process.

**Implementation Date:** July 2017

**Responsible Persons:** Arnold Trejo, Frank Zecca, and Thomas Owen
UNIVERSITY OF TEXAS RIO GRANDE VALLEY

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)).

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.

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.

Recommendations:

The University should:

- Accurately report student status changes and effective dates to NSLDS in a timely manner.
- Strengthen controls to ensure that it submits student status changes to NSC more frequently to ensure submission to NSLDS in a timely manner.
- Develop and implement policies and procedures for enrollment reporting.
- Appropriately limit access to its information systems to current and key personnel.
- Appropriately grant access to its information systems based on user roles and current job responsibilities.

Views of Responsible Officials:

The UTRGV Office of the University Registrar acknowledges and agrees with the findings. UTRGV will work to develop and implement corrective action to address the findings and recommendations related to enrollment reporting through corrective action plans and continued collaboration with our financial aid colleagues.

Corrective Action Plan:

- **Accurately report student status changes and effective dates to NSLDS in a timely manner.**
  
  The University has taken steps to mitigate recurrence of inaccuracies. Steps taken include increased training, updated procedures and additional communication regarding upcoming registration milestones and timeframes related to tuition, fees and financial aid.

- **Strengthen controls to ensure that it submits student status changes to NSC more frequently to ensure submission to NSLDS in a timely manner.**
  
  The University is updating its processes and procedures to ensure adherence with the National Student Clearinghouse submission schedule. To date, all 2016-2017 submissions have been submitted in a timely manner.

- **Develop and implement policies and procedures for enrollment reporting.**
  
  The Office of the Registrar is in the process of modifying its policies and procedures manual to include updated procedures for the preparation of data to the NSC, the actual submission process, procedures required to work through any errors returned from the NSC, and key roles/contacts and their designated responsibilities to jointly complete each submission.

- **Appropriately limit access to its information systems to current and key personnel.**
  
  UTRGV has made several changes to the user provisioning and access request process. In September 2016, UTRGV required that all persons requesting access to university resources exist in the Human Resources
(HR) system of record before any access is granted. All records in the HR system are setup with an end of assignment date that is used to disable access. Once setup in the HR system, a user may request access to other university resources thru the online Access Request process. As users contacted the IT Service Desk for access requests, instructions were provided on completing the request to grant access. On January 20, 2017, a mass communication was emailed to the employee listserv communicating the process. When a record reaches the end of assignment date, an automated process is executed that triggers the removal of access to the users whose assignment has ended. Access Admin office processes the request and access to the Student Information System is removed. Access Admins also have an alternative method to override the HR assignment end, for exceptions, that also initiates the automated process for removal of access.

The Information Security Office will implement training through an approved mechanism to ensure Data Owners understand their responsibilities under UTS 165 including access verification and updating. To ensure that no unauthorized users have access to the Information Systems or that their access is appropriate, a process for review of access will be implemented. A report listing the users and their access to the Student Information System will be generated quarterly by the Access Admin office for the Information System owner to review. It will be the responsibility of the Information System owner to review the list and sign-off on access being appropriate or request that access be removed or updated. The Access Admin office will be responsible for documenting the reviews and actions taken if any as a result of the review.

The University will also produce a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. The review will also ensure that access to the student information system is disabled for staff no longer employed by UTRGV. Necessary adjustments to access will be made through the appropriate Student System Access Process.

- Appropriately grant access to its information systems based on user roles and current job responsibilities.

The University will develop a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. Necessary adjustments to access will be made through the appropriate Student System Access Process.

Implementation Date: July 2017

Responsible Persons: Sofia Montes, Jerry Martinez, Frank Zecca, and Thomas Owen
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)).

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机构 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.

**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.

**Recommendations:**

The University should:

- Convert Federal Perkins Loans to repayment status in a timely manner and in compliance with federal requirements.
- Establish and implement a process to send all required notifications at required intervals.
- Establish and implement policies and procedures for collecting Federal Perkins Loans and administering student loan repayments.
- Appropriately limit access to its information systems to current and key personnel.
- Appropriately grant access to its information systems based on user roles and current job responsibilities.

**Views of Responsible Officials:**

*The University acknowledge 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.*
Corrective Action Plan:

- Convert Federal Perkins Loans to repayment status in a timely manner and in compliance with federal requirements.
- Establish and implement a process to send all required notifications at required intervals.
- Establish and implement policies and procedures for collecting Federal Perkins Loans and administering student loan repayments.

The University will implement significant enhancements in the Perkins student loan repayment process. Improvements will be made to properly indicate the start of the grace period. In conjunction, special billing and letters will be created for students that fall in this criteria. The University will have a comprehensive student loan repayment manual.

- Appropriately limit access to its information systems to current and key personnel.

UTRGV has made several changes to the user provisioning and access request process. In September 2016, UTRGV required that all persons requesting access to university resources exist in the Human Resources (HR) system of record before any access is granted. All records in the HR system are setup with an end of assignment date that is used to disable access. Once setup in the HR system, a user may request access to other university resources thru the online Access Request process. As users contacted the IT Service Desk for access requests, instructions were provided on completing the request to grant access. On January 20, 2017, a mass communication was emailed to the employee listserv communicating the process. When a record reaches the end of assignment date, an automated process is executed that triggers the removal of access to the users whose assignment has ended. Access Admin office processes the request and access to the Student Information System is removed. Access Admins also have an alternative method to override the HR assignment end, for exceptions, that also initiates the automated process for removal of access.

The Information Security Office will implement training through an approved mechanism to ensure Data Owners understand their responsibilities under UTS 165 including access verification and updating. To ensure that no unauthorized users have access to the Information Systems or that their access is appropriate, a process for review of access will be implemented. A report listing the users and their access to the Student Information System will be generated quarterly by the Access Admin office for the Information System owner to review. It will be the responsibility of the Information System owner to review the list and sign-off on access being appropriate or request that access be removed or updated. The Access Admin office will be responsible for documenting the reviews and actions taken if any as a result of the review.

The University will also produce a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. The review will also ensure that access to the student information system is disabled for staff no longer employed by UTRGV. Necessary adjustments to access will be made through the appropriate Student System Access Process.

- Appropriately grant access to its information systems based on user roles and current job responsibilities.

The University will develop a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. Necessary adjustments to access will be made through the appropriate Student System Access Process.

Implementation Date: August 2017

Responsible Persons: Joanna Gonzalez, Frank Zecca, and Thomas Owen
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).

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.

Recommendations:

The University should:

- Perform monthly reconciliations between its student financial assistance system and DLSS, including the cash summary and cash detail portion, throughout the award year.
- Develop and implement policies and procedures for its borrower data transmission and reconciliation (Direct Loan) process.
- Appropriately limit access to its information systems to current and key personnel.
- Appropriately grant access to its information systems based on user roles and current job responsibilities.

Views of Responsible Officials:

UTRGV Financial Aid Office concurs with the findings and recommendations as they pertain to the monthly reconciliation of the Direct Loan Program which should include not only the student-level detail records between student financial management system (Banner) and COD system, but further, it should also include the cash summary and cash detail portion.

Corrective Action Plan:

- Perform monthly reconciliations between its student financial assistance system and DLSS, including the cash summary and cash detail portion, throughout the award year.

UTRGV Financial aid management has implemented a monthly reconciliation process which includes the cash summary and cash detail for the Direct Loan Program. This process is moving from the Comptroller’s Office to Financial Aid. This corrective action will further improve monitoring of the Direct Loan Program. Monthly reconciliations will also be added to the revised policies and procedures manual.

- Develop and implement policies and procedures for its borrower data transmission and reconciliation (Direct Loan) process.

UTRGV Financial Aid leadership staff is reviewing and updating the UTRGV policies and procedures manual.

- Appropriately limit access to its information systems to current and key personnel.

UTRGV has made several changes to the user provisioning and access request process. In September 2016, UTRGV required that all persons requesting access to university resources exist in the Human Resources (HR) system of record before any access is granted. All records in the HR system are setup with an end of assignment date that is used to disable access. Once setup in the HR system, a user may request access to other university resources thru the online Access Request process. As users contacted the IT Service Desk for access requests, instructions were provided on completing the request to grant access. On January 20, 2017, a mass communication was emailed to the employee listserv communicating the process. When a record reaches the end of assignment date, an automated process is executed that triggers the removal of access to the users whose assignment has ended. Access Admin office processes the request and access to
the Student Information System is removed. Access Admins also have an alternative method to override the HR assignment end, for exceptions, that also initiates the automated process for removal of access.

