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An Audit Report on

**Selected State-funded  
Student Financial Aid Programs  
at Seven Higher Education  
Institutions and the Higher  
Education Coordinating Board**

November 2009

Report No. 10-015



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# *Selected State-funded Student Financial Aid Programs at Seven Higher Education Institutions and the Higher Education Coordinating Board*

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## *Overall Conclusion*

The seven higher education institutions audited substantially complied with requirements for awarding funds from state-funded student financial aid programs. These requirements included state statutes, Higher Education Coordinating Board (Coordinating Board) rules, and institutional policies.

However, the Coordinating Board should provide additional oversight over the B-On-Time (BOT) loan program and the Towards EXcellence, Access, and Success (TEXAS) grant program. For the Texas Public Education Grant (TPEG) program, which is administered at the institutional level and not overseen by the Coordinating Board, improvements are needed in the institutions' calculations of tuition amounts to be set aside for this program.

For the state-funded student financial aid programs audited, the following specific opportunities for improvement were identified:

- To help ensure compliance with requirements for awarding funds from state-funded student financial aid programs, institutions should improve system edit checks and develop detailed policies and procedures.
- The Coordinating Board should provide guidance to institutions and monitor institutions' calculations and transfers of tuition revenue that they set aside for the BOT program (these amounts are referred to as "tuition set-asides"). For example, Texas A&M International University did not transfer tuition set-asides totaling \$215,964 for BOT to the Office of the Comptroller of Public Accounts for fiscal years 2006 through 2008 until June 2009.
- Institutions and the Coordinating Board should strengthen processes to ensure that BOT loans are forgiven in accordance with statutory requirements.

### **State-funded Student Financial Aid Programs Audited**

**B-On-Time (BOT) Loan Program** - Through this program, in fiscal year 2008 public institutions awarded 6,535 no-interest loans totaling \$30,394,246 to students who met specific goals. The loan balance may be forgiven if the student meets certain criteria.

**Texas Public Education Grant (TPEG) Program** - Through this program, in fiscal year 2008 public institutions awarded 63,520 grants totaling \$92,194,168 to students who had financial need.

**Towards EXcellence, Access and Success (TEXAS) Program** - Through this program, in fiscal year 2008 public institutions awarded 35,688 grants totaling \$169,063,824 to well-prepared high school graduates who had financial need.

**College Access Loan (CAL) Program** - Through this program, in fiscal year 2008 public institutions awarded 6,380 loans totaling \$48,501,377 to students who have financial need and a favorable credit evaluation.

Source: Unaudited fiscal year 2008 data from the Higher Education Coordinating Board.

### **Seven Public Higher Education Institutions Audited**

- Angelo State University
- Stephen F. Austin State University
- Texas A&M International University
- Texas A&M University - Corpus Christi
- Texas Woman's University
- University of North Texas
- The University of Texas at San Antonio

*This audit was conducted in accordance with Texas Government Code, Sections 321.0132 and 321.0133.*

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

- Three of the seven institutions did not accurately calculate tuition set-aside amounts for the TPEG program in accordance with statutory requirements. For fiscal year 2009:
  - Texas A&M International University should have set aside \$949,827, but instead it set aside \$783,234.
  - Texas Woman's University should have set aside \$1,745,059, but instead it set aside \$2,089,342.
  - Texas A&M University - Corpus Christi should have set aside \$1,413,672, but instead it set aside \$1,450,193.

The methods that the Coordinating Board used to allocate and distribute funds for grants and loans to institutions were reasonable, and controls over the related systems were adequate. However, the Coordinating Board should strengthen its written policies and procedures for the calculations it uses to allocate funds for TEXAS grants and the College Access Loan (CAL) program to institutions. The Coordinating Board did not allocate funds for new BOT loans during the scope of this audit; instead, it instructed institutions to award only renewals of BOT loans to eligible students. The Coordinating Board does not allocate TPEG funds to institutions because that program is administered entirely at the institution level.

The Coordinating Board has adequate information technology controls over student financial aid systems to provide accurate information for the state-funded student financial aid programs audited. However, it should make certain improvements in edit checks, password management, and user access.

### ***Summary of Management's Response***

The seven higher education institutions and the Coordinating Board agreed with the recommendations in this report. Management's responses are included in the Detailed Results section of this report.

### ***Summary of Information Technology Review***

Auditors assessed the information technology (IT) controls over the Coordinating Board's information systems and other automated processes used for student financial aid. Auditors evaluated general IT controls, including access to systems, password management, and controls over the transmission of student financial aid data. Auditors also evaluated application controls, including input, processing, and output controls.

Auditors determined that the Coordinating Board has adequate IT controls over student financial aid applications to provide accurate information for the audited state-funded student financial aid programs. However, the Coordinating Board

should improve certain controls over edit checks, password management, and user access.

## ***Summary of Objectives, Scope, and Methodology***

The audit objectives were to:

- Determine whether audited Texas higher education institutions administer state-funded student financial aid programs in accordance with state statutes, Coordinating Board rules, and institutional policies.
- Determine whether Coordinating Board staff provide the financial aid offices with timely and accurate data regarding the availability of state-funded student financial aid.
- Determine whether Coordinating Board staff provide decision-makers with accurate information needed to make policy decisions regarding state-funded student financial aid.

The audit scope covered compliance requirements for fiscal year 2009 (Fall 2008 and Spring 2009 semesters) awards for the state-funded student financial aid programs. Auditors selected seven institutions to perform on-site audits based on a risk assessment. On-site audit work was also conducted at the Coordinating Board related to the allocation process and controls over information technology systems.

The audit methodology included collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with student financial aid and accounting staff from selected institutions and staff from the Coordinating Board.

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# Detailed Results

## Chapter 1

### *The Audited Institutions Substantially Complied with Requirements for Awarding Funds from the Programs Tested, But Certain Improvements Are Needed*

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#### Institutions Audited

- Angelo State University
- Stephen F. Austin State University
- Texas A&M International University
- Texas A&M University - Corpus Christi
- Texas Woman's University
- University of North Texas
- The University of Texas at San Antonio

The seven audited institutions substantially complied with Texas Education Code and Texas Administrative Code eligibility requirements related to the following grant and loan programs:

- B-On-Time (BOT) loan program.
- Texas Public Education Grant (TPEG) program.
- Towards EXcellence, Access and Success (TEXAS) grant program.
- College Access Loan (CAL) program.

However, the Higher Education Coordinating Board (Coordinating Board) should provide additional oversight over the BOT and TEXAS programs. Specifically:

- For BOT, institutions did not consistently calculate and transfer the required amounts of tuition revenue (referred to as a “tuition set-asides”) to the Coordinating Board. In addition, institutions did not consistently certify BOT loans as eligible for forgiveness in accordance with statutory requirements.
- For TEXAS, the Coordinating Board should provide institutions with additional guidance to ensure that institutions prorate grant amounts correctly so that students are not awarded grants when they have already completed more than 150 semester credit hours.

For TPEG, which is administered entirely at the institution level and not overseen by the Coordinating Board, institutions did not consistently calculate the correct amount of tuition set-asides in accordance with the Texas Education Code.

TPEG and TEXAS grants are awarded based on the student's financial need, while BOT and CAL are not. Financial need is referred to as "the cost of attendance minus the expected family contribution" and is calculated as follows:

- Expected Family Contribution (EFC) is computed by the Department of Education based on the Free Application for Federal Student Aid (FAFSA) or by the Institution using the Texas Application for State Financial Aid (TASFA).
- The cost of attendance minus the EFC equals financial need.
- TASFA is completed by applicants who are not U.S. citizens, permanent residents with an alien registration card, conditional permanent residents, or eligible noncitizens with an arrival/departure record. Rather, they are classified as a Texas resident under [House Bill] 1403 [77th Legislature] and are eligible to pay the Texas in-state tuition rate.

Except for TPEG, all of the state-funded loans and grants tested require students to meet the satisfactory academic progress policies developed by the institutions. A student is eligible to receive student financial aid if the student maintains satisfactory progress according to the institution's published satisfactory academic progress policy. Each institution develops its own policy, including qualitative and quantitative components. They usually require a minimum grade point average and a maximum time frame in which a student must complete his or her educational program.

## BOT Loans: The Audited Institutions Substantially Complied with Requirements for Awarding BOT Loans, But Improvements Are Needed in Tuition Set-asides, Loan Certification, Loan Forgiveness, and Policies and Procedures

### B-On-Time (BOT) Loans

These loans provide eligible Texas students with no-interest loans to attend institutions in Texas. If a student meets specific goals, including graduating on time, the entire loan amount can be forgiven upon graduation.

In fiscal year 2009, the maximum loan amount for four-year institutions was \$5,280 per year or \$2,640 per semester.

### Primary Areas Audited

Auditors tested various requirements for the BOT loan program. The major categories of testing are listed below.

Auditors tested compliance with eligibility requirements, including:

- Whether students made satisfactory academic progress.
- Whether students graduated from a recommended or distinguished Texas high school program.

Auditors tested compliance with loan forgiveness requirements including:

- Whether students graduated with a cumulative 3.0 grade point average.
- Whether students graduated within four or five years (depending on the degree plan) or attempted no more than six semester credit hours more than was required by their degree plans.

Auditors tested compliance with tuition set-aside requirements, including:

- Institutions' calculation of tuition set-aside amounts.
- Institutions' compliance with tuition set-aside policies and procedures.

The audited institutions substantially complied with requirements for awarding BOT loans; however, the Coordinating Board should strengthen its oversight in certain areas. The institutions did not consistently calculate and transfer the required amount of tuition set-asides. In addition, institutions did not consistently forgive BOT loans in accordance with statutory requirements.

In fiscal year 2009, the audited institutions awarded BOT loans totaling \$2,636,789 to 566 students (see Table 1). Overall, public four-year institutions awarded BOT loans totaling \$30,394,246 to 6,535 students in fiscal year 2008 (see Appendix 2).

Table 1

BOT Loans Awarded by Audited Institutions Fiscal Year 2009		
Institution	Number of Students	Amount Awarded <sup>a</sup>
Angelo State University	19	\$ 85,826
Stephen F. Austin State University	124	625,370
Texas A&M International University	40	189,345
Texas A&M University - Corpus Christi	74	289,379
Texas Woman's University	55	244,737
University of North Texas	216	1,011,693
The University of Texas at San Antonio	38	190,440
Total for Audited Institutions <sup>a</sup>	566	\$2,636,789
<sup>a</sup> Totals do not always sum precisely due to rounding.		

