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**State Auditor**

A Report on

**State of Texas Compliance with  
Federal Requirements for the  
Student Financial Assistance  
Cluster of Federal Programs  
for the Fiscal Year Ended  
August 31, 2010**

February 2011

Report No. 11-022



**John Keel, CPA**  
State Auditor

*A Report on*

# *State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster of Federal Programs for the Fiscal Year Ended August 31, 2010*

SAO Report No. 11-022  
February 2011

## **Overall Conclusion**

With the exception of certain non-compliance detailed in this report, the State of Texas complied in all material respects with the federal requirements for the Student Financial Assistance cluster of federal programs in fiscal year 2010.

As a condition of receiving federal funding, U.S. Office of Management and Budget (OMB) Circular A-133 requires non-federal entities that expend at least \$500,000 in federal awards in a fiscal year to obtain annual audits. Those audits test compliance with federal requirements in 14 areas, such as eligibility, disbursement of funds, and reporting. In addition, each program may outline special tests specific to the program that auditors are required to perform. The Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than \$85,612,909 in federal funds during fiscal year 2010 and (2) other selected federal programs.

From September 1, 2009, through August 31, 2010, the State of Texas expended \$56.9 billion in federal funds for federal programs and clusters of programs. The State Auditor's Office audited compliance with requirements for the Student Financial Assistance cluster of federal programs at 17 higher education institutions. Those 17 higher education institutions spent \$2,076,574,967 in federal Student Financial Assistance funds during fiscal year 2010.

### **The Student Financial Assistance Cluster of Federal Programs**

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

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

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

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

Auditors identified 53 findings for the Student Financial Assistance cluster of federal programs, including 2 material weaknesses with material non-compliance and 51 significant deficiencies. Forty-seven of the 51 significant deficiency findings also had elements of non-compliance (see text box for definitions of finding classifications).

## Key Points

**The higher education institutions audited did not always award federal student financial assistance to eligible students or did not always award the correct amount of financial assistance.**

At 15 higher education institutions, auditors identified findings related to the eligibility of students receiving student financial assistance. For example:

- Twelve higher education institutions incorrectly calculated students' cost to attend the higher education institutions, which could result in the higher education institutions overawarding or underawarding financial assistance to students.
- Three higher education institutions awarded financial assistance to students who were not eligible to receive that financial assistance.
- Five higher education institutions did not correctly determine that all students to whom it awarded financial assistance met satisfactory academic progress requirements for receiving financial assistance; as a result, two of those higher education institutions awarded financial assistance to students who were not eligible to receive federal financial assistance. Examples of satisfactory academic progress requirements include minimum grade point averages or course completion percentages.

**The higher education institutions audited did not always comply with student financial assistance disbursement requirements.**

Auditors identified findings related to disbursement of student financial assistance at 13 higher education institutions. Twelve higher education institutions did not always send disbursement notification letters to students who received loans or did not always send these notifications in a timely manner. Auditors considered the finding at one of those higher education institutions to be a material weakness and material non-compliance because that higher education institution did not send disbursement notification letters to students until the final month of the award

### Finding Classifications

Control weaknesses are classified as either significant deficiencies or material weaknesses:

- A **significant deficiency** indicates that control weaknesses existed, but those weaknesses would not likely result in material non-compliance with the compliance area.
- A **material weakness** indicates that significant control weaknesses were identified that could potentially result in material non-compliance with the compliance area.

Similarly, compliance findings are classified as either non-compliance or material non-compliance, where material non-compliance indicates a more serious reportable issue.

year. Two higher education institutions did not always disburse financial assistance to students or return unused funds to the lender within the required time frames.

**The higher education institutions audited did not always return unearned student financial assistance funds to the U.S. Department of Education or did not always return those funds in a timely manner.**

When a student who receives student financial assistance withdraws from classes, the higher education institution must determine the amount of financial assistance that student earned and return any unearned funds to the U.S. Department of Education. Auditors identified findings related to returning unearned student financial assistance at six higher education institutions. For example, five higher education institutions incorrectly calculated the amount of unearned student financial assistance funds to be returned, and five higher education institutions returned the funds after the required 30-day time frame.