The Information Security Office will implement training through an approved mechanism to ensure Data Owners understand their responsibilities under UTS 165 including access verification and updating. To ensure that no unauthorized users have access to the Information Systems or that their access is appropriate, a process for review of access will be implemented. A report listing the users and their access to the Student Information System will be generated quarterly by the Access Admin office for the Information System owner to review. It will be the responsibility of the Information System owner to review the list and sign-off on access being appropriate or request that access be removed or updated. The Access Admin office will be responsible for documenting the reviews and actions taken if any as a result of the review.

The University will also produce a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. The review will also ensure that access to the student information system is disabled for staff no longer employed by UTRGV. Necessary adjustments to access will be made through the appropriate Student System Access Process.

- Appropriately grant access to its information systems based on user roles and current job responsibilities.

The University will develop a report that shows staff with update access to critical financial aid forms. Financial aid management will review the staff list to ensure appropriate access is granted based on roles and responsibilities. Necessary adjustments to access will be made through the appropriate Student System Access Process.

Implementation Date: July 2017

Responsible Persons: Arnold Trejo, Frank Zecca, and Thomas Owen
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.

Recommendations:

The University should:

- Develop and implement a process to minimize the time between drawdowns of federal funds and the disbursement of those funds.
- Immediately return any federal funds exceeding 1 percent of the prior year’s total drawdowns or that remain in its account after seven days.

Views of Responsible Officials:

The University acknowledges and agrees with the finding. 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 Office of Financial Aid will ensure they quickly authorize drawdown of any prior year rollforward amounts and disburse amounts within required timeframes. The Office of the Controller will continue to expedite Department of Education financial aid drawdowns once an authorization, including notice of disbursement or planned disbursement, has been received. If either office becomes aware that a rollforward balance has become available to draw, staff will notify the relevant staff from the other office.

Implementation Date: February 2017

Responsible Persons: Sheri Hardison and Diana S. Martinez

Reference No. 2016-155

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, 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)).

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.

Recommendations:
The University should:

- Report the statuses and effective dates for all student status changes to NSLDS accurately and in a timely manner.
- Develop and implement a process to ensure that enrollment files are complete before submitting them to NSC.

Views of Responsible Officials:
The University acknowledge 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.

Corrective Action Plan:
The Registrar’s Office has created more refined and detailed processes for reporting backdated withdrawals that includes multiple level checking and documentation of all manual updates performed. The “WS” (withdrawn before census) parameter question has already been addressed. The parameters were adjusted when this noted instance was brought to The Registrar’s attention during the audit in July 2016. In response to the formatting error, the Registrar’s Office has created more refined pre-transmission error checking in addition to current/existing pre-transmission error checking procedures. The Registrar’s office has also created multiple level checking, tracking, and documentation of all error corrections performed.

Implementation Date: March 2017

Responsible Person: Joseph DeCristoforo
Summary Schedule of Prior Year Audit Findings

Federal regulations (Title 2, Code of Federal Regulations, Section 200.511(a)) state, “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 2015 Schedule of Findings and Questioned Costs.
- Each finding in the 2015 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, 2016) 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 1087ll).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal 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.

**Implementation Date:** November 2016

**Responsible Person:** William Bloom
Lamar Institute of Technology

Reference No. 2013-101

Eligibility
(Prior Audit Issue 11-101)

Student Financial Assistance Cluster
Award year – July 1, 2012 to June 30, 2013
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A128695; CFDA 84.033, Federal Work-Study Program, P033A128695; CFDA 84.063, Federal Pell Grant Program, P063P125265; and CFDA 84.268, Federal Direct Student Loans, P268K135265
Type of finding – Significant Deficiency and Non-Compliance

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

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

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

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

Corrective Action:
Corrective action was taken.
Special Tests and Provisions – Verification

Student Financial Assistance Cluster
Award year – July 1, 2012 to June 30, 2013
Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P125265; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A128695; CFDA 84.268, Federal Direct Student Loans, P268K135265; and CFDA 84.033, Federal Work-Study Program, P033A128695
Type of finding – Material Weakness and Material Non-Compliance

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

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

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

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

Corrective Action:
Corrective action was taken.
Prairie View A&M University

Reference No. 2014-101
Eligibility
(Prior Audit Issue 10-33)

Student Financial Assistance Cluster
Award year – July 1, 2013 to June 30, 2014
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134098; CFDA 84.033, Federal Work-Study Program, P033A134098; CFDA 84.063, Federal Pell Grant Program, P063P132319; CFDA 84.268, Federal Direct Student Loans, P268K142319; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142319
Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

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.
Recommendations:

The University should:

- Correctly and consistently apply and adjust COA budgets for all students.
- Determine each student’s COA and financial need based on the student’s expected or actual enrollment.

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

- Developed a spreadsheet of all cost of attendances which assesses on-campus and off-campus living expenses.
- Created new budgets in Banner for less-than full time graduate students.
- Created new budgets for off-campus and at-home students.
- Developed a SQL to monitor enrollment changes from seven days before the 1st class day and up to the 20th class day.
- Established a process utilizing the Banner enrollment freeze process on the RSRENRL and Banner mix budget process in RBABUDD. A report is run twice a week and is reviewed by the Director and reports are disseminated to the Scholarships and Loans and Associate Director for clean up.
- Through weekly monitoring, financial aid management reviews the COA for all students and manually adjusts COAs based on changes in enrollment status to ensure that COAs accurately reflect actual enrollment. In addition, system modifications have been developed that will only allow to Director or Associate Directors the authority to make manual component adjustments to student COAs. If there are manual adjustments that are made to specific components, there will be documentation required to support the adjustments and policies and procedures are in place to indicate as such.

Views of Responsible Officials and Corrective Action Plan 2015:

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

The Office has also written a residency check program to identify any students who have been paid aid to determine if there has been any residency status changes in the student record (SGASTDN). This program will be run monthly to identify possible changes.
Views of Responsible Officials and Corrective Action Plan 2016:

Financial Aid management Responses for Eligibility Findings:

Based on the population of the 2015-2016 Cost of Attendances (COA) review of the 15 students in the population, management agrees with the one finding related to the budget group reverting to DFLT after the student was packaged after a manual award of a Graduate PLUS loan, which are manually processed. This was an oversight that has been corrected. There was no over award, therefore, no liability.

The Office of Financial Aid & Scholarships has completed a full check of COA’s for the 15-16 aid year of all federal aid applicants to ensure that there were no other similar issues. Through the assessment, there were 5 additional students with DFLT budget groups, in which all have since been corrected.

In the future, the Office of Financial Aid & Scholarships will ensure that during changes of award periods throughout the aid year, a review of all students’ budget groups will be conducted to make sure that all budgets are accurately assigned. The Office will use the “Group Budget Lock” process for any manually awarded programs.

Implementation Date: November 2016

Responsible Person: Ralph Perri

Satisfactory Academic Progress

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

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

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

Corrective Action:

Corrective action was taken.
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).

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

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

Verification Policies and Procedures

An institution must establish and use written policies and procedures for verifying an applicant’s FAFSA information. Those policies must include: (1) the time period within which an applicant must provide any documentation requested by the institution in accordance with Title 34, CFR, Section 668.57; (2) the consequences of an applicant’s failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant’s EFC changes and results in a change in the applicant’s assistance under Title IV, Higher Education Act (HEA) of 1965 programs; (4) the procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) the procedures for making referrals under Title 34, CFR, Section 668.16(g).
An institution’s procedures must also provide that it furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant’s responsibilities with respect to the verification of application information, including the deadlines for completing any required actions and the consequences of failing to complete any required action. Finally, an institution’s procedures must provide that an applicant whose FAFSA information is selected for verification is required to complete verification before the institution exercises authority under Section 479A(a) of the HEA to make changes to the applicant’s cost of attendance (COA) or to the values of the data items required to calculate the EFC (Title 34, CFR, Section 668.53).

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

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

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

Recommendations:

The University should:

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

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

- The Associate Director will conduct a complete desk audit and select 100 students for verification for the current school year to validate the accuracy of the verification process as per federal regulations, which will be completed by February 2015.

- A desk audit will also be performed by the Associate Director on a monthly basis for each alpha cluster to confirm the verification process has been performed as per federal regulations.

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

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

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

Views of Responsible Officials and Corrective Action Plan 2016:

Financial Aid management response and plan of action:

A full review of all verifications performed for 2016-2017 will be conducted to ensure eligibility for federal funding. Anticipated completion of full review will be December 2016.

For the 2017-2018 school year, Financial Aid management will be utilizing a sub-contractor to perform verification, which will ensure quality control and resolve conflicting information. Implementation is anticipated to be completed by April 2017.

The Office of Financial Aid & Scholarships revised its verification policies and procedures to reflect the statement that is applicable to section 479A (a) of the HEA as it relates to changes due to professional judgement.