Source: Unaudited information self-reported by the institutions.



Although most audited institutions had adequate edit checks, some institutions should improve edit checks to ensure students are eligible for BOT loans.

Overall, the audited institutions had edit checks and review controls to ensure that students were eligible for BOT loans; however, auditors identified minor issues related to student status changes. For each audited institution, auditors performed data analysis of the entire population of BOT recipients for reasonableness. In addition, at each audited institution, auditors tested compliance with all eligibility requirements for a sample of fiscal year 2009 BOT loan recipients. Auditors identified only three students who received BOT loans when they were not eligible (see Table 2 for additional details).

**Satisfactory Academic Progress Requirements for BOT**

To maintain eligibility for a BOT loan, a student must maintain a cumulative grade point average of at least 2.5, enroll full-time, and complete at least 75 percent of the attempted semester credit hours in the most recent academic year.

Source: Texas Education Code, Section 56.456.

Institutions should ensure that student status changes, such as graduation with a baccalaureate degree or final high school transcripts, are considered when awarding and disbursing loans during the spring and fall semesters. In addition, all students tested complied with Texas Education Code, Section 56.456, requirements to meet satisfactory academic progress requirements for BOT loans (see text box).

Table 2

BOT Compliance Issues Identified During Audit Testing	
Institution	Noncompliance
<b>Requirement:</b> Texas Education Code, Section 56.454, specifies that a person is not eligible to receive a BOT loan if he or she has already been granted a baccalaureate degree.	
The University of Texas at San Antonio	One student received a BOT loan for the Spring 2009 semester after graduating with a baccalaureate degree in December 2008.
<b>Requirement:</b> Texas Education Code, Section 56.455, requires that a person who is initially eligible for a BOT loan must be a graduate of a public or private high school in Texas under the recommended or advanced high school program.	
The University of Texas at San Antonio	One student did not graduate from a recommended or distinguished high school program but received a BOT loan. The institution's student financial aid system was not updated with this student's final high school transcript; therefore, the financial aid office was not aware that this student did not graduate from a recommended or distinguished high school program.
Texas A&M International University	For one student who received a BOT loan, there was no documentation showing that the student graduated from a recommended or distinguished high school program.

Source: Institution information regarding BOT loans awarded in fiscal year 2009.

Institutions forgave the majority of the BOT loans in accordance with statutory requirements.

#### BOT Forgiveness Process

A student completes a BOT loan forgiveness eligibility form. The registrar of the institution from which the student graduated then certifies that the student is qualified for loan forgiveness and documents the following information for that student:

- Initial enrollment date.
- Graduation date.
- Number of years required for degree.
- Number of credit hours required for degree.
- Number of credit hours attempted.
- Cumulative grade point average upon graduation.
- Degree title.
- High school graduation date.

The registrar then signs the form, and the student or institution forwards the signed form and official college transcript to the Coordinating Board for approval and forgiveness of the loan.

Six of the seven institutions audited forgave BOT loans in compliance with Texas Education Code requirements (see BOT forgiveness process in text box). In fiscal year 2009, the audited institutions forgave loans totaling \$2,354,495 to 194 students (see Table 3 on the next page). See Appendix 3 for the total amount of BOT loans forgiven at all public and private institutions for fiscal years 2006 through 2009.

Texas Woman's University should strengthen its processes to ensure that the BOT loans it certifies and submits to the Coordinating Board as eligible for forgiveness comply with loan forgiveness requirements (see BOT forgiveness requirements in text box below). At that institution, 4 (24 percent) of 17 loans tested were not forgiven in accordance with Texas Education Code, Section 56.462. Three of the loans appeared to be qualified to be forgiven, but as of September 2009, the Coordinating Board had not forgiven these loans, even though the students had graduated in May and December 2008. An additional student was not qualified for loan forgiveness (because the student attempted a number of hours that exceeded the maximum limit), but the student's BOT loan in the amount of \$3,590 was certified as eligible for forgiveness by the institution and forgiven by the Coordinating Board.

#### BOT Forgiveness Requirements for Four-year Institutions

Graduation with a cumulative grade point average of at least 3.0 and:

- Graduation within 4 or 5 years (depending on type of degree) from initial enrollment.
- OR
- The total number of semester credit hours taken is no more than 6 hours beyond what is required for the student's degree plan.

Stephen F. Austin State University and the University of Texas at San Antonio did not retain copies of some of the BOT loan forgiveness eligibility forms that are completed by the students, signed by the institutions' registrars, and submitted to the Coordinating Board. However, the Coordinating Board was able to provide copies of these forms.

Table 3

BOT Loans Forgiven in Fiscal Year 2009 (as of July 23, 2009)		
Institution	Number of Students	Amount Forgiven
Angelo State University	5	\$ 62,551
Stephen F. Austin State University	20	331,425
Texas A&M International University	12	177,284
Texas A&M University - Corpus Christi	19	229,205
Texas Woman's University	7	87,870
University of North Texas	106	1,233,048
The University of Texas at San Antonio	25	233,112
Total for Audited Institutions	194	\$2,354,495

Source: Unaudited information self-reported by the institutions.

**The Coordinating Board should provide guidance and monitor institutions' calculation and transfer of BOT tuition set-asides, and institutions should develop detailed policies and procedures for tuition set-asides.**

**BOT Funding**

BOT is partially funded by tuition set-asides from the public four-year institutions.

Texas Education Code, Section 56.465(a), requires public institutions to set aside 5 percent of each resident undergraduate student's designated tuition in excess of \$46 per semester for BOT.

Four-year public institutions transfer tuition set-asides to the Office of the Comptroller of Public Accounts. The Coordinating Board then allocates BOT funds among all students at public and private or independent higher education institutions in Texas in accordance with Texas Education Code, Section 56.452(b).

The institutions did not consistently transfer BOT tuition set-asides to the Coordinating Board as required by Texas Education Code, Section 56.465(a) (see text box), and the Coordinating Board does not monitor the accuracy of institutions' tuition set-aside amounts.

Texas Education Code, Section 56.453, requires the Coordinating Board to administer the BOT program. However, the Coordinating Board does not provide institutions with guidance on when to transfer the tuition set-asides to the Office of the Comptroller of Public Accounts (Comptroller's Office), and the Coordinating Board does not monitor the tuition set-aside amounts that institutions transfer to the Comptroller's Office. For example, Texas A&M International University did not transfer tuition set-asides totaling \$215,964 for fiscal years 2006, 2007, and 2008 until June 2009. Additionally, as of August 1, 2009, Texas A&M International University had not transferred any BOT tuition set-asides to the Comptroller's Office for fiscal year 2009.

In addition, auditors could not determine whether Texas A&M International University calculated tuition set-asides correctly because of how it calculated its tuition amounts. Specifically, the tuition waivers this institution gave were not designated as being associated with undergraduate or graduate students

within the institution's accounting system. As a result, auditors were unable to determine whether the appropriate waivers were included in the tuition amounts this institution used in calculating its BOT tuition set-asides.

Because the Coordinating Board does not provide guidance and oversight of BOT tuition set-asides, the institutions also use different methodologies in determining these set-asides. Additionally, of the seven institutions audited, only Texas A&M University - Corpus Christi and Stephen F. Austin State University had detailed policies and procedures for calculating the tuition set-aside and transferring funds to the Comptroller's Office. As a result, auditors identified minor errors in the tuition set-aside amounts for the Fall 2008 and Spring 2009 semesters for Angelo State University, Texas A&M University – Corpus Christi, and Texas Woman's University. These errors included misclassification of students' residency status when calculating the tuition set-asides, spreadsheet formula errors, and timing differences. There has been no formal guidance from the Coordinating Board regarding when to transfer the tuition set-asides. In fiscal year 2009, the seven audited institutions transferred \$6,198,679 in tuition set-asides (see Table 4).

Table 4

BOT Tuition Set-asides (Fiscal Year 2009)	
Institution	BOT Tuition Set-Aside Amount
Angelo State University	\$ 263,690
Stephen F. Austin State University	827,012
Texas A&M International University	0
Texas A&M University - Corpus Christi	377,879
Texas Woman's University	504,150
University of North Texas	2,287,397
The University of Texas at San Antonio	1,938,551
Total for Audited Institutions	\$ 6,198,679

Source: Unaudited information from the Coordinating Board.

According to the Coordinating Board, BOT tuition set-asides totaled \$35,044,843 for all institutions in fiscal year 2009. Only \$21,288,017 of that amount was used to make awards, leaving \$13,756,826 remaining as of the end of fiscal year 2009. The Coordinating Board was appropriated additional funding from General Revenue for fiscal years 2008 and 2009 (\$18.5 million per fiscal year) for the BOT program. However, until June 2007, the Coordinating Board was uncertain about whether it would receive that funding, so it relied on funding from the tuition set-asides and only awarded loan renewals to students who already had BOT loans (see Chapter 2 for more

information). This indicates that the Coordinating Board could strengthen its ability to make decisions about the availability of funds by monitoring tuition set-aside balances more closely.

## Recommendations

The University of Texas at San Antonio should:

- Consider student status changes, such as graduation with a baccalaureate degree, and final high school transcripts when awarding and disbursing BOT loans.
- Maintain all BOT certification eligibility forms.

Texas A&M International University should:

- Transfer BOT tuition set-asides to the Comptroller's Office annually.
- Accurately calculate BOT tuition set-aside amounts and designate tuition waivers as being associated with graduate or undergraduate students.
- Maintain documentation showing that students are eligible for BOT awards.

Texas Woman's University should:

- Ensure that students are eligible for forgiveness of BOT loans by implementing a review process over the information provided on BOT forgiveness eligibility confirmation forms.
- Calculate BOT tuition set-aside amounts using all required information.

Stephen F. Austin State University should maintain all BOT certification eligibility forms.

The Coordinating Board should:

- Provide guidance to institutions regarding BOT tuition set-asides, and monitor institutions' calculations and transfers of BOT tuition set-asides to the Comptroller's Office.
- Review BOT information provided by institutions and loan recipients to ensure that (1) BOT loans that are authorized to be forgiven are forgiven and (2) BOT loans that are forgiven comply with statutory requirements.

Angelo State University should accurately calculate BOT tuition set-aside amounts.

Texas A&M University - Corpus Christi should accurately calculate BOT tuition set-aside amounts.

Angelo State University, Texas A&M International University, Texas Woman's University, the University of North Texas, and the University of Texas at San Antonio should develop written policies and procedures regarding how to calculate BOT tuition set-aside amounts based on guidance provided by the Coordinating Board.

#### **Management's Response from the University of Texas at San Antonio**

*The University of Texas San Antonio Office of Student Financial Aid and Enrollment Services has created awarding and disbursement rules on BANNER that will provide appropriate system edit checks. This will ensure that students receiving funds are in fact eligible. UTSA has also updated our policies and procedures to reflect new rules as well as revised processes with regards to awarding and disbursement and tuition set-aside calculations.*

*Student Graduating Receiving BOT in spring 2009: UTSA has modified the disbursement rule to check SHADEGR (Registrar degree screen) before disbursing BOT loans. If a student has graduated, the BOT loan will not disburse. We have also created a disbursement hold on all students who have applied for graduation. After actual graduation, the student's SHADEGR is updated. If the student actually graduated, no funds will disburse. If the student did not graduate, funds will disburse if the student remains eligible. Students will appear on a disbursement error report that will be worked manually to either cancel or continue funding.*

*Student not graduating with Recommended or Distinguished High School Curriculum awarded BOT: UTSA will continue to initially award students based on their 6th semester transcript. New disbursement rules have been created that will not allow the funds to disburse unless we have received a final high school transcript and that transcript indicates recommended or distinguished. If the student was initially awarded but is now identified as ineligible, the student will appear on a disbursement error report. The loan team will manually review the student's file to ensure they did or did not complete the appropriate curriculum by reviewing the imaged version of the final transcript. If the student did not graduate with the appropriate curriculum, the BOT loan is canceled without having been disbursed.*

*Maintain all BOT certification forms: The Registrar's office certifies eligibility for forgiveness of the BOT loan. The Registrar's Office will now keep copies of the forms and will also place a comment on SPACMNT for each student that applies for the BOT loan forgiveness. Policies and procedures have been updated per the Registrar's office.*

*Responsible Person: Assistant Vice President for Student Financial Aid and Enrollment Services*

*Assistant Vice President and University Registrar*

*Implementation Date: September 1, 2009*

*The policies and procedures for calculating the B-On-Time (BOT) tuition set-asides have now been formally published in the Financial Management Operational Guidelines 3.3 – Financial Aid Set Asides From Tuition Revenue <http://www.utsa.edu/financialaffairs/opguidelines/3.3.html>.*

*Section C.2 specifically addresses the BOT tuition set-aside amount calculation.*

*Responsible Person: Associate Vice President, Financial Affairs*

*Implementation Date: August 12, 2009*

### **Management's Response from Texas A&M International University**

*Texas A&M International University (TAMIU) has approximately 76% of students on some form of financial aid, and the institution welcomed the opportunity to have the procedures for B-On-Time loans, Texas Public Education Grants and TEXAS Grants reviewed.*

*TAMIU intends to ensure that set-asides for both, BOT and TPEG, are done in a timely and accurate manner by revising the procedures for calculating these set-asides. Additionally, our student information system, BANNER, incorporates rules to ensure that only those students who meet eligibility requirements receive BOT, TPEG, and/or TEXAS Grant funds, and a system-generated report will provide an additional check to further confirm student eligibility.*

*Texas A&M International University's management is committed to complying with all requirements for awarding funds from state-funded student financial aid programs, and the institution thanks the State Auditor's Office team for their time in assisting us with this endeavor.*

*TAMIU agrees with the SAO's recommendations and has developed written procedures to ensure that BOT tuition set-asides are transferred to the Comptroller's Office annually by the campus comptroller. Additionally, the institution is implementing procedures to distinguish between undergraduate and graduate tuition waivers, therefore allowing for a more accurate calculation of BOT set-asides by excluding graduate tuition waivers. This will require some programming on our student system, BANNER, and the institution anticipates having this corrected by start of the fall 2010 semester.*

*The institution's migration to BANNER now allows for fund rules to be created which preclude the awarding of BOT funds without the appropriate documents entered into the system. The system requires the necessary high school curriculum be checked off in order for the BOT funds to be offered to a student. This should ensure that students who are being offered BOT funds meet all program requirements, however, a new, system-generated report will be reviewed as an additional check to further confirm student eligibility. The financial aid director will ensure implementation of these procedures before the start of the spring 2010 semester.*

#### **Management's Response from Texas Woman's University**

*The review process for determining eligibility for BOT Loan forgiveness will be strengthened through the development of an automated report to accurately calculate a BOT borrower's time enrolled, credit hours taken, and cumulative grade point average. Additionally, written procedures will be reviewed and modified to improve accuracy in this process.*

*Implementation Date: February 15, 2010*

*Responsible Party: Registrar*

*TWU has revised the process for calculating set-aside amounts. For the BOT program, selection criteria for student residency classification has been modified to accurately reflect the requirements of TEC § 56.011 and § 56.012.*

*Implementation Date: February 15, 2010*

*Responsible Party: Associate Vice President for Finance & Controller*

*Documentation of the processes for calculation of the set-aside, written policies and procedures, and completion of the necessary transfers and accounting entries are being strengthened through automation and additional detailed written explanations.*

*Implementation Date: February 15, 2010*

*Responsible Party: Associate Vice President for Finance & Controller*



## Management's Response from Stephen F. Austin State University

*Stephen F. Austin State University has already changed procedures to maintain BOT certification eligibility forms in accordance with our record retention guidelines.*

*Person responsible for implementation: Registrar*

*Date: October 31, 2009*

## Management's Response from the Coordinating Board

*We agree that additional guidance and monitoring is needed regarding institutional set-asides and have already begun action to develop and implement effective actions.*

*Anticipated completion date: March 2010.*

*We agree to the importance of applying proper forgiveness actions regarding B-On-Time loans. As a result of a previous review, we have tightened the alignment of our Forgiveness Authorization Form so that the statutory requirements are clearer to the institution's certifying official. We are current in the processing of all Forgiveness Authorizations that we have received from relevant institutions. If a forgiveness action has not been taken, it is because the documentation has not been submitted or is not completed as required.*

## Management's Response from Angelo State University

*ISSUE: BOT P&P: Did not have detailed policies and procedures for calculating the tuition set-asides and transferring funds to the Comptroller's Office. As a result, auditors identified minor errors in the tuition set-aside amounts for the Fall 2008 and Spring 2009 semesters for ASU. These errors were due to timing differences. The University should develop these procedures based on guidance from the Coordinating Board.*

*ACTION: In order to alleviate this problem in the future, ASU will refine its policies and procedures for calculating the tuition set-asides and resultant transfer of funds by reviewing and adjusting transfers at the end of each fiscal year.*

*RESPONSIBLE PERSON: Controller*

*IMPLEMENTATION DATE: December 2009*

## Management's Response from Texas A&M University - Corpus Christi

*A formula error on the B-On-Time spreadsheet resulted in a small difference in the designated tuition set aside for B-On-Time. The spreadsheet has been corrected as of July 10, 2009 and will allow Texas A&M University-Corpus Christi to accurately calculate BOT tuition set-aside amounts.*

## Management's Response from the University of North Texas

*Management Response from Financial Reporting:*

*The University of North Texas agrees with this recommendation. More detailed procedures will be written for B-On-Time deposits and payments to THECB no later than December 31, 2009. The position responsible for implementing corrective action is the Director of Financial Reporting.*

**TPEG Grants: The Audited Institutions Substantially Complied with the Requirements for Awarding TPEG Grants, But Improvements Are Needed in Tuition Set-asides and Policies and Procedures**

**Texas Public Education Grant (TPEG)**

These grants provide assistance to students with financial need. The source of funding is tuition set-asides.

TPEG is administered separately by each institution and is not overseen by the Coordinating Board. Public colleges or institutions in Texas award TPEG from their own resources. No individual award may be more than the student's financial need.

Institutions determine the maximum award amount.

**Primary Areas Audited**

Auditors tested various requirements for the TPEG program. The major categories of testing are listed below.

Auditors tested **eligibility requirements** for TPEG, including whether the student demonstrated financial need.

Auditors tested compliance with **tuition set-aside requirements**, including institutions' calculation of tuition set-aside amounts.

The audited institutions substantially complied with statutory requirements and institutional policies for awarding TPEG grants. However, additional guidance is needed for awarding TPEG grants to international students, and institutions should update their policies and procedures to reflect requirements established by the institutions. In addition, three institutions did not accurately calculate required tuition set-aside amounts for TPEG.

In fiscal year 2009, the audited institutions awarded TPEG grants totaling \$17,313,567 to 13,581 students (see Table 5). Overall, public four-year institutions awarded TPEG grants totaling \$92,194,168 to 63,520 students in fiscal year 2008 (see Appendix 2).

Table 5

TPEG Grants Awarded by Audited Institutions Fiscal Year 2009		
Institution	Number of Students Awarded	Amount Awarded
Angelo State University	860	\$ 1,426,208
Stephen F. Austin State University	1,149	1,839,765
Texas A&M International University	994	872,059
Texas A&M University - Corpus Christi	779	1,350,325
Texas Woman's University	1,505	1,900,829
University of North Texas	4,580	6,410,173
The University of Texas at San Antonio	3,714	3,514,208
<b>Total for Audited Institutions</b>	<b>13,581</b>	<b>\$17,313,567</b>

Source: Unaudited information self-reported by the institutions.

Audited institutions should improve written procedures to ensure that students are eligible for TPEG grants.

Institutions did not consistently document up-to-date procedures for complying with additional requirements they developed and, in a few cases, institutions did not comply with those additional requirements. Several institutions developed additional requirements, such as requiring students to make satisfactory academic progress, setting maximum award amounts for students, and requiring students to take a certain number of semester credit hours. For each audited institution, auditors performed data analysis of the entire population of TPEG recipients for reasonableness. In addition, at each audited institution, auditors tested compliance with all eligibility requirements for a sample of fiscal year 2009 TPEG recipients. The results of those tests indicated that the institutions complied with the statutory requirements.

The manner in which institutions awarded student financial aid to international students was not always consistent with the manner in which they awarded student financial aid to other eligible students. At the University of North Texas and Stephen F. Austin State University, the international departments (rather than the student financial aid departments) were responsible for awarding TPEG grants to international students. This included determining the amount of the TPEG award. Specific issues identified included the following:

- The University of North Texas had a maximum award limit of \$2,500 per year in its general policies and procedures for TPEG awards. However, no maximum award was documented in policies and procedures that were specific to international students. In addition, international students at the University of North Texas were not required to meet the institution's satisfactory academic progress policy, but other students had to make satisfactory academic progress to be eligible for student financial aid.
- Stephen F. Austin State University did not calculate the expected family contribution for international students (but it did calculate the expected family contribution for other students). Therefore, it was not possible to determine international students' financial need when determining the award amounts.