Implementation Date: April 2017

Responsible Person: Ralph Perri
Special Tests and Provisions – Disbursements To or On Behalf of Students
(Prior Audit Issues 10-34 and 08-038)

Student Financial Assistance Cluster
Award year – July 1, 2013 to June 30, 2014
Award numbers – CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142319; CFDA 84.268, Federal Direct Student Loans, P268K142319; and CFDA 84.063, Federal Pell Grant Program, P063P132319
Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

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

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

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

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

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

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

The University requires that students be enrolled in at least six hours each semester to make satisfactory academic progress toward a degree and be eligible to receive financial aid. The University has implemented
a disbursement rule in its financial aid system that prevents disbursement to students who are enrolled in fewer than six hours for a semester. However, that policy contradicts federal requirements related to Pell Grant eligibility determination and does not meet federal requirements for a reasonable SAP policy. As a result, students enrolled in fewer than six course hours may not receive financial assistance for which they are eligible.

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

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 measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education (U.S. Department of Education 2014-2015 Federal Student Aid Handbook).

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

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

The University uses Banner to determine students’ compliance with SAP requirements; however, Banner does not always place students in the correct SAP status. As a result, the University performs a manual review of all students placed in a warning, probation, or suspension status for SAP. In addition, if a student is placed on an academic plan as the result of not meeting SAP requirements or extenuating circumstances, the University manually reviews that student’s progress and makes adjustments to the SAP determination. **For 1 (3 percent) of 33 students tested with manually adjusted SAP determinations, the University incorrectly adjusted the student’s SAP status.** The student was not meeting SAP requirements prior to the Spring semester and should have been placed in a warning status; however, the University did not place the student in a warning status until after the Spring semester (and, after that semester, the student should have been suspended from receiving financial assistance). The student still would have been eligible for financial assistance during the Spring semester if the University had placed the student in a warning status; therefore, there were no questioned costs.
Recommendations:

The University should:

- Ensure that its SAP policy meets federal requirements by defining a maximum time frame based on the length of the educational program for graduate students.
- Consistently and appropriately apply its manual SAP review process for placing students on a warning and subsequent suspension status.

Views of Responsible Officials and Corrective Action Plan 2015:

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

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

Views of Responsible Officials and Corrective Action Plan 2016:

The University has revised the SAP Policy to state a student is ineligible for aid if they attempt 150% of the number of hours needed to obtain their degree for both undergraduate and graduate students.

The Financial Aid office has updated SAP rules in Banner (operating system) to ensure automated calculation of SAP is correct for GPA/Completion Rate components. New Max Hours rules are currently being tested in our operating system and we anticipate implementation of automated calculation soon.

Implementation Date: December 1, 2016

Responsible Person: Michael Corbett

Cost of Attendance

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

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

Sul Ross State University (University) established different COA budgets for undergraduate students based on term enrollment (full-time, three-quarter-time, half-time, or less-than-half-time); location (Alpine campus or Rio Grande College campus); in-state or out-of-state residency; class level (graduate or undergraduate); and living status (on campus, off campus, or at home). The University also established different COA budgets for graduate students based on term enrollment, location, residency, class level, and living status; however, it did not have an established COA budget for less-than-half-time graduate students. The University’s student financial assistance system, Banner, initially budgets students for full-time enrollment. Financial aid counselors manually adjust COA if students self-report enrollment level changes prior to the census date or to reflect actual enrollment after the census date. For students who take courses under a consortium agreement
with another institution, the University uses the actual amount of tuition and fees paid in the COA budgets with the other standard components.

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

For one student, the University manually adjusted the COA budget incorrectly, and it did not have support for the adjustments it made.

For one student attending under a consortium agreement with another institution, the University initially budgeted COA for both the Fall and Spring semesters. However, the student dropped the Spring semester courses, and the University did not adjust the COA to remove the Spring semester tuition and fees.

For eight students, the enrollment level changed during the aid year, and the University did not manually adjust those students’ COA budgets to update those students’ enrollment.

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

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

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

**Corrective Action:**

Corrective action was taken.

**Federal Supplemental Educational Opportunity Grants**

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG first to Federal Pell Grant recipients who have the lowest EFC. If an institution has FSEOG funds remaining after giving FSEOG awards to all Federal Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Federal Pell Grants (Title 34, CFR, Section 676.10).

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

**Corrective Action:**

Corrective action was taken.
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).

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 the two other students with non-tax filer status, the University did not request sufficient documentation to verify that those students had no taxable income or were not required to file income taxes. Those errors did not result in corrections to the students’ ISIRs, and there were no overawards or underawards of financial assistance.

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

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

Recommendations:

The University should:

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

Views of Responsible Officials and Corrective Action Plan 2015:

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

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

Views of Responsible Officials and Corrective Action Plan 2016:

Staff training was conducted to review what documentation is needed to complete verification. One staff member reviews documentation and completes verification of the file. A different staff member reviews that file to ensure verification is accurate. The Director of FA reviews a sample of files to review the work of the staff.

The Financial Aid Department created a new Household Resources/Untaxed Income verification form in June 2015 for the 2015-16 award year and for the 2016-17 award year that meets Federal guidelines.

Implementation Date: February 2016

Responsible Person: Michael Corbett
Texas A&M University

Reference No. 2015-105

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144136; CFDA 84.033, Federal Work-Study Program, P033A144136; CFDA 84.063, Federal Pell Grant Program, P063P145286; CFDA 84.268, Federal Direct Student Loans, P268K155286; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T155286; CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A145286; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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

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

Texas A&M University (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop a quality improvement approach to their administration of student financial assistance programs. The QAP provides participating institutions the ability to design a verification program that fits their population (U.S. Department of Education 2014-2015 Application and Verification Guide). As part of the quality improvement for the verification process, the University’s policy requires verifying the number of household members in college.

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

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

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

Initial Year Written: 2015
Status: Implemented
U.S. Department of Education
The University did not request an income verification form for one independent student who did not work or file income taxes in 2013 (that student is also discussed above). The University’s verification policy requires an income verification form to be completed if a student, spouse, or parent did not file income taxes and when it appears there is insufficient income to support the household. The University asserted that it determined that student was a professional student who received loans in the prior award year that would cover that student’s living expenses; therefore, it did not request an income verification form for that student. However, the University did not document that decision during its verification process for that student.

The University selected one student for verification after it had already disbursed Title IV assistance to that student. The student did not submit the required documentation by the established due date, and the University did not subsequently cancel the Title IV assistance that it had disbursed. The University asserted that it did not cancel that student’s Title IV assistance because the student submitted some documentation by the established due date. However, the University’s policy requires that all Title IV assistance (with the exception of unsubsidized Direct and PLUS loans) be canceled if a student fails to turn in complete required documentation by the established due dates. After the established due date, the student submitted the required documentation and the University completed the verification; therefore, there were no questioned costs.

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

**Corrective Action:**

Corrective action was taken.

Reference No. 2015-106

**Special Tests and Provisions – Enrollment Reporting**

**Student Financial Assistance Cluster**

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

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

For 3 (5 percent) of 62 students tested who had a status change, Texas A&M University (University) did not report status changes or effective dates to NSLDS accurately. Specifically:
For one student who withdrew from the University, the University did not report the student as withdrawn to NSLDS. That occurred because the University determined that the student unofficially withdrew from the Fall term due to non-attendance after the student had begun attendance for the Spring term. The University asserts that it was unsure how to proceed in reporting the withdrawal without affecting the Spring term.

For two students who graduated, the University reported incorrect effective dates for graduation. The University incorrectly reported the commencement date, rather than the last class date.

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

**Corrective Action:**

This finding was reissued as current year reference number 2016-108.
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 Stated 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).

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.

Recommendations:

The University should:

- Update each student’s COA based on the student’s actual enrollment and apply the correct budget to each student.
- Appropriately limit access to Banner to key personnel.
- Establish and implement a periodic review of user access for personnel who have administrative access to Banner on the servers.
Views of Responsible Officials and Corrective Action Plan 2015:

Cost of Attendance

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

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

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

- The Office of Student Financial Assistance will develop a monitoring report to be run each semester after census date enrollment freeze to verify manual Cost of Attendance adjustments for students with enrollment changes since the date of the Cost of Attendance adjustment was entered. The report will be reviewed by the Assistant Director and disseminated to advisors for adjustments as necessary.

- The Office of Student Financial Assistance will develop a monitoring report to be run after census date enrollment freeze to identify any student whose budget group code is not consistent with registration periods. This report will be reviewed by the Assistant Director and disseminated to advisors for adjustments as necessary.

- Programming changes within BANNER will be made to change the aid period for students not attending a particular semester after the registration deadline for the last part of the term for the given semester. Changing the aid period to reflect semesters of attendance will remove budget components for semesters in which an applicable student did not attend.

- Department procedure manuals will be updated to reflect the modified procedures and processes.