The University of North Texas and Stephen F. Austin State University should provide guidance to their international departments on determining students' financial need.

Three of the seven institutions did not accurately calculate tuition set-aside amounts for TPEG in accordance with statutory requirements.

Texas Education Code, Section 56.033(a), requires institutions to set aside 15 to 20 percent of each resident student's statutory tuition and 3 percent of each

nonresident student's statutory tuition for TPEG. For fiscal year 2009, statutory tuition was \$50 per semester credit hour for residents and \$331 per semester credit hour for nonresidents. TPEG funds are set aside and administered by each institution.

Three institutions did not set aside the correct amount of tuition for TPEG for the Fall 2008 and Spring 2009 semesters. Specifically:

- Texas A&M International University set aside \$166,593 less than was required because it incorrectly omitted graduate students' tuition from its calculation. This institution should have set aside \$949,827, but instead it set aside \$783,234.
- Texas Woman's University set aside \$344,283 more than was required because it incorrectly included board-authorized tuition in its tuition set-aside calculation. This institution should have set aside \$1,745,059, but instead it set aside \$2,089,342.
- Texas A&M University - Corpus Christi set aside \$36,521 more than was required because it incorrectly included board-authorized tuition in its tuition set-aside calculation. This institution should have set aside \$1,413,672, but instead it set aside \$1,450,193.

Only Texas A&M University - Corpus Christi had detailed, step-by-step procedures for calculating the tuition set-aside.

Six of seven institutions used interest earned from TPEG tuition set-asides to award TPEG funds.

Texas Education Code, Section 56.033(d), requires institutions to use interest earned from TPEG tuition set-asides to award TPEG funds to students. Six of the seven institutions audited complied with that requirement during fiscal year 2009. However, Texas A&M University - Corpus Christi did not account for the interest earned from (1) resident graduate TPEG tuition set-asides and (2) nonresident graduate and undergraduate TPEG tuition set-asides. As a result, it could not be determined that tuition set-aside interest was being used for TPEG awards.

All seven institutions audited complied with requirements for emergency loans and excess funds.

All seven institutions complied with Texas Education Code, Section 56.033(b), which requires that (1) no more than 10 percent of funds set aside for TPEG be designated for emergency loans and (2) no less than 90 percent of funds set aside for TPEG be used for TPEG awards.

Because no institution had unencumbered TPEG funds in excess of 150 percent of TPEG funds set aside by the institution, no institutions were

required to transfer excess funds to the Coordinating Board as required by Texas Education Code, Section 56.039.

### Recommendations

All institutions should update their policies and procedures to reflect procedures for ensuring compliance with all TPEG eligibility requirements and include language that gives them the flexibility to make changes for certain situations, if needed. In addition, institutions should improve documented procedures on how to calculate TPEG tuition set-asides.

The University of North Texas should provide guidance to its international department to accurately determine the financial need for international students who are awarded TPEG grants.

Stephen F. Austin State University should provide guidance to its international department to accurately determine the financial need for international students who are awarded TPEG grants.

Texas A&M International University should accurately calculate its TPEG tuition set-asides.

Texas Woman's University should accurately calculate its TPEG tuition set-asides.

Texas A&M University - Corpus Christi should (1) accurately calculate its TPEG tuition set-asides and (2) account for the interest earned from resident graduate TPEG tuition set-asides and nonresident graduate and undergraduate TPEG tuition set-asides.

### Management's Response from Angelo State University

*ISSUE: TPEG P&P: The University should update their policies and procedures to reflect procedures for ensuring compliance with all TPEG eligibility requirements and include language that gives them the flexibility to make changes for certain situations, if needed. In addition, it should improve documented procedures on how to calculate TPEG tuition set-asides.*

*ACTION: The University will take the steps as outlined by the auditors; i.e., updating of policies and procedures to ensure compliance with all TPEG eligibility requirements, including the improvement of documentation procedures on calculations. Specifically, policies will include the review and adjustment of transfers at the close of each fiscal year.*

*RESPONSIBLE PERSON: Associate Vice President for Enrollment Management*

*IMPLEMENTATION DATE: December 2009*

#### **Management's Response from Stephen F. Austin State University**

*Stephen F. Austin State University will adopt procedures relating to determination of financial need for international students who are awarded TPEG grants.*

*Person responsible for implementation: Director of Financial Aid*

*Date: May 31, 2010*

#### **Management's Response from Texas A&M International University**

*TAMIU agrees that TPEG tuition set-asides were incorrectly calculated, and the institution has revised its procedures to ensure the inclusion of graduate students' tuition in performing these calculations. This correction has been implemented by the comptroller.*

*The procedures on awarding TPEG will be updated to include the auditor's recommendations before the start of the spring 2010 semester. In addition, the office of financial aid will evaluate the procedures manual annually to maintain congruency with state, federal and System rules and policies. These will be updated by the financial aid director as required.*

#### **Management's Response from Texas A&M University - Corpus Christi**

*Texas A&M University-Corpus Christi included board-authorized tuition in its tuition set-aside calculation resulting in an over-remittance of \$36,521. TAMUCC procedures currently allow for a 15% set aside of tuition for Texas Public Education Grants. The amount of the remittance, while over the 15% indicated in university procedures, did not exceed the 20% maximum allowed by the state. Procedures have been updated to exclude board-authorized tuition from the TPEG calculation effective September 2009.*

*In Fiscal Year 2009, Texas A&M University-Corpus Christi calculated interest earned on resident undergraduate and resident graduate TPEG tuition set-asides. The amount of interest earned was applied towards resident undergraduate TPEG funds. TAMUCC changed procedures in August 2009 and recalculated interest earned for Fiscal Year 2009 to include non-resident undergraduate and non-resident graduate TPEG tuition set-*

*asides. The amount of interest earned was applied towards non-resident undergraduate TPEG funds available for use.*

*The Office of Financial Assistance has modified the Policy and Procedure for awarding the TPEG as of July 1, 2009. The state requirements indicate that the student must have financial need and not other requirements in order to be eligible to receive the TPEG. The policy of the Financial Assistance Office on awarding TPEG is that the student must be enrolled in at least 6 credit hours, have financial need, an EFC of \$400 or greater, a 2.0 GPA or higher, and a cap on the maximum award for TPEG no more than \$2000 total TPEG award for the academic year. In certain situations, flexibility to the Institutional rules can be made on a case-by-case basis and with the approval of the Director, Associate Director or Assistant Director.*

*The Office of Financial Assistance has updated its policy July 1, 2009 to include that in certain situations flexibility to the Institutional rules can be made on a case-by-case basis, and with the approval of the Director, Associate Director or Assistant Director.*

#### **Management's Response from Texas Woman's University**

*TWU will update its policies and procedures to reflect procedures for ensuring compliance with all TPEG eligibility requirements and include language that gives the flexibility to make changes for certain situations, if needed.*

*Implementation Date: February 15, 2010*

*Responsible Party: Director of Financial Aid*

*TWU has revised the process for calculating set-aside amounts. For the TPEG program, board-authorized tuition has been removed from the base for calculation. Documentation of the processes for calculation of the set-aside and completion of the necessary transfers and accounting entries are still works in progress, but they are being strengthened through automation and additional detailed written explanations.*

*Implementation Date: February 15, 2010*

*Responsible Party: Associate Vice President for Finance & Controller*



## Management's Response from the University of North Texas

*Management Response from Student Financial Aid and Scholarships ("SFAS") and International Department:*

(1) *The University of North Texas agrees with the issue of the International Department updating procedures with a maximum award limit consistent with SFAS's policy. The International Department's procedures were updated and implemented for 2009-2010 with a maximum award limit that aligns with SFAS's policy. The position responsible for implementing this corrective action is the Program/Project Coordinator III of the International Department.*

(2) *The University of North Texas agrees with the issue of the International Department updating procedures to meet the institution's satisfactory academic progress policy no later than December 31, 2009. The position responsible for implementing corrective action is the Assistant Director of Compliance in Student Financial Aid and Scholarships.*

(3) *The University of North Texas agrees with the recommendation of SFAS reviewing the International Department's methodology and providing guidance on determining students' financial need to treat the two dissimilar populations as equitably as possible no later than December 31, 2009. The position responsible for implementing corrective action is the Director of Student Financial Aid and Scholarships.*

*Management Response from Financial Reporting on how to calculate TPEG tuition set-asides:*

(1) *The University of North Texas agrees with this recommendation. Procedures will be written for calculation of TPEG amounts no later than December 31, 2009. The position responsible for implementing corrective action is the Director of Financial Reporting.*

## Management's Response from the University of Texas at San Antonio

*UTSA Policies and Procedures have been updated to reflect flexible circumstances for awarding the TPEG grant. Specifically this includes: students receiving international TPEG grants that later receive a waiver to receive in-state tuition, special circumstances identified by staff and management and students not auto-packaged in the initial awarding process that have extenuating circumstances.*

*Procedures on how to calculate TPEG tuition set-asides have been formally published in the Financial Management Operational Guidelines 3.3 –*

*Financial Aid Set Asides From Tuition Revenue*  
*<http://www.utsa.edu/financialaffairs/opguidelines/3.3.html>. Section C.1*  
*specifically addresses the TPEG Grants tuition set-aside amount calculation.*

*Responsible Person: Assistant Vice President for Student Financial Aid and*  
*Enrollment Services*  
*Associate Vice President, Financial Affairs*

*Implementation Date: September 1, 2009*

## TEXAS Grants: The Audited Institutions Substantially Complied with Requirements for Awarding TEXAS Grants, But the Coordinating Board Should Ensure That Institutions Are Aware of All Requirements

### Towards EXcellence, Access and Success Grants (TEXAS)

These grants provide well-prepared high school graduates from Texas with financial need the opportunity to attend any public institution of higher education in Texas.

In fiscal year 2009, the maximum award amount for four-year institutions was \$5,280 per year or \$2,640 per semester.

#### Primary Areas Audited

Auditors tested various requirements for the TEXAS program. The major categories of testing are listed below.

Auditors tested compliance with **eligibility requirements** for grants. A student can receive TEXAS grants for up to 150 semester credit hours until he or she receives a baccalaureate degree if the student:

- Meets satisfactory academic progress requirements.
- Shows financial need.
- Is a Texas resident.
- Has an expected family contribution of less than or equal to \$4,000.
- Registers for selective service.

AND

- Graduates from a recommended or distinguished high school program in Texas.
- Enrolls in a public institution within 16 months of high school graduation.

OR

- Earned an associate's degree in Texas.
- Enrolls within 12 months of receiving an associate's degree.

The audited institutions substantially complied with statutory requirements and institutional policies for awarding TEXAS grants. However, the Coordinating Board should provide additional guidance to ensure that institutions are aware of all requirements.

In fiscal year 2009, the audited institutions awarded TEXAS grants totaling \$35,852,576 to 7,338 students (see Table 6). Overall, all public four-year institutions awarded TEXAS grants totaling \$169,063,824 to 35,688 students in fiscal year 2008 (see Appendix 2).

Table 6

TEXAS Grants Awarded by Audited Institutions Fiscal Year 2009		
Institution	Number of Students Awarded	Amount Awarded
Angelo State University	546	\$ 2,508,000
Stephen F. Austin State University	827	4,052,247
Texas A&M International University	736	3,614,160
Texas A&M University - Corpus Christi	459	2,147,872
Texas Woman's University	650	3,185,669
University of North Texas	2,099	10,053,120
The University of Texas at San Antonio	2,021	10,291,508
<b>Total for Audited Institutions</b>	<b>7,338</b>	<b>\$35,852,576</b>

Source: Unaudited information self-reported by the institutions.

The audited institutions substantially complied with statutory requirements for awarding TEXAS grants to students.

Auditors analyzed the audited institutions' entire TEXAS grant population for fiscal year 2009 and performed detailed testing for a sample of TEXAS recipients. Auditors identified a small percentage of errors involving recipients who were not eligible for funding (see Table 7). For all TEXAS grants tested, the recipients met satisfactory academic progress requirements and registered for selective service.

Table 7

TEXAS Compliance Issues Identified During Audit Testing	
Institution	Noncompliance
Requirements:	
Texas Education Code, Section 56.304 (a)(5)(A), requires that students enroll within 16 months of high school graduation.	
Texas Education Code, Section 56.304 (a)(2)(A), requires that students graduate high school not earlier than the 1998-1999 school year.	
The University of Texas at San Antonio	Three students did not enroll within 16 months of high school graduation.
Texas A&M International University	Two students did not enroll within 16 months of high school graduation.
Texas A&M University - Corpus Christi	Three students did not enroll within 16 months of high school graduation. In addition, two of these students graduated from high school prior to 1998. Their high school graduation dates were in 1994 and 1996, but the admissions department entered these students' information incorrectly into the student tracking system.
Angelo State University	One student did not enroll within 16 months of high school graduation.
Requirements:	
Texas Education Code, Section 56.304 (a)(5)(B), requires that students enroll within 12 months of receiving an associate's degree.	
Texas Education Code, Section 56.304 (a)(2)(B), requires that students receive an associate's degree not earlier than May 1, 2001.	
Texas Woman's University	One student did not enroll within 12 months of receiving an associate's degree. The student received an associate's degree in May 1999.
Requirement:	
Texas Education Code, Section 56.304 (a)(2)(A), requires that a student must be a graduate of a Texas high school and must complete the recommended or advanced high school curriculum	
The University of Texas at San Antonio	Four students did not graduate from a recommended or distinguished high school program. Staff did not update the student financial aid system with the students' final high school transcripts; therefore, the financial aid office was not aware that three of the students did not graduate from a recommended or distinguished high school program. A transcript could not be located for the fourth student.
Texas A&M International University	Two students did not graduate from a Texas high school.

TEXAS Compliance Issues Identified During Audit Testing	
Institution	Noncompliance
Texas Woman's University	One student did not graduate from a Texas high school.
<p align="center"><b>Requirement:</b></p> <p>Texas Education Code, Section 56.304 (d), specifies that a person may not receive a TEXAS grant for more than 150 semester credit hours or the equivalent.</p>	
The University of Texas at San Antonio	Four students received a TEXAS grant when they had attempted more than 150 semester credit hours.
<p align="center"><b>Requirement:</b></p> <p>Texas Education Code, Section 56.307 (a), specifies that the maximum amount of a TEXAS grant for a semester or term for a person enrolled full-time at an eligible institution is the amount determined by the Coordinating Board. (In fiscal year 2009, the Coordinating Board determined that amount was \$2,640 per semester or \$5,280 per year.)</p>	
The University of Texas at San Antonio	Ten students received TEXAS grants that exceeded the semester limit of \$2,640. Seven of those students received \$2,641 each, which exceeded the limit by \$1 due to a rounding issue in the student financial aid system. None of the students' TEXAS grants exceeded the limit for the year.
Texas A&M University - Corpus Christi	Three students received TEXAS grants that exceeded the semester limit of \$2,640. Two of those students received \$2,641 each, which exceeded the limit by \$1 due to a rounding issue in the student financial aid system. None of the students' TEXAS grants exceeded the limit for the year.
Texas Woman's University	One student received a TEXAS grant that exceeded the semester limit of \$2,640. This student's TEXAS grant did not exceed the limit for the year.
<p align="center"><b>Requirement:</b></p> <p>Texas Education Code, Section 56.304 (e), specifies that, if a person is initially awarded a TEXAS grant before the 2005 fall semester, that person's eligibility for a TEXAS grant ends on the sixth anniversary of the initial award of a TEXAS grant.</p>	
Texas A&M International University	One student received an initial TEXAS grant in Fall 2002 and also received a renewal TEXAS grant of \$5,280 in Fall 2008.
<p align="center"><b>Requirement:</b></p> <p>Texas Education Code, Section 56.307 (f) requires that the amount of the TEXAS grant plus any gift aid not exceed the student's financial need.</p>	
Angelo State University	One student received a TEXAS grant in an amount that exceeded the student's financial need.
<p align="center"><b>Requirement:</b></p> <p>Title 19, Texas Administrative Code, Section 22.228 (a)(9), specifies that TEXAS grant recipients must have an expected family contribution that does not exceed the limit set by the Coordinating Board. (In fiscal year 2009, the Coordinating Board established a limit of \$4,000).</p>	
University of North Texas	One student had an expected family contribution of more than \$4,000 but was awarded a TEXAS grant.

Source: Institutions' information on TEXAS grants they awarded in fiscal year 2009.

The Coordinating Board should ensure that institutions are aware of the need to prorate TEXAS grant amounts as students approach the 150 semester credit hour limit.

As noted in Table 7 above, only one of the seven institutions audited (the University of Texas at San Antonio) awarded TEXAS grants to students who had more than 150 semester credit hours; however, the other six institutions were inconsistent in how they prorated TEXAS grant amounts. In a January 2005 memo, the Coordinating Board informed institutions about how to calculate TEXAS grant amounts when students have only a few hours of program eligibility left. However, not all institutions followed these procedures. According to the institutions, one institution granted the full award amount (\$5,280) for the year, while other institutions granted the full amount for the fall semester (\$2,640). The Coordinating Board allocated TEXAS grant funds to institutions based on the number of hours in which students enrolled.

### Recommendations

Angelo State University, Texas A&M International University, Texas A&M University - Corpus Christi, Texas Woman's University, the University of North Texas, and the University of Texas at San Antonio should ensure that their student financial aid systems have edit checks that identify students who are eligible for TEXAS grants and that they award the proper amounts for each TEXAS grant.

The Coordinating Board should provide institutions with updated guidance on how to prorate TEXAS grant amounts for recipients who are close to the 150 semester credit hour limit.

### Management's Response from Angelo State University

*ISSUE: TEXAS Grants (Eligibility). The auditors found two cases of non-compliance with TEXAS Grants guidelines:*

- 1. One student did not enroll within 16 months of high school graduation, as required by Texas Education Code 56.304 (a) (5) (A).*
- 2. One student received a TEXAS grant in an amount that exceeded the student's financial need, an act in conflict with Texas Education Code, Section 56.307 (f) which does not allow over-awarding of TEXAS grants beyond a student's financial need.*

*ACTION: Angelo State University will implement additional edit checks to assure that TEXAS grants are awarded appropriately and within the limits as defined by law.*

*RESPONSIBLE PERSON: Associate Vice President for Enrollment Management*

*IMPLEMENTATION DATE: December 2009*

#### **Management's Response from Texas A&M International University**

*The institution's migration to the new BANNER student information system now allows for fund rules to be created which preclude the awarding of TEXAS Grant funds without the appropriate documents entered into the system. The system requires that students awarded TEXAS Grant funds meet all eligibility requirements prior to an award. This should ensure that students who are being offered TEXAS Grant funds meet all program requirements, however, a new system-generated report will be reviewed as an additional check to further confirm student eligibility. The financial aid director will ensure implementation of these procedures before the start of the spring 2010 semester.*

*The institution is seeking clarification from the Texas Higher Education Coordinating Board on the 6-year guideline. Following this clarification, the institution will be updating BANNER to ensure adherence to this program requirement, however, this will require some programming, and we anticipate having this corrected prior to the start of the fall 2010 semester.*

#### **Management's Response from Texas A&M University - Corpus Christi**

*Additional edit checks in Banner have been added to the rules for the Texas Grant, CAL, TPEG and BOT programs that looks not only at the residency determined by the Office of Admission, but also the state of legal residency as reported by the student on their FAFSA application. Additional edit checks were added to the awarding rules of Texas Grant initial awards to verify that the student graduated from high school within 16 months prior to their first award, and to ensure that the proper amounts have been awarded which are not to exceed the maximum amount set by the state for each term. Rounding issues in Texas Grant have been resolved. In the edit checks, if residency does not match the admissions application with the FAFSA application, it will appear on an exception report that is reviewed manually. Corrections will be made at that time if needed.*

*In order to rectify these issues, several additional edit checks have been added to the admissions process as of July 15, 2009. As we continue our Banner upgrade migration, steps are being taken to automate the residency determination process through ApplyTexas. Beginning the fall 2010, applicants who apply online through ApplyTexas will have a residency decision rendered by the ApplyTexas system. The residency determination*

*will occur off of the system's assessment of the student's application and the answers provided on key questions that support the student's residency claim. Additionally, edit check reports are run weekly to assess the accuracy of the automated determinations and to correct any oversights of the system or incidental human error.*

*In regards to the discrepancies in the graduation dates, during the migration from SIS+ to Banner some of the data in SIS+ was not carried over due to inconsistent data coding between the two systems. Steps have been taken to identify those students whose high school data did not transfer over. Measures to update these student records are currently underway.*