General Controls

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

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

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

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

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

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

Views of Responsible Officials and Corrective Action Plan 2016:

Cost of Attendance

Texas A&M University-Central Texas implemented the following actions previously outlined in the “Views of Responsible Officials and Corrective Action Plan” section:

- The process chain for enrollment freezes and budget recalculation in UC4 (job scheduling software) was modified to include BANNER job RBRPBRC. This job recalculates budget components for students in the enrollment freeze population selection including those with locked budget groups.
- Developed the “Manual Budget Component Report” to be run each semester after census date enrollment freeze to verify manual Cost of Attendance adjustments for students with enrollment changes since the date of the Cost of Attendance adjustment was entered. This report is reviewed by the Assistant Director and disseminated to advisors for adjustments as necessary.
- Developed the “Budget Group and Parts of Term” Report to be run after census date enrollment freeze to identify any student whose budget group code is not consistent with registration periods. This report is reviewed by the Assistant Director and disseminated to advisors for adjustments as necessary.
- Programming changes within BANNER were implemented to zero out budget components for students not attending a particular semester after the registration deadline for the last part of term for the given semester. This programming changes the student’s budget to reflect semesters of attendance and removes budget components for semesters in which an applicable student did not attend.
- Department procedure manuals were updated to reflect the modified procedures and processes.

Implementation Date: February 2017

Responsible Person: Clifton Jones

General Controls

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 and approved revised User Management and Periodic Account Review procedures for Banner systems. The procedure specifies that all Banner accounts and access be reviewed during both Spring and Fall semesters. Reviews for Fall 2015 and Spring 2016 have been completed.
• Coordinated with vendor’s managed services to reduce the number of managed service’s users with administrative access to approximately 30 staff and established 3 levels of access; including, standard user, DBA-Development, and DBA-Production. Formal reports are provided from the vendor to the institution’s CIO and ISO on a quarterly basis on these staff and their access levels.

Implementation Date: July 2017
Responsible Person: Todd Lutz

Federal Pell Grant

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

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

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).

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

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

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

General Controls

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

The University did not appropriately restrict access to its financial assistance information system, Banner. The University hired a contractor, Ellucian, to host Banner. The contractor is responsible for managing user access at the server, database, and application levels. The contractor established groups to perform administrative functions on the production and application servers. Auditors identified 233 contractor users and 122 client account users who had privileged access to Banner. The contractor was unable to confirm whether all of the users with privileged access were key or actively employed personnel, and it was unable to confirm whether the client accounts had restricted access. As a result, auditors concluded that access was excessive and inappropriate.

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

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

Recommendations:

The University should:

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

Views of Responsible Officials and Corrective Action Plan 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.

General Controls

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

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

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

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

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

• Ellucian will reduce the number of users with administrative access from 233 to approximately 30 staff members based on their role in providing services to Texas A&M University – Central Texas.

• Ellucian will divide the access into 3 levels:
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.

Implementation Date: February 2017

Responsible Person: Clifton Jones

General Controls

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 and approved revised User Management and Periodic Account Review procedures for Banner systems. The procedure specifies that all Banner accounts and access be reviewed during both Spring and Fall semesters. Reviews for Fall 2015 and Spring 2016 have been completed.

- Coordinated with vendor’s managed services to reduce the number of managed service’s users with administrative access to approximately 30 staff and established 3 levels of access; including, standard user, DBA-Development, and DBA-Production. Formal reports are provided from the vendor to the institution’s CIO and ISO on a quarterly basis on these staff and their access levels.

Implementation Date: July 2017

Responsible Person: Todd Lutz
Texas A&M University – Corpus Christi

Reference No. 2015-111
Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144138; CFDA 84.033, Federal Work-Study Program, P033A144128; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P143425; and CFDA 84.268, Federal Direct Student Loans, P268K153425
Type of finding – Significant Deficiency and Non-Compliance

Federal Supplemental Educational Opportunity Grants

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG first to Federal Pell Grant recipients who have the lowest expected family contribution (EFC). If an institution has FSEOG funds remaining after giving FSEOG awards to all Federal Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Federal Pell Grants (Title 34, CFR, Section 676.10).

Based on a review of the full population of student financial assistance recipients, the University awarded $4,200 in FSEOG assistance to 4 students who did not also receive a Federal Pell Grant; it did not award FSEOG assistance to all other Federal Pell Grant recipients before awarding FSEOG assistance to those 4 students. Those four students had already received their lifetime eligibility amount for Federal Pell Grants and, therefore, they were no longer eligible to receive Federal Pell Grants. The University awards FSEOG based on Federal Pell Grant eligibility through Banner. Banner was not programmed to confirm that students received Federal Pell Grant funds prior to disbursing FSEOG funds.

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

Recommendation:
The University should award FSEOG assistance only to eligible students.

Views of Responsible Officials and Corrective Action Plan 2015:
Financial Aid Management agrees with your findings and recommendations as they pertain to eligibility. Financial Aid Management has made the following changes for the 2015-2016 Financial Aid Year:

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

Views of Responsible Officials and Corrective Action Plan 2016:
Banner awarding and disbursement rules were updated to ensure that FSEOG will be awarded only to Pell eligible students. Additional rules have been put in place to ensure that after awarding of FSEOG, students will be verified with NSLDS to ensure Pell Limits were not exceeded after awarding has taken place but before disbursements are performed. The timing between awarding and disbursements is critical to ensure FSEOG is not being awarded to non-Pell recipients.

Implementation Date: September 2016
Satisfactory Academic Progress

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

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

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

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

Corrective Action:

Corrective action was taken.

Federal Pell Grants

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

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

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

Corrective Action:

Corrective action was taken.
General Controls

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

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2015-112

Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CDFA 84.063, Federal Pell Grant Program, P063P143425; CDFA 84.268, Federal Direct Student Loans, P268K153425; CDFA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144138; CDFA 84.033, Federal Work Study Program, P033A144128; and CDFA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Verification of Applications

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

When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of $25 from the applicant’s FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

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

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

Corrective Action:
Corrective action was taken.

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

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

The University’s verification policies and procedures did not include one of the required elements. Specifically, the University’s policies and procedures did not include the procedures for making referrals. Having incomplete policies and procedures increases the risk that the University may not refer potential fraud or criminal misconduct in accordance with federal requirements.

Corrective Action:
Corrective action was taken.

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

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

In addition, the University’s security access review for Banner did not address all user security classes; as a result, some users had modify access when they should have had only query access. After auditors notified the University of those errors, it removed the inappropriate modify access for those users.
Allowing users inappropriate or excessive access increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

*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).

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.

Implementation Date: March 1, 2017
Responsible Person: Lisa Seals
Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year – July 1, 2013 to June 30, 2014
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134135; CFDA 84.033, Federal Work-Study Program, P033A134135; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132325; and CFDA 84.268, Federal Direct Student Loans, P268K142325
Type of finding – Significant Deficiency and Non-Compliance

Verification Policies and Procedures

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

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

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

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

Corrective Action:

Corrective action was taken.
Texas A&M University - Texarkana

Reference No. 2014-120

Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2013 to June 30, 2014
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A138417; CFDA 84.033, Federal Work-Study Program, P033A138417; CFDA 84.063, Federal Pell Grant Program, P063P134851; CFDA 84.268, Federal Direct Student Loans, P268K144851; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T144851

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

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

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

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

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

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

General Controls

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-121

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Verification

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

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

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

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

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

General Controls

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

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

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

Corrective Action:

Corrective action was taken.
Texas State Technical College - Harlingen

Reference No. 2013-142

Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

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

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

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

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

- For 5 students, the College did not remove room and board and personal expense charges for terms the students did not attend, which resulted in the students’ COA being overstated. However, the College did not overaward assistance to those students as a result of that error.
For 1 student, the College increased the student’s COA by $2,500 in miscellaneous fees to offset a merit-based scholarship the student received, but it did not document its rationale for exercising that professional judgment. However, the College did not overaward assistance to that student as a result of that error.

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

- Through a manual process, the College awarded one student $794 in Subsidized Direct Loans. That assistance exceeded the student's need by $794; therefore, the amount of questioned costs associated with award P268K133162 was $794. Additionally, that student's total assistance exceeded the student’s COA by $650. The $650 overaward was associated with Direct Plus Loans, which also means that the student’s assistance exceeded the Direct Plus Loan limit.

- The College awarded one student $1,388 in Pell Grant funds even though the student’s COA was only $1,284. That resulted in a $104 overaward of Pell Grant funds; therefore, the amount of questioned costs associated with award P063P133162 was $104. The College awarded Pell Grant funds based on the student’s Pell COA, which the College calculates differently from its institutional COA. The methodology the College used to determine Pell COA overstated the student’s COA and resulted in the overaward of assistance.

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

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

Recommendation:

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

Views of Responsible Officials and Corrective Action Plan 2013:

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

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

Views of Responsible Officials and Corrective Action Plan 2014:

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

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

Views of Responsible Officials and Corrective Action Plan 2015:

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

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

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

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.

Implementation Date: August 2016

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

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.

**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.

**Implementation Date:** August 2016

**Responsible Person:** Susan Wingate
Texas State University

Reference No. 2015-113
Special Tests and Provisions – Disbursements To or On Behalf of Students

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K150387 and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T150387
Type of finding – Significant Deficiency and Non-Compliance

If an institution credits a student’s account at the institution with Direct Loans or Teacher Education Assistance for College and Higher Education (TEACH) Grants, no earlier than 30 days before and no later than 30 days after crediting the student’s account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student’s right or parent’s right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan (Title 34, Code of Federal Regulations, Section 668.165).

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

Corrective Action:

Corrective action was taken.
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 of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(j)(1)). For an institution that is not required to take attendance, an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the period of enrollment (Title 34, CFR, Section 668.22(j)(2)).

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

- For one student who officially withdrew, the University did not return Title IV funds within the required 45-day time frame. The University returned funds 46 days after it determined the student withdrew. That occurred because of a manual error the University made in identifying and processing that student’s return of funds.

- For one student who unofficially withdrew, the University did not determine the student’s withdrawal date from a short semester within the required 30-day time frame. It determined the withdrawal date 85 days after the end of the period of enrollment. That occurred because the University’s process is to identify unofficial withdrawals after the end of a full semester, which does not enable it to identify in a timely manner students who withdraw from a short semester.

- For two students who officially withdrew, the University did not determine those students’ withdrawal dates within the required 30-day time frame. That occurred because the University conducted its quality assurance review process after the 30-day time frame for determining that a student withdrew (that process did, however, identify a change in the withdrawal dates and recalculate the amount of funds required to be returned).

Late identification of withdrawals increases the risk that the University will not return unearned funds to the U.S. Department of Education in a timely manner.

Corrective Action:

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

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-, half-, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (National Student Loan Data Systems (NSLDS) Enrollment Reporting Guide, Appendix C). The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (Title 34, CFR, Section 668.22(f)(2)(i)).

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

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

- For one student, the University reported the student’s graduation to NSC; however, NSC did not report the status change to NSLDS.

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

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

- For one student who dropped to three-quarter-time enrollment, the University submitted two effective dates for that student’s enrollment change to NSC. One date was for the program level and the other date was for the campus level. The University’s student financial assistance system extracted the two
different dates for that student, and both dates were submitted to NSC. NSC then submitted the campus-
level effective date to NSLDS, which was inaccurate.

- The University did not report the correct effective date for one student who never attended a class. The
  student was reported as full-time at the beginning of the term; however, the student dropped a class (and
  become three-quarter-time) and then provided documentation of never having attended that class. The
  University reported the date the student was identified as never having attended the class as the effective
  date of the status change to three-quarter-time; however, the University should have reported the first
day of the term because the student never attended the course and was never full-time.

- The University reported an incorrect effective date for one student who completed a term, withdrew, and
  did not return for the following term. The University should have reported the final day of the term in
  which the student was last enrolled as the effective date. However, the University reported the first day
  of class of the withdrawn term as the effective date.

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

**Corrective Action:**

This finding was reissued as current year reference number 2016-116.
Texas Tech University

Reference No. 2015-116

Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144151; CFDA 84.033, Federal Work-Study Program, P033A144151; CFDA 84.063, Federal Pell Grant Program, P063P142328; CFDA 84.268, Federal Direct Student Loans, P268K152328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

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

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

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

- For two students, the University did not prorate the COA budgets based on enrollment level. Those students were enrolled less than full-time; however, the University assigned both students a full-time COA budget.
- For two graduate students enrolled less than full-time, the University did not prorate the COA budgets consistently based on enrollment level. For those students, the University did not prorate the books and...
supplies component in accordance with enrollment level. In addition, for one of those students, the University did not remove the personal and miscellaneous budget component in accordance with the enrollment level. The University prorated the tuition and fees component correctly for both students.

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

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

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

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

Federal Direct Student Loans

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional students for loan periods/periods of enrollment beginning on or after July 1, 2012 (U.S. Department of Education 2014-2015 Federal Student Aid Handbook). Therefore, only undergraduate students are eligible to receive Subsidized Direct Loans, and graduate students are eligible for only Unsubsidized Direct Loans or Direct Parent Loan for Undergraduate Student (PLUS) Loans.

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

Corrective Action:

This finding was reissued as current year reference number 2016-117.
Reference No. 2015-117

Special Tests and Provisions – Verification

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144151; CFDA 84.033, Federal Work-Study Program, P033A144151; CFDA 84.063, Federal Pell Grant Program, P063P142328; CFDA 84.268, Federal Direct Student Loans, P268K152328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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

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

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

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

Corrective Action:

Corrective action was taken.
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)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution’s determination that the student withdrew (Title 34, CFR, Section 668.22(e)). The institution must return the lesser of the total amount of unearned Title IV grant or loan assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that had not been earned by the student (Title 34, CFR, Section 668.22(g)).

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

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

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

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

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

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

**Corrective Action:**

Corrective action was taken.

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**Reference No. 2015-119**

**Special Tests and Provisions – Enrollment Reporting**


**Student Financial Assistance Cluster**

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

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

**Type of finding – Significant Deficiency and Non-Compliance**

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

When a student does not re-enroll at an institution for the next regular (non-Summer) term without completing the course of study, the student should be reported as withdrawn. In the case of a student who completes a term and does not return for the next term, leaving the course of study uncompleted, the final day of the term in which the student was last enrolled should be used as the effective date. For three-quarter-time status, half-time status, and less-than-half-time status, the institution must use the effective date on which the student dropped to those particular statuses (National Student Loan Data System (NSLDS) Enrollment Reporting Guide, Appendix C).
Texas Tech University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (NSLDS Enrollment Reporting Guide, Chapter 3).

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

- For three students who were not enrolled in a term, the University reported those students as having less-than-half-time enrollment instead of being withdrawn with an effective date of the last day of the term last attended. Those errors occurred because of the coding structure in the University’s student information system, Banner, which indicates that a student with zero enrolled hours (coded “NH”) is a less-than-half-time NSC equivalent.

- For nine students who dropped courses, the University did not report status changes when the students dropped courses between the 13th and 45th class days of a term. As a result, the students’ statuses and effective dates were not accurately reflected in NSLDS. The University did not report status changes for students who dropped courses between the 13th and 45th class day because the students would receive a “DG” grade, which counted toward the State’s drop limit and enrollment for state funding.

- For six students who had a status change, the University submitted information to NSC regarding the students’ change in enrollment; however, NSC did not submit those changes to NSLDS.

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

- The University reported incorrect effective dates for five students who completed a term and did not return for the following term. The University should have reported the final day of the term in which those students were last enrolled as the effective date. However, for four of those students, the University reported the day after the final day of the term in which the students were last enrolled because it did not want to give the appearance that the students were withdrawn from their last enrolled term. For the remaining student, the University reported the effective date as the date the student withdrew before the term began, instead of the last class day of the term that the student last attended.

- The University reported an incorrect effective date for one student who was required to enter into a full-time status after the term had begun because of the doctoral program in which the student was enrolled. The University reported the student’s effective date to NSLDS as August 9, 2014, rather than September 19, 2014, which was the date on which the University determined that the student was required to enter into full-time status.

- The University reported an incorrect effective date for one student who dropped to three-quarter-time enrollment. The University reported the effective date as November 21, 2014, to NSLDS; however, the student dropped to three-quarter-time enrollment as of September 9, 2014.

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

Corrective Action:

This finding was reissued as current year reference number 2016-118.
University of Houston

Reference No. 2015-120

Eligibility

Special Tests and Provisions - Institutional Eligibility

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of the pace at which students must progress through their program to ensure that they will graduate within the maximum time frame required to complete their education. The pace at which a student is progressing is calculated by dividing the total number of hours the student has successfully completed by the total number attempted (U.S. Department of Education, 2014-2015 Federal Student Aid Handbook). 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 of Houston (University) did not configure its student financial assistance system in accordance with its SAP policy. The University’s policy for calculating the maximum time frame for graduate and law students uses 150 percent of a student’s academic program hours to determine the maximum time frame. However, the University’s student financial assistance system, PeopleSoft, was not configured to limit the maximum time frame for some graduate and law programs to 150 percent of the academic program hours. Auditors identified at least 3 academic programs that were configured in PeopleSoft with maximum hours that exceeded 150 percent of the academic program hours.