### **Management's Response from Texas Woman's University**

*TWU will modify edits on its financial aid awarding system to ensure that eligible students are selected for TEXAS Grant awards and that amounts awarded do not exceed the limits set forth in program guidelines.*

*Implementation Date: February 15, 2010*

*Responsible Party: Director of Financial Aid*

### **Management's Response from the University of North Texas**

*Management Response from Student Financial Aid and Scholarships:*

*The University of North Texas agrees with this recommendation. We will make improvements in our edit checks and prepare more detailed procedures for identifying eligible students and awarding proper amounts for TEXAS grants no later than December 31, 2009. The position responsible for implementing corrective action is the Assistant Director of Grants in Student Financial Aid and Scholarships.*

### **Management's Response from the University of Texas at San Antonio**

*UTSA has created an awarding and disbursement rule that will prevent students that did not enroll within 16 months of high school graduation from receiving the TEXAS Grant. UTSA will continue to initially award TEXAS Grants to students based on their 6th semester transcript. New disbursement rules have been created that will not allow the funds to disburse unless we have received a final high school transcript and that transcript indicates recommended or distinguished. If the student was initially awarded but is now identified as ineligible, the student will appear on a disbursement error report. The grant team will manually review the student's file to ensure they*



*did or did not complete the appropriate curriculum by reviewing the imaged version of the final transcript. If the student did not graduate with the appropriate curriculum, the TEXAS Grant is canceled without having been disbursed.*

*UTSA created a disbursement rule that will prevent disbursements for students receiving the TEXAS Grant that are at 132 hours. The students will appear on the disbursement error report. The grant team will review the appropriate students and determine remaining eligibility for the TEXAS Grant for the upcoming award year. Students will receive a pro-rated disbursement of the TEXAS Grant based on the appropriate calculation identified in the 2005 memo from THECB. Policies and procedures have also been updated to reflect this change in process.*

*UTSA has also created a disbursement rule that will not pay out a higher dollar amount during a given semester that is higher than half of the entire year award to avoid students receiving more than the semester limit for the TEXAS Grant. This will prevent disbursing at a higher dollar amount regardless of whether BANNER rounds up by a dollar as was the case with this particular audit finding.*

*Responsible Person: Assistant Vice President for Student Financial Aid and Enrollment Services*

*Implementation Date: September 1, 2009*

#### **Management's Response from the Coordinating Board**

*We agree. We will update the memo previously sent to institutions and re-send it. We will also include proration instructions each year when we advise institutions of their allocations.*

## CAL Loans: The Audited Institutions and the Coordinating Board Substantially Complied with Requirements for Awarding CAL Loans

### College Access Loans (CAL)

These loans provide funds to Texas students who are unable to pay for the cost of attendance at higher education institutions. CAL may be used to cover part or all of a student's expected family contribution, and students do not have to demonstrate financial need. However, the amount of federal aid for which students are eligible must be deducted from the cost of attendance to determine the loan amount.

#### Primary Areas Audited

Auditors tested various requirements for the CAL program. The major categories of testing are listed below.

Auditors tested institutions' compliance with **eligibility requirements**, including:

- Whether students were Texas residents.
- Whether students met satisfactory academic progress requirements.
- Whether students were enrolled at least half-time.

Auditors tested the Coordinating Board's **reviews of loan applications**, including:

- Whether students had a favorable credit evaluation or had a co-signer with good credit, were at least 21 years old, and had a regular source of income.
- Whether co-signers had the required residency status.

The audited institutions and the Coordinating Board substantially complied with requirements for awarding CAL loans. Students complete a CAL application online, and institutions then determine eligibility. If a student is eligible, the Coordinating Board then issues a promissory note.

In fiscal year 2009, the audited institutions awarded CAL loans totaling \$9,124,218 to 1,349 students (see Table 8). Texas A&M International University did not award any CAL loans during fiscal year 2009. Overall, all public four-year institutions awarded 6,380 CAL loans totaling \$48,501,377 in fiscal year 2008 (see Appendix 2).

Table 8

College Access Loans Awarded by Audited Institutions Fiscal Year 2009		
Institution	Number of Students Awarded	Amount Awarded
Angelo State University	58	\$ 351,809
Stephen F. Austin State University	211	1,576,584
Texas A&M International University	0	0
Texas A&M University - Corpus Christi	35	206,529
Texas Woman's University	183	819,628
University of North Texas	255	1,764,328
The University of Texas at San Antonio	607	4,405,340
Total Audited Institutions	1,349	\$9,124,218

Source: Unaudited information self-reported by the institutions.

The audited institutions substantially complied with requirements for awarding CAL loans to eligible students.

Auditors analyzed the entire CAL loan population at each audited institution for fiscal year 2009 and performed detailed testing for a sample of 119 recipients. Auditors identified only minor instances in which recipients were not eligible for CAL loans (see Table 9). Auditors identified no instances in which students received CAL loan amounts that exceeded their cost of attendance less any financial aid.

Table 9

CAL Compliance Issues Identified During Audit Testing	
Institution	Noncompliance
Requirement: Texas Education Code, Section 52.32, requires CAL recipients to be Texas residents.	
Texas A&M University - Corpus Christi	One student received a CAL loan but was not a resident of Texas. The student's residence was incorrectly listed by the admissions office in the student financial aid system.
Requirement: Title 19, Texas Administrative Code, Section 21.55 (b)(2), requires CAL recipients to meet satisfactory academic progress requirements.	
The University of Texas at San Antonio	Two students received CAL loans but did not meet satisfactory academic progress requirements.
University of North Texas	Thirteen students received CAL loans but did not meet satisfactory academic progress requirements.

Source: Institutions' information regarding CAL loans awarded in fiscal year 2009.

The Coordinating Board substantially complied with requirements when approving CAL applications; however, it should ensure that it maintains all related documentation.

Auditors tested the same 119 CAL loans at the Coordinating Board that auditors tested at the institutions and identified only minor issues related to documentation:

- The Coordinating Board did not verify or obtain documentation of permanent residency status for two co-signers on CAL applications that it approved.
- The Coordinating Board did not have documentation of co-signer credit reports for eight CAL loans that it approved.

## Recommendations

Texas A&M University - Corpus Christi should build edit checks into its student financial aid system to identify students who are eligible for CAL loans. If the student financial aid department uses information from other departments (such as the admissions department), the student financial aid department should verify the accuracy of that information.

The University of North Texas and the University of Texas at San Antonio should ensure that students meet satisfactory academic progress requirements before they are awarded a CAL loan.

The Coordinating Board should verify and obtain documentation of co-signers' residency status and maintain credit reports for CAL applications.

### Management's Response from Texas A&M - Corpus Christi

*Additional edit checks in Banner have been added to the rules for the Texas Grant, CAL, TPEG and BOT programs that looks not only at the residency determined by the Office of Admission, but also the state of legal residency as reported by the student on their FAFSA application as of July 1, 2009.*

### Management's Response from the University of North Texas

*Management Response from Student Financial Aid and Scholarships:*

*The University of North Texas agrees with this recommendation. The University will more fully define the satisfactory academic progress policy specifically for CAL loans to meet the intent of The Higher Education Coordinating Board no later than December 31, 2009. The position responsible for implementing corrective action is the Assistant Director of Compliance in Student Financial Aid and Scholarships.*

### Management's Response from the University of Texas at San Antonio

*We are continuing to research this issue with the vendor of our Student Information System, BANNER. BANNER rounded up the hours for completing the 67% of hours attempted. Once we have an answer from the vendor as to a resolution for this problem, we will make appropriate changes to the system edits to ensure students are not awarded and/or disbursed if they are not meeting SAP. Because this is a BANNER issue, we will review any students that fall into the PTERM category to ensure they are calculated correctly through an annual QC process after the spring term has ended.*

*Responsible Person: Assistant Vice President for Student Financial Aid and Enrollment Services*

*Implementation Date: January 31, 2010*

**Management's Response from the Coordinating Board**

*We agree that all Permanent Resident cosigners must have verification documentation on file and that the credit-based loan approval should always evidence a documented review of an existing credit report. As the result of a previous audit, steps have already been taken to strengthen management quality assurance reviews, which now include verifications of the two attributes noted.*

## ***The Methods the Coordinating Board Used to Allocate and Distribute Funds for Grant and Loan Funds to Institutions Were Reasonable, and Controls Over the Related Systems were Adequate***

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The methods the Coordinating Board used to allocate and distribute funds for grants and loans to institutions were reasonable. However, the Coordinating Board should strengthen its written policies and procedures for the calculations it uses to allocate funds for TEXAS grants and CAL loans to institutions. Auditors did not review allocations for TPEG and BOT because TPEG is administered at the institution level and no new BOT loans were awarded during the scope of this audit.

The Coordinating Board has adequate information technology controls over student financial aid applications to provide accurate information for the student financial aid programs audited. However, the Coordinating Board should improve controls over edit checks, password management, and user access.

### Chapter 2-A

#### **The Coordinating Board Uses a Reasonable Distribution Methodology to Allocate TEXAS and CAL Funds to Institutions, But It Should Strengthen Its Written Policies and Procedures**

The Coordinating Board uses a reasonable distribution methodology to allocate funds for TEXAS grants and CAL loans to institutions. However, its policies and procedures for these programs are not documented well, and it is not possible to use the Coordinating Board's current policies and procedures to re-create the allocation amounts. The Coordinating Board did not allocate any funds for new BOT loans in fiscal year 2009, and it is not responsible for allocating TPEG funds.

The Coordinating Board allocates student financial aid funds to institutions annually. Funding for the programs comes from General Revenue, tuition set-asides, and bonds. The Coordinating Board's methods for allocating funds in fiscal year 2009 are discussed below.

#### **TEXAS Funds**

In fiscal year 2009, the Coordinating Board allocated TEXAS funds to each institution based on a combination of two main factors:

- Number of students who received a TEXAS grant in previous years at the institution.
- Number of students who are eligible to receive student financial aid at the institution.

The Coordinating Board is unable to use the most up-to-date information when making allocations for TEXAS because of timing issues related to when it makes its allocations and when the Coordinating Board obtains information from institutions. The Coordinating Board reallocates funds in the spring after distributing the fall and spring awards.

The institutions' allocation processes affect students' unmet need for student financial aid programs. After institutions receive their state-funded allocations from the Coordinating Board, they then award students grants and/or loans based on criteria established for each program. Generally, institutions award state and federal grants first because students do not have to repay those awards. Loans are usually awarded last. For this reason, the institutions audited generally awarded eligible students with TEXAS and TPEG grants before awarding them from the other programs, such as BOT and CAL.