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

Teacher Education Assistance for College and Higher Education

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

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

Initial Year Written:        2015
Status:  Partially Implemented
U.S. Department of Education
occurred because the University manually entered the incorrect amount into PeopleSoft. In addition, because that amount was manually entered, PeopleSoft did not adjust that amount for changes in the sequestration percentage. After auditors brought the error to the University’s attention, it adjusted and corrected the TEACH grant award to that student to reflect the correct amount required by the sequester; therefore, there were no questioned costs.

**Federal Pell Grant**

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

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

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

**Eligibility and Certification Approval Report**

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

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

- The University reported four locations incorrectly on its ECAR. The University did not report the correct name or address for three of those locations. The University closed the fourth location in 2004 but did not remove that location from its ECAR.

- The University has additional locations in Houston, Peru, the United Arab Emirates, Ukraine, and the People’s Republic of China that offer 50 percent or more of an eligible program. However, the University did not include those locations on its most recent ECAR. In addition, the University did not notify the U.S. Department of Education about those locations. The University did not disburse any federal financial assistance to students who attended the unreported international locations during the 2014-2015 award year. However, it disbursed a total of $994,179 in federal student financial assistance to 203 students at the unreported Houston locations during the 2014-2015 award year. Of those disbursements:
$549,869 was associated with CFDA 84.268, Federal Direct Student Loans, award number P268K152333.

$425,679 was associated with CFDA 84.063, Federal Pell Grant Program, award number P063P142333.

$14,000 was associated with CFDA 84.007, Federal Supplemental Educational Opportunity Grants, award number P007A144166.

$4,631 was associated with CFDA 84.033, Federal Work-Study Program, award number P033A144166.

All of the above amounts were considered questioned costs.

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

Corrective Action:

This finding was reissued as current year reference number 2016-128.

Reference No. 2015-121

Special Tests and Provisions – Verification
(Prior Audit Issue 2014-139)

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144166; CFDA 84.033, Federal Work-Study Program, P033A144166; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142333; CFDA 84.268, Federal Direct Student Loans, P268K152333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152333

Type of finding – Significant Deficiency and Non-Compliance

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

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

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

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

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

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

**Corrective Action:**

This finding was reissued as current year reference number 2016-129.

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**Reference No. 2015-122**

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

**Student Financial Assistance Cluster**

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

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

Type of finding – Significant Deficiency and Non-Compliance

If an institution credits a student’s account at the institution with Direct Loan, Federal Perkins Loan, or Teacher Education Assistance for College and Higher Education (TEACH) Grants Program funds, no earlier than 30 days before and no later than 30 days after crediting the student’s account, the institution must notify the student or parent of (1) the date and amount of the disbursement; (2) the student’s right or parent’s right to cancel all or a portion of that loan, loan disbursement, TEACH grant, or TEACH grant disbursement; and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH grant, or TEACH grant disbursement (Title 34, Code of Federal Regulations, Section 668.165).

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2015-123

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144166; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142333; CFDA 84.268, Federal Direct Student Loans, P268K152333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152333
Type of finding – Significant Deficiency and Non-Compliance

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

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after completion of 60 percent of the payment period or period of enrollment (Title 34, CFR, Section 668.22(e)). The institution must return the lesser of the total amount of unearned Title IV grant or loan assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that had not been earned by the student (Title 34, CFR, Section 668.22(g)).

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

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

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

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

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

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

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

**Corrective Action:**

This finding was reissued as current year reference number 2016-130.

Reference No. 2015-124

**Special Tests and Provisions – Enrollment Reporting**

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

**Student Financial Assistance Cluster**

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

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

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

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

- For five students with status changes, the University did not report the correct effective date to NSLDS. In addition, for one of those students, the University reported an incorrect enrollment status to NSLDS. Those errors occurred because of changes the University made to the query it used to identify students with changes in enrollment levels. The query did not always return the correct status type or effective date for a status change.

- The University did not accurately report to NSLDS one student who graduated in the Fall term and subsequently enrolled in a new program in the Spring term. The University reported that student’s graduated and enrollment status to NSC; however, NSC did not report the graduated status correctly to NSLDS. The University does not have a control to ensure that the information it reports to NSC is subsequently submitted to NSLDS.

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

**Corrective Action:**

This finding was reissued as current year reference number 2016-131.
University of North Texas

Reference No. 2015-125

Eligibility

Special Tests and Provisions – Institutional Eligibility
(Prior Audit Issue 2014-146)

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144085; CFDA 84.033, Federal Work-Study Program, P033A144085; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P142293; CFDA 84.268, Federal Direct Student Loans, P268K152293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T152293

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

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

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

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

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

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

Satisfactory Academic Progress

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

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

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

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

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

The University incorrectly disbursed financial assistance to the two students discussed above who did not meet SAP requirements. Specifically, the University disbursed $14,074 in Federal Direct Student Loans and $1,440 in Federal Pell Grants to those students. After auditors brought those errors to its attention, the University corrected the awards for both of the students. For one student, the University returned $3,216 in Direct Loans and $1,440 in Federal Pell Grants to the U.S. Department of Education. For the other student, the University notified the student who then filed a SAP appeal. The student filed the required documentation and the appeal was approved. Therefore, the student was determined to be eligible for the $10,858 received in Federal Direct Student Loans. As a result, there are no questioned costs.
In November 2014, the University implemented a new SAP policy that corrected the policy errors identified above and, after that correction, the SAP policy met all federal requirements.

Federal Pell Grant

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

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

Corrective Action:

Corrective action was taken.

Reference No. 2015-126

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

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

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

For 4 (7 percent) of 60 students who had a status change, the University submitted inaccurate effective dates to NSLDS. That occurred because the University had identified errors in its February 2015 report submission to NSC and, therefore, delayed submission of its enrollment report. That delay caused the effective dates to be reflected inaccurately in NSLDS.

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

Corrective Action:

This finding was reissued as current year reference number 2016-134.
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).

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

The University of Texas at Arlington (University) establishes different COA budgets for students based on class level (undergraduate or graduate); degree program; in-state or out-of-state residency; living status (on campus, off campus, or at home); and term enrollment (full-time, three-quarter-time, half-time, and less-than-half-time). Prior to an award year, the University requests that students submit their anticipated enrollment to the financial aid office if they plan to enroll less than full-time. The University assigns a full-time COA to students who do not respond to the University’s request for anticipated enrollment. The University adjusts the COA manually if a student indicates enrollment will be anything other than full-time enrollment. Otherwise, the University’s financial aid system, PeopleSoft, updates the COA based on actual enrollment.

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

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

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

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

Satisfactory Academic Progress

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

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2016-136.
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, P007A134172; CFDA 84.033, Federal Work-Study Program, P033A134172; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.268, Federal Direct Student Loans, P268K142335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142335

Type of finding – Significant Deficiency and Non-Compliance

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income, U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, other untaxed income, high school completion, and identity and statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56; and Federal Register Volume 78, Number 114). When the verification of an applicant’s eligibility results in any change to a non-dollar item or a change to a single dollar item of $25 from the applicant’s original FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant’s financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant’s FAFSA information changes as a result of verification, an institution must recalculate the applicant’s Federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

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

- For 14 students who were not tax-filers, the University did not verify the students’ income. Based on information the University provided, the University did not verify income for a total of 1,408 students who (1) did not indicate they had or would complete an Internal Revenue Service (IRS) tax return on their FAFSA or (2) reported that they were not going to file an income tax return and had no income. Those errors occurred because the University did not configure the verification checklist assignment process in its financial aid system correctly for students who were not tax-filers. In addition, for one of those students, the University also did not accurately verify the parents’ tax deferred pension amount due to a manual error. The University followed up with the 14 students tested; the University also asserted that it would follow up with the remaining 1,394 students and make corrections as necessary.

- For one student, the University did not accurately verify income for one parent who submitted IRS Form 4868 Application for Automatic Extension of time to File U.S. Individual Income Tax Return. The University permitted the parent to provide a signed statement in lieu of an IRS form W-2; however, the signed statement did not include the parent’s source of income or the reason an IRS form W-2 was not available. That occurred due to a manual error the University made during the verification process.

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

Corrective Action:

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

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134172; CFDA 84.033, Federal Work-Study Program, P033A134172; CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132335; CFDA 84.268, Federal Direct Student Loans, P268K142335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T142335
Type of finding – Significant Deficiency and Non-Compliance

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2016-137.

Special Tests and Provisions – Enrollment Reporting
(Prior Audit Issues 2014-152 and 2013-173)

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P132335; and CFDA 84.268, Federal Direct Student Loans, P268K142335
Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has...

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

Initial Year Written: 2013
Status: Partially implemented
U.S. Department of Education
ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c) and Dear Colleague Letter, April 14, 2014 (GEN-14-07)). Effective June 2012, enrollment reporting roster files must also include Federal Pell Grant-only and Federal Perkins Loans recipients (Title 34, CFR, Section 690.83(b)(2), and Dear Colleague Letter, March 30, 2012 (GEN-12-06)).