The seven institutions audited reported that 3,181 of their students were eligible for an initial TEXAS grant but did not receive a TEXAS grant. When this situation occurs, a student has "unmet need" (see Table 10).

Table 10

Unmet Need for TEXAS Grants in Fiscal Year 2009		
Institution	Number of Students Who Were Eligible for But Did Not Receive a TEXAS Grant	Amount of TEXAS Grants for Which These Students Were Eligible
Angelo State University	330	\$ 1,742,400
Stephen F. Austin State University	987	5,211,360
Texas A&M International University	835	4,408,800
Texas A&M University - Corpus Christi	388	2,048,640
Texas Woman's University	304	1,605,120
University of North Texas	0	0
The University of Texas at San Antonio	337	1,779,360
Total All Audited Institutions	3,181	\$16,795,680

Source: Unaudited information self-reported by the institutions.

The 80th Legislature appropriated \$211,882,843 to the Coordinating Board for the TEXAS program for fiscal year 2009. The 81st Legislature appropriated \$312,549,338 for fiscal year 2010, an increase of \$100,666,495.

## BOT Funds

In fiscal year 2009, the Coordinating Board did not specify specific amounts of BOT funds it would allocate to the institutions; instead, it instructed the institutions to award only renewals of BOT loans. The Coordinating Board asserts that it made this decision due to the available funding and uncertainty of the future funding for the program. It wanted to ensure that it could commit to providing loans for the students until they graduated.

Most recently, the General Appropriations Act (81st Legislature) required the Coordinating Board to allocate \$26 million in General Revenue to the BOT program for fiscal years 2010 and 2011. It also required the Coordinating Board to allocate \$30 million in BOT tuition set-asides to the BOT program in fiscal years 2010 and 2011. With the additional appropriations from General Revenue for the 2010-2011 biennium, the Coordinating Board asserts that awards of initial BOT loans resumed for fiscal year 2010.

## CAL Funds

In fiscal year 2009, the Coordinating Board allocated CAL funds to each institution based on the amount awarded in the previous year. However, auditors noted deviations from this methodology that were not consistent with prior year awards, and the Coordinating Board had no documentation of its reasons for these deviations.

## Student Eligibility Tracking for CAL, BOT, and TPEG

For CAL, BOT, and TPEG, the institutions were not always able to quantify the number of students who were eligible for these programs due to how the institutions track eligible students. For example, as discussed above, the institutions were informed that they could award only BOT loan renewals, so they did not always track initial eligible students for BOT. In addition, a student may be eligible for a TEXAS grant and a BOT or CAL loan but, as discussed above, institutions will generally award a TEXAS grant first if funding is available.

## Recommendations

The Coordinating Board should:

- Improve its documentation of policies and procedures for calculating the TEXAS grant and CAL allocations.
- Maintain documentation of its decisions made regarding allocations of funds for the CAL program.



## Management's Response from the Coordinating Board

*We agree that the current practices for calculating and adjusting the annual TEXAS Grant and CAL allocations provided to the educational institutions should be documented each year to facilitate future reviews and audits. As allocations are completed in the future we will compile a narrative of the process that was followed in making the calculations and any subsequent adjustments.*

Chapter 2-B

### **The Coordinating Board Has Adequate Controls Over Its Student Financial Aid Systems, But It Should Improve Controls Over Edit Checks, Password Management, and User Access**

Auditors assessed the information technology (IT) controls over the Coordinating Board's information systems and other automated processes the Coordinating Board used for student financial aid programs. Auditors evaluated general IT controls, including access to systems, password management, and controls over transmission of student financial aid data. Auditors also evaluated application controls, including input, processing, and output controls.

The Coordinating Board has adequate IT controls over student financial aid applications to provide accurate information for the audited state-funded student financial aid programs. However, it should make improvements in the following areas:

- The Coordinating Board should ensure that edit checks are properly coded in its student financial aid database. For example, auditors noted that maximum award amounts for BOT were not updated from the previous year to the current maximum level, which caused incorrect error messages to be generated.
- The Coordinating Board should manage its password processes for related student financial aid systems to ensure accountability for user access. Auditors communicated details about these controls to the Coordinating Board separately in writing.

Auditors identified other, less significant user access control issues associated with the Coordinating Board's related student financial aid systems and user-maintained spreadsheets and communicated those issues to the Coordinating Board in writing.

## Recommendations

The Coordinating Board should:

- Revise and properly review edit checks to ensure that the edit checks are properly coded to evaluate financial aid data submitted to the Coordinating Board.
- Improve password controls over student financial aid systems to ensure accountability over user access.

## Management's Response from the Coordinating Board

*We agree that we did have the incorrect amount when the data edit was checked during audit. Corrective action was taken immediately after the matter was brought to our attention. Information Technology Services (ITS) has established procedure for changes to code (including edit checks). Part of this process ensures that testing is done (prior to going to production) to ensure that the business requirements provided by the application owners are met.*

*ITS is also in the process of implementing a single sign-on framework for all web applications. This framework is expected to be implemented in January 2010. The Special Programs web application that was audited will be modified to fit within the new framework no later than June 2010. This new framework will allow for individual access and will provide a reporting mechanism to the application owner. The application owner can then review current access controls and make any needed modifications.*

# Appendices

Appendix 1

## *Objectives, Scope, and Methodology*

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### Objectives

The objectives of this audit were to:

- Determine whether audited Texas higher education institutions administer state-funded student financial aid programs in accordance with state statutes, Higher Education Coordinating Board (Coordinating Board) rules, and institutional policies.
- Determine whether Coordinating Board staff provide the financial aid offices with timely and accurate data regarding the availability of state-funded student financial aid.
- Determine whether Coordinating Board staff provide decision-makers with accurate information needed to make policy decisions regarding state-funded student financial aid.

### Scope

The scope of this audit included reviewing and analyzing data from the 2008-2009 academic year at selected institutions for the following state-funded student financial aid programs:

- B-On-Time (BOT) loan program.
- Texas Public Education Grant (TPEG) program.
- Towards EXcellence, Access and Success (TEXAS) grant program.
- College Access Loan (CAL) program.

In addition, the scope included reviewing and analyzing higher education institutions' tuition set-aside funds for the BOT and TPEG programs and the Coordinating Board's allocation process for the TEXAS Grant and CAL programs.

Auditors performed fieldwork on site at the following institutions:

- Angelo State University.
- Stephen F. Austin State University.

- Texas A&M International University.
- Texas A&M University – Corpus Christi.
- Texas Woman’s University.
- University of North Texas.
- The University of Texas at San Antonio.

## Methodology

The audit methodology included collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with student financial aid and accounting staff from selected institutions and Coordinating Board staff.

Information collected and reviewed included the following:

- The Texas Education Code and the Texas Administrative Code.
- Interviews with student financial aid and accounting staff from selected institutions and Coordinating Board staff.
- Audited institutions’ policies, procedures, guidelines, and manuals.
- Data from automated student financial aid systems at the audited institutions, including the Banner student financial aid system, the Datatel Colleague student financial aid system, PeopleSoft, and the PLUS student financial aid system.
- Data from the automated systems at the Coordinating Board, including the Higher Education Loans Management System (HELMS) database, the Financial Aid Database System (FADS), the Funds Request System, and the VisiFlow documentation system.
- Internal audit documentation and reports published by the Coordinating Board’s Internal Audit Department.

Procedures and tests conducted included the following:

- Analyzed data from the audited institutions’ automated systems and databases.
- Tested student data from the audited institutions’ student financial aid databases and the Coordinating Board’s databases against the criteria specific to each state-funded student financial aid program within the audit scope.

- Conducted interviews to understand the edit checks or manual processes in place at each selected institution and at the Coordinating Board to determine whether awards and allocations are processed accurately.
- Tested the accuracy of the data maintained by the higher education institutions for each loan and grant program and tested the automated controls that surround the HELMS and FADS databases at the Coordinating Board.
- Verified the accuracy of the tuition set-aside funds for the BOT program and the TPEG program at each audited higher education institution.
- Verified that the audited institutions' records for the amount allocated, received, and distributed for the TEXAS grant and CAL programs matched the amounts recorded by the Coordinating Board.

Criteria used included the following:

- Texas Education Code, Chapters 52 and 56.
- Title 19, Texas Administrative Code, Chapters 21 and 22.
- Audited institutions' policies, procedures, guidelines, and manuals.
- Audited institutions' satisfactory academic progress policies.

### **Project Information**

Audit fieldwork was conducted from July 2009 through September 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Jennifer Wiederhold, CGAP (Project Manager)
- Joe Curtis, CPA, CIA (Assistant Project Manager)
- Ishani Baxi
- Matt Byrnes
- Benjamin Carter
- W. Chris Ferguson, MBA

- Becki Franklin, CFE
- Olivia Gutierrez
- Brian Jones, CGAP
- Amadou N'gaide, MBA, CFE
- Ellie Thedford
- Shelby Cherian, MBA, CISA (Information Systems Audit Team)
- Priscilla Garza (Information Systems Audit Team)
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Verma Elliott, MBA, CIA, CGAP (Audit Manager)

## ***Grants and Loans Awarded by All Public Four-year Higher Education Institutions in Fiscal Year 2008***

In fiscal year 2008, the 34 public four-year higher education institutions awarded students:

- \$169,063,824 in Towards EXcellence, Access and Success (TEXAS) grants.
- \$92,194,168 in Texas Public Education Grants (TPEG).
- \$30,394,246 for B-On-Time (BOT) loans.
- \$48,501,377 for College Access Loans (CAL).

The total amount awarded by all public four-year institutions from these programs was \$340,153,615 (see Table 11).