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2016-138.
University of Texas at Austin

Reference No. 2015-132
Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P142336; CFDA 84.268, Federal Direct Student Loans, P268K152336; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

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

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

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

- For two students, the University accurately reported those students’ less-than-full-time enrollment status and effective dates to NSC; however, NSC did not report the status change to NSLDS. The NSC reported only a graduation status for those two students to NSLDS; however, the University had reported one of those students to NSC as having three-quarter-time enrollment and the other student as having less-than-half-time enrollment.

- For one student, the University inaccurately reported the effective date of the student’s withdrawal to NSLDS because of a manual error it made inputting the student’s withdrawal date into the information that it submitted to NSC.

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

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

Reference No. 2015-133
Special Tests and Provisions – Student Loan Repayments

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award number – CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

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

For 2 (3 percent) of 62 of students tested, the University of Texas at Austin (University) did not obtain adequate documentation to support its rationale for granting loan forbearance to those students. Those errors occurred because the University did not require supporting documentation at the time of a request for forbearance, as required. Because the University did not have supporting documentation for those students’ requests for forbearance, auditors could not determine whether the students were qualified for forbearance on their Federal Perkins Loan.

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

Corrective Action:
Corrective action was taken.
Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student’s 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).

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

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

Enrollment Level

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution’s minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).
The University assigns all students a COA budget based on full-time enrollment and determines the amount of financial assistance the student is eligible to receive based on that COA budget. The University has an automated control that calculates a student’s need and COA at half-time and three-quarter-time enrollment to determine the lowest level of enrollment at which that student’s awards could be disbursed without resulting in an overaward of financial assistance. In addition, Banner will not disburse funds to a student whose enrollment level drops below that level.

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

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

Satisfactory Academic Progress

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

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

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

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

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

Additionally, the University did not always follow its SAP policy. For 1 (2 percent) of 66 students tested, the University awarded student financial assistance to the student when the student was not meeting satisfactory academic progress requirements. The University appropriately placed that student on a
probation status after the student submitted an appeal for the Fall term. However, at the end of that term, the student was not meeting the requirements of the probation and should have been ineligible to receive assistance in the Spring term. That error occurred because the University did not evaluate the student’s progress at the end of the Fall term, as required by its policy. That resulted in the student being disbursed a total of $717 in Federal Pell Grant assistance. The University subsequently returned that overaward to the U.S. Department of Education; therefore, there were no questioned costs.

Federal Supplemental Educational Opportunity Grant

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

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

Nurse Faculty Loan Program

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

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

Federal Pell Grant Program

For the Federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time enrollment levels (U.S. Department of Education 2014-2015 Federal Student Aid Handbook, and Title 34, CFR, Section 690.63(b)).

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

Other Compliance Requirements

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

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number 2016-144.
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).

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.

Recommendations:
The Medical Branch should:
- Establish COA budgets for students enrolled less than full-time and determine each student’s COA and financial need based on the student’s academic workload.
- Ensure that its SAP policy meets federal requirements and that it evaluates SAP for all students.

Views of Responsible Officials and Corrective Action Plan 2015:
Following the census date of each term, UTMB will identify students enrolled less than full-time and revise the tuition/fee component of COA to actual cost. In addition, for students enrolled less than half-time, the COA will be revised to include only tuition/fees, books, and supplies. An audit report will be run toward the end of each term to ensure that all Pell eligible students have been awarded and disbursed the correct Pell Grant awards. An additional audit report will be run weekly to identify students with a SAR comment code indicating that they are close to or may have exceeded their aggregate loan or Pell Grant limits. The Director will review student awards against NSLDS and make corrections to the student’s awards as necessary. Monitoring of Federal Perkins Loan aggregate limits is done manually by accessing data in NSLDS for Perkins borrowers to ensure they have not reached or exceeded the limit. To determine if nursing students have reached or exceeded the aggregate limit for the NSL loan, the NCAS application is reviewed for all students awarded NSL to determine if they ever attended another nursing school. If they have, we will then contact that school to find out how much, if any, NSL funds the student has borrowed. The SAP policy and procedures have been revised to meet all federal requirements.

Views of Responsible Officials and Corrective Action Plan 2016:
Cost of Attendance:
Following the census date of each term, UTMB runs a report to identify students enrolled less than full-time and revises the tuition/fee component of COA to actual cost. In addition, for students enrolled less than half-time, the COA is revised to include only tuition/fees, books, and supplies. In addition, our process for assigning budgets has been updated so that once we revise a budget, it is not picked up in our auto assign process; this should prevent any changes we have made from being overridden. We have reviewed and adjusted our COA policy to be in compliance with federal guidelines.

Satisfactory Academic Performance:
The SAP policy and procedures have been revised to meet all federal requirements. Audit reports are run after grades have been posted for each term to determine which students are not meeting SAP requirements and students are notified and awards adjusted accordingly.

Implementation Date: October 2016

Responsible Person: Carol Cromie

Federal Pell Grant Awards
For the Federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a
given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education 2014-2015 Federal Student Aid Handbook).

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

**Corrective Action:**

Corrective action was taken.

**Federal Award Limits**

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

The U.S. Department of Education has established annual, and in some cases aggregate, limits for awarded federal aid (Title 34, CFR, Section 685.203). Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower’s cost of attendance, the borrower’s maximum borrowing limit, or the borrower’s unmet financial need (U.S. Department of Education 2014-2015 Federal Student Aid Handbook).

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

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

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

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

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

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.

**Implementation Date:** October 2016

**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, P063P1333265; CFDA 84.268, Federal Direct Student Loans, P268K134265; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T134265; 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).

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

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

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

Recommendation:

The University should update its SAP policy and financial aid system to include transfer hours as both attempted and completed hours in its SAP calculations.

Views of Responsible Officials and Corrective Action Plan 2014:

In response to the Satisfactory Academic Progress Policy, the University of Texas of the Permian Basin acknowledges and agrees with the finding. Automated controls in POISE do not accurately identify students not meeting SAP requirements. The University is in the process of converting to PeopleSoft, once implemented automated controls will be set to accurately determine SAP.
The Financial Aid office is working to update and revise its existing SAP policies and procedures to ensure compliance with all federal requirements. Modifications will be made to the SAP process to include transfer hours in the overall SAP calculation for hours attempted and earned, as well as in the determination of the maximum timeframe until the conversion to PeopleSoft is completed.

Views of Responsible Officials and Corrective Action Plan 2015:

The Financial Aid office has updated the official SAP policy to ensure compliance with federal requirements. Deadlines for SAP appeal submissions have been added, as well as revision of policy to include transferred hours in the overall SAP calculation and maximum timeframe calculation. In response to this finding the SAP officer now manually updates all earned hours accepted during admission evaluation of transfer work and calculates completion percentage and maximum timeframe with all reported hours on the spreadsheet produced from the POISE SAP program. Internal controls within the current operating system are not capable of accurately determining SAP. Although modifications were made to address the finding, management acknowledges that fully addressing the finding and long term corrective action will not be possible until implementation of the SAP module within the new operating system is live. Conversion to this new system will begin in the fall of the upcoming 15-16 federal aid year.

Views of Responsible Officials and Corrective Action Plan 2016:

A SAP process has been fully implemented in PeopleSoft. This included consideration of not only credits attempted/completed at UTPB but also those transferred into the university for coursework taken at other institutions. At the end of the fall semester, the SAP review process was run for the first time in PeopleSoft. Students not meeting SAP were notified of their status and their spring aid was canceled. Students are given the option to appeal and notified of the process to follow. Students completing the appeal process were reviewed. Those granted an appeal had their aid reinstated for the spring semester Students at risk of not meeting the SAP requirement were put on a Warning status and notified that they needed to meet the requirement by the end of the spring semester or would be at a Not Meet SAP status and ineligible for financial aid. SAP after the Spring 2016 semester has just been run and currently under review to determine status for those attending Summer 2016 as well as those that will attend in Fall 2016.

It was identified in the process of a need to clarify policy for post BA and graduate students specifically in the area total attempted hours. This is currently under review with plans to manually review adapt process for the SAP review after the spring semester end.

Implementation Date: February 2016

Responsible Person: Charles Edward Kerestly

Federal Award Limits

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

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

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

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

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

**Recommendations:**

The University should:

- Ensure that its financial aid system enforces aggregate and annual award limits.
- Notify students when their loan limits have been reduced.

**Views of Responsible Officials and Corrective Action Plan 2014:**

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

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

**Views of Responsible Officials and Corrective Action Plan 2015:**

The financial Aid office has revised manual awarding procedures to address this finding. Officers were instructed to package new applicants in the spring and summer using full amounts of subsidized and unsubsidized loans with regard to COA. Although modifications were made to address the finding, management acknowledges that fully addressing the finding and long term corrective action will not be possible until implementation of the new operating system. Conversion to this new system will begin in the fall of the upcoming 15-16 federal aid year.

**Views of Responsible Officials and Corrective Action Plan 2016:**

Implementation of PeopleSoft has automated the determination of loan eligibility based on admission and registrar academic status information. In 2015-16 a base loan eligibility was awarded and then a manual determination of award eligibility limits was determined based on student request for additional loan funds. Packaging parameters for the 2016-17 award year have been established to award student their maximum loan eligibility base on their EFC/COA and enrollment information. Packaging of new, first time students for 2016-17 has begun with plans to begin packaging all other new and returning students in early June.
Implementation Date: June 2016

Responsible Person: Charles Edward Kerestly

Pell Grants

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

Based on a review of the entire population of Title IV assistance recipients, the University disbursed Pell Grants to two students who were not eligible for that assistance. Those students were undergraduate students in the Fall semester and admitted into graduate and post-baccalaureate programs for the Spring semester. The University awarded a total of $2,017 in Pell grant assistance to those students in the Fall semester, which was disbursed in the Spring semester, and did not adjust the assistance based on the students’ admission to the new programs. When auditors brought those errors to the University’s attention, the University corrected the errors, adjusted the students’ awards, and returned the funds to the U.S. Department of Education; therefore, there were no questioned costs.

Corrective Action:
Corrective action was taken.

General Controls

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

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

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

Corrective Action:
Corrective action was taken.
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).

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

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

Recommendation:
The University should accurately verify all required FAFSA information for the students it selects for verification and correct students’ ISIR when required.

Views of Responsible Officials and Corrective Action Plan 2014:
In response to the verification of applications the University of Texas of the Permian Basin acknowledges and agrees with the findings. The need for consistency and accuracy is important, and errors in the verification due to oversights were the result of an increase in student population with no adjustment in staff size. Efforts will be made to establish and enhance the verification protocol and process, and training schedules along with reference guides will be established to facilitate training of staff.

Views of Responsible Officials and Corrective Action Plan 2015:
The Financial Aid office has revised the verification process to address oversights caused by human error. Any incorrect paperwork submitted is marked incomplete, and the student is contacted for changes. Any changes to the verification worksheet will be marked with the officer’s initials and comments will be noted...
along with dates for tracking and audit purposes. Training guides have been created to assist officers in the verification process and training has been conducted to follow up with audit findings.

Views of Responsible Officials and Corrective Action Plan 2016:

The verification process was completed by the, then, assistant director using the reviewed verification policy. Beginning January 2016 a promotion was made to the assistant director to association director and a new FA officer was hired with specific primary responsibility to manage the verification process. This new officer has been trained and is under the supervision of the associate director. The verification policies and procedures document has been revised to reflect changes of the 2016-17 academic year. This document is used by the FA Verification Officer and others in the verification review process. It is also published on the verification section of the financial aid website.

Implementation Date: August 2015

Responsible Person: Charles Edward Kerestly

General Controls

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

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

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

Corrective Action:

Corrective action was taken.
Reference No. 2015-149

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster
Award year – July 1, 2014 to June 30, 2015
Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K153294; CFDA 84.063, Federal Pell Grant Program, P063P143294; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T153294; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A144169; and CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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

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

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

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

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

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

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

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

- The University incorrectly reported as the effective date of withdrawal the commencement date for students who graduated in the 2014-2015 award year when it should have reported the last class day. That error affected eight students in the sample tested, and it also affected all 2,648 students who graduated during the Fall and Spring semesters.

Those errors occurred because the University had inadequate or incorrect policies and practices to accurately report student status changes. Not reporting student status changes accurately and completely could affect...
determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government’s payment of interest subsidies.

Corrective Action:

This finding was reissued as current year reference number 2016-155.
West Texas A&M University

Reference No. 2014-169

Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2013 to June 30, 2014
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134186; CFDA 84.033, Federal Work-Study Program, P033A134186; CFDA 84.063, Federal Pell Grant Program, P063P132342; and CFDA 84.268, Federal Direct Student Loans, P268K142342

Type of finding – Significant Deficiency and Non-Compliance

Pell Grant Awards

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

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

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

Pell Grant and Direct Loan Limits

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

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

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

The U.S. Department of Education’s Central Processing System (CPS) adds comment codes and text to students’ Institutional Student Information Record (ISIR) transactions to provide information to the students and institutions about the students’ processed Free Application for Federal Student Aid (FAFSA) (U.S. Department of Education 2013-2014 Technical Reference for Electronic Data Exchange (EDE) and Companion to the EDE Technical Reference SAR Comment Codes and Text). For some comment codes and text, there will also be a comment (C) code, which institutions must resolve before disbursing financial assistance to students (U.S. Department of Education 2013-2014 Federal Student Aid Handbook).

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

Corrective Action:

Corrective action was taken.

Reference No. 2014-170

Special Test and Provisions – Verification

Student Financial Assistance Cluster
Award year – July 1, 2013 to June 30, 2014
Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A134186; CFDA 84.033, Federal Work-Study Program, P033A134186; CFDA 84.063, Federal Pell Grant Program, P063P132342; and CFDA 84.268, Federal Direct Student Loans, P268K142342

Type of finding – Significant Deficiency and Non-Compliance

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

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

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

**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) provide 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.

Scope

The audit scope covered federal funds that the State spent for the Student Financial Assistance Cluster from July 1, 2015, through June 30, 2016, which is the federal financial assistance award year. The audit work included control and compliance tests at 17 higher education institutions across the state.

Methodology

The audit methodology included developing an understanding of controls over each compliance area that was direct and material to the Student Financial Assistance Cluster at each higher education institution audited.

Auditors selected 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 April 1, 2016. In determining the sample sizes for control and compliance test work, auditors assessed risk levels for inherent risk of noncompliance, control risk of noncompliance, risk of material noncompliance, detection risk, and audit risk of noncompliance by compliance requirement. Auditors selected samples primarily through random selection designed to be representative of the population. In those cases, results may be extrapolated to the population, but the accuracy of the extrapolation cannot be measured. In some cases, auditors used professional judgment to select additional items for compliance testing. Those sample items generally were not representative of the population and, therefore, it would not be appropriate to extrapolate those results to the population.
Auditors conducted tests of compliance and of the controls identified for each direct and material compliance area and performed analytical procedures when appropriate.

Auditors assessed the reliability of data that each audited higher education institution provided and determined that the data was sufficiently reliable for the purpose of expressing an opinion on compliance with 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.

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:

- Higher education institution policies and procedures.
- National Student Loan Data System Enrollment Reporting Guide.

Project Information

Audit fieldwork was conducted from May 2016 through January 2017. 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:

- Jennifer Brantley, MS, CPA (Project Manager)
- Jennifer Lehman, MBA, CIA, CFE, CGAP (Assistant Project Manager)
- Kelsey A. Arnold, MEd, CGAP (Student Financial Assistance Coordinator)
- Valeria Aguirre, MPA
- Ro Amonett, MPA
- Scott Armstrong, CGAP
- Isaac A. Barajas
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- Valerie W. Bogan
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- Charlotte Carpenter
- James Collins
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- Tessa Mlynar, CFE
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- Brianna C. Pierce, CPA (Quality Control Reviewer)
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- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- James Timberlake, CIA, CFE (Audit Manager)
Copies of this report have been distributed to the following:

**Legislative Audit Committee**
- The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
- The Honorable Joe Straus III, Speaker of the House, Joint Chair
- The Honorable Jane Nelson, Senate Finance Committee
- The Honorable Robert Nichols, Member, Texas Senate
- The Honorable John Zerwas, House Appropriations Committee
- The Honorable Dennis Bonnen, House Ways and Means Committee

**Office of the Governor**
- The Honorable Greg Abbott, Governor

**Boards, Chancellors, and Presidents of the Following Higher Education Institutions**
- Angelo State University
- Lamar Institute of Technology
- Lamar University
- Prairie View A&M University
- Sam Houston State University
- Stephen F. Austin State University
- Sul Ross State University
- Texas A&M University
- Texas A&M University - Central Texas
- Texas A&M University - Corpus Christi
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- Texas State University
- Texas Tech University
- Texas Tech University Health Sciences Center
- Texas Woman’s University
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- University of North Texas
- The University of Texas at Arlington
- The University of Texas at Austin
- The University of Texas at Dallas
- The University of Texas at El Paso
- The University of Texas Medical Branch at Galveston
- The University of Texas of the Permian Basin
- The University of Texas Rio Grande Valley
- The University of Texas at San Antonio
- West Texas A&M University