Table 11

Total Amounts Awarded from the Student Financial Aid Programs Audited Fiscal Year 2008 <sup>a</sup>					
Public Higher Education Institution	TEXAS	TPEG	BOT	CAL	Totals
Angelo State University	\$ 2,436,198	\$ 1,231,853	\$ 238,785	\$ 596,992	\$ 4,503,828
Lamar University	2,727,175	2,004,494	635,714	39,500	5,406,883
Midwestern State University	1,220,120	1,034,868	76,437	411,084	2,742,509
Prairie View A&M University	5,111,637	1,473,282	608,811	76,565	7,270,295
Sam Houston State University	5,329,629	5,636,983	231,114	2,046,838	13,244,564
Stephen F. Austin State University	3,846,480	2,151,824	1,617,293	2,461,885	10,077,482
Sul Ross State University	785,096	389,812	0	18,630	1,193,538
Tarleton State University	2,008,545	1,510,027	105,413	432,501	4,056,486
Texas A&M International University	3,326,895	876,842	516,888	0	4,720,625
Texas A&M University	18,803,468	7,968,588	6,480,198	7,531,445	40,783,699
Texas A&M University - Commerce	1,432,091	1,323,161	201,742	156,742	3,113,736
Texas A&M University - Corpus Christi	1,742,290	1,496,722	776,071	259,544	4,274,627
Texas A&M University at Galveston	103,400	314,879	36,410	0	454,689
Texas A&M University - Kingsville	2,168,815	1,326,830	495,601	112,946	4,104,192
Texas A&M University - Texarkana	59,039	257,585	0	0	316,624
Texas Southern University	3,145,857	3,411,024	58,520	26,730	6,642,131
Texas State University - San Marcos	6,743,540	5,690,981	1,936,053	5,612,739	19,983,313
Texas Tech University	10,712,240	6,633,355	1,485,530	5,386,090	24,217,215
Texas Woman's University	2,585,000	1,970,743	361,020	1,213,045	6,129,808

**Total Amounts Awarded from the Student Financial Aid Programs Audited  
Fiscal Year 2008<sup>a</sup>**

Public Higher Education Institution	TEXAS	TPEG	BOT	CAL	Totals
University of Houston	11,716,460	1,571,299	200,784	765,573	14,254,116
University of Houston - Clear Lake	26,468	928,297	35,469	9,000	999,234
University of Houston - Downtown	2,044,735	2,033,188	31,130	52,874	4,161,927
University of Houston - Victoria	54,188	437,080	0	0	491,268
University of North Texas	7,886,837	6,466,711	1,385,289	1,863,770	17,602,607
The University of Texas at Arlington	3,306,215	4,143,571	2,042,610	2,944,002	12,436,398
The University of Texas at Austin	22,077,420	12,990,901	6,939,031	9,161,753	51,169,105
The University of Texas at Brownsville	2,290,116	984,497	74,099	0	3,348,712
The University of Texas at Dallas	2,200,172	1,737,250	977,494	328,005	5,242,921
The University of Texas at El Paso	11,527,737	2,920,900	178,282	90,679	14,717,598
The University of Texas - Pan American	20,575,715	3,404,982	1,293,558	0	25,274,255
The University of Texas of the Permian Basin	429,110	666,741	0	0	1,095,851
The University of Texas at San Antonio	8,558,434	4,620,980	774,992	6,902,445	20,856,851
The University of Texas at Tyler	635,102	1,169,514	402,949	0	2,207,565
West Texas A&M University	1,447,600	1,414,404	196,959	0	3,058,963
Totals	\$169,063,824	\$92,194,168	\$30,394,246	\$48,501,377	\$340,153,615

<sup>a</sup> At the time of this audit, information was available only for fiscal year 2008. Higher education institutions are required to report their fiscal year 2009 information to the Higher Education Coordinating Board in November 2009.

Source: Unaudited information from the Higher Education Coordinating Board.



## *Total Amount of BOT Loans Forgiven by Public and Private Higher Education Institutions and Colleges for Fiscal Years 2006 Through 2009*

### BOT Funding

BOT is partially funded by tuition set- asides from the public four-year institutions.

Texas Education Code, Section 56.465(a), requires public institutions to set aside 5 percent of each resident undergraduate student's designated tuition in excess of \$46 per semester for BOT.

Four-year public institutions transfer tuition set-asides to the Office of the Comptroller of Public Accounts. The Coordinating Board then allocates BOT funds among all students at public and private or independent higher education institutions in Texas in accordance with Texas Education Code, Section 56.452(b).

B-On-Time (BOT) loans totaling \$4,550 were initially forgiven in fiscal year 2006. Subsequent amounts forgiven totaled \$1,251,726 in fiscal year 2007, \$18,021,357 in fiscal year 2008, and \$21,259,196 in fiscal year 2009.

The total amount forgiven for public and private higher education institutions and colleges was \$40,536,829 for fiscal year 2006 through fiscal year 2009 (see Table 12).

Table 12

BOT Loans Forgiven for Fiscal Years 2006 through 2009					
Public or Private Higher Education Institution	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Totals
Abilene Christian University	\$666,574	\$554,778	\$101,460	0	\$1,322,812
Angelo State University	62,551	61,273	3,140	0	126,964
Austin College	56,165	253,269	0	0	309,434
Austin Community College	1,270	1,270	0	0	2,540
Baylor University	447,932	542,551	3,140	0	993,623
Blinn College	10,795	17,065	3,810	0	31,670
Clarendon College	2,540	15,361	0	0	17,901
Collin County Community College	8,780	22,269	2,005	0	33,054
Concordia University	22,720	14,445	0	0	37,165
Dallas Baptist University	161,521	112,012	8,930	0	282,463
East Texas Baptist University	289,089	261,496	41,110	0	591,695
El Paso Community College	635	0	0	0	635
Hardin - Simmons University	216,971	196,396	23,511	0	436,878
Hill College District	0	5,080	0	0	5,080
Houston Baptist University	158,459	196,688	15,044	0	370,191
Howard Payne University	25,590	38,770	46,630	0	110,990
Huston - Tillotson University	2,473	0	0	0	2,473
Lamar State College- Port Arthur	0	4,750	0	0	4,750

**BOT Loans Forgiven for Fiscal Years 2006 through 2009**

Public or Private Higher Education Institution	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Totals
Lamar University	253,041	79,561	0	0	332,602
Letourneau University	30,594	50,800	0	0	81,394
Lubbock Christian University	74,390	82,956	0	0	157,346
McLennan Community College	0	3,810	0	0	3,810
McMurray University	42,117	53,494	0	0	95,611
Midwestern State University	8,760	11,085	0	0	19,845
Navarro College	0	2,540	0	0	2,540
North Central Texas College	0	0	1,270	0	1,270
Prairie View A & M University	9,920	67,755	0	0	77,675
Sam Houston State University	103,520	99,899	0	0	203,419
San Jacinto College	4,010	10,720	2,540	0	17,270
Schreiner University	51,161	45,797	0	0	96,958
South Texas Community College	735	635	0	0	1,370
Southern Methodist University	27,326	123,808	0	0	151,134
Southwestern Assemblies of God	50,661	100,359	0	0	151,020
Southwestern Adventist College	25,095	6,451	0	0	31,546
St. Edward's University	2,177,567	1,242,884	173,953	0	3,594,404
St. Mary's University	345,532	136,670	23,000	0	505,202
Stephen F. Austin State University	404,765	1,035,976	155,142	0	1,595,883
Tarleton State University	71,542	3,590	0	0	75,132
Tarrant County College District	1,270	9,259	0	0	10,529
Texas A & M University - Commerce	222,655	417,651	0	0	640,305
Texas A & M University - Corpus Christi	252,575	94,693	1,644	0	348,912
Texas A & M University	3,411,966	2,176,120	167,822	0	5,755,908
Texas A & M University - Galveston	32,320	19,855	0	0	52,175
Texas A & M International University	191,914	141,417	31,015	0	364,346
Texas A & M University - Kingsville	139,980	38,200	0	0	178,180
Texas Christian University	910,515	750,132	59,010	0	1,719,657
Texas Southern University	20,472	15,090	0	0	35,562
Texas South Most College District	7,085	11,430	0	0	18,515
Texas State Technical College - Harlingen	0	17,380	0	0	17,380
Texas State Technical College - Waco	24,178	113,455	0	0	137,633
Texas State Technical College - West Texas	19,740	50,304	0	0	70,044
Texas State University - San Marcos	610,561	316,938	22,790	0	950,290

**BOT Loans Forgiven for Fiscal Years 2006 through 2009**

Public or Private Higher Education Institution	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Totals
Texas Tech University Health Sciences Center	29,760	18,850	0	0	48,610
Texas Tech University	991,461	735,769	55,065	2,200	1,784,495
Texas Wesleyan University	85,975	143,152	0	0	229,127
Texas Woman's University	87,870	343,011	22,850	0	453,731
Trinity University	319,605	701,750	19,270	0	1,040,625
Tyler Junior College	2,840	11,582	0	0	14,422
University of Houston - Clear Lake	9,920	4,465	0	0	14,385
University of Mary Hardin-Baylor	323,834	474,720	33,520	0	832,074
University of North Texas	1,508,998	818,856	63,585	2,350	2,393,789
University of St. Thomas	107,936	37,818	0	0	145,754
The University of Texas at Arlington	730,549	1,094,772	98,727	0	1,924,047
The University of Texas at Austin	3,633,955	2,487,863	3,140	0	6,124,958
The University of Texas at Brownsville	50,822	46,989	0	0	97,811
The University of Texas at Dallas	361,298	271,698	33,860	0	666,856
The University of Texas at El Paso	88,619	116,660	0	0	205,279
The University of Texas - Pan American	688,323	665,678	29,333	0	1,383,334
The University of Texas of the Permian Basin	0	29,618	0	0	29,618
The University of Texas at San Antonio	249,218	89,236	0	0	338,454
The University of Texas at Tyler	201,533	105,240	0	0	306,773
University of the Incarnate Word	26,018	82,257	0	0	108,275
University of Dallas	71,360	104,096	0	0	175,456
The University of Texas Health Science Center at San Antonio	2,608	0	0	0	2,608
Vernon College	0	5,080	0	0	5,080
Victoria College	1,270	0	0	0	1,270
Weatherford College	3,200	4,010	5,410	0	12,620
West Texas A & M University	22,193	0	0	0	22,193
Totals <sup>a</sup>	\$21,259,196	\$18,021,357	\$1,251,726	\$4,550	\$40,536,829
<sup>a</sup> Totals do not always sum precisely due to rounding.					

Source: Unaudited information from the Higher Education Coordinating Board.

Copies of this report have been distributed to the following:

### **Legislative Audit Committee**

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair  
The Honorable Joe Straus III, Speaker of the House, Joint Chair  
The Honorable Steve Ogden, Senate Finance Committee  
The Honorable Thomas “Tommy” Williams, Member, Texas Senate  
The Honorable Jim Pitts, House Appropriations Committee  
The Honorable Rene Oliveira, House Ways and Means Committee

### **Office of the Governor**

The Honorable Rick Perry, Governor

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Ms. Mary Pincoffs Wilson  
Ms. Rae Lynn McFarlin, Student Regent

Dr. Ann Stuart, Chancellor and President, Texas Woman’s University

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### Members of the University of North Texas Board of Regents

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