**The higher education institutions audited did not always perform all loan collection procedures required for Federal Perkins Loans.**

Higher education institutions must exercise due care and diligence in collecting certain federal loans, such as Federal Perkins Loans. Auditors identified a material control weakness in one higher education institution's loan repayment notification and collection process that resulted in material non-compliance. That higher education institution did not meet requirements for the majority of required collection steps. Two other higher education institutions did not always perform the required collection procedures; however, auditors did not consider those issues to be material.

**Auditors identified weaknesses in controls over information technology systems related to the Student Financial Assistance cluster of federal programs.**

At 13 higher education institutions, auditors identified control weaknesses related to excessive or inappropriate access to information technology systems. Those control weaknesses affected multiple compliance areas at each of the higher education institutions. Twelve higher education institutions did not maintain appropriate user access to their student financial assistance applications and/or supporting systems. For example, employees whose employment had been terminated still had access, users had access that was not necessary for their job responsibilities, and active user accounts existed but were not assigned to specific users. At three higher education institutions, multiple individuals shared the same user account, and that account had high-level access to the student financial assistance application or supporting systems.

**Higher education institutions did not fully implement corrective action plans for the majority of audit findings from prior fiscal years related to the Student Financial Assistance cluster of federal funds.**

Auditors followed up on higher education institutions' corrective action plans for 62 audit findings from prior fiscal years. Higher education institutions fully implemented corrective action plans for 23 (37 percent) of the 62 findings from

prior fiscal years and partially implemented corrective action plans for the remaining 39 findings from prior fiscal years.

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

Management generally concurred with the audit findings. Specific management responses and corrective action plans are presented immediately following each finding in this report.

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

The audit work included a review of general and application controls for key information technology systems related to the Student Financial Assistance cluster of federal programs at the 17 higher education institutions audited. As discussed above, auditors identified issues involving inappropriate access to information technology systems.

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

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

The audit scope covered federal funds that the State spent for the Student Financial Assistance cluster of federal programs from July 1, 2009, through June 30, 2010, which is the federal financial assistance award year. The audit work included control and compliance tests at 17 higher education institutions across the State.

The audit methodology included developing an understanding of controls over each compliance area that was material to the Student Financial Assistance cluster of federal programs at each higher education institution audited. Auditors conducted tests of compliance and of the controls identified for each compliance area and performed analytical procedures when appropriate.

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# Independent Auditor's Report

*State of Texas Compliance with  
Federal Requirements for the Student  
Financial Assistance Cluster of Federal  
Programs for the Fiscal Year Ended  
August 31, 2010*

Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Student Financial Assistance Cluster and on Internal Control Over Compliance in Accordance with U.S. Office of Management and Budget Circular A-133

## Compliance

We have audited the State of Texas's (State) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its Student Financial Assistance Cluster for the year ended August 31, 2010. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the Student Financial Assistance Cluster is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

This audit was conducted as part of the State of Texas Statewide A-133 Audit for the year ended August 31, 2010. As such, the Student Financial Assistance Cluster was selected as a major program based on the State of Texas as a whole for the year ended August 31, 2010. The State does not meet the OMB Circular A-133 requirements for a program-specific audit and the presentation of the Schedule of Program Expenditures does not conform to the OMB Circular A-133 Schedule of Expenditures of Federal Awards. However, this audit was designed to be relied on for the State of Texas opinion on federal compliance, and in our judgment, the audit and this report satisfy the intent of those requirements. In addition, we have chosen not to comply with a reporting standard that specifies the wording that should be used in discussing restrictions on the use of this report. We believe that this wording is not in alignment with our role as a legislative audit function.

As identified below and in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with certain compliance requirements that are applicable to the Student Financial Assistance Cluster. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to that program.

Higher Education Institution	Compliance Requirement	Finding Number
Lamar State College - Orange	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-104
Texas State University - San Marcos	Special Tests and Provisions - Student Loan Repayments	11-133

In our opinion, except for the noncompliance described above, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended August 31, 2010. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items:

Higher Education Institution	Compliance Requirement	Finding Number
Lamar Institute of Technology	Eligibility	11-101
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-102
Lamar State College - Orange	Eligibility	11-103
Midwestern State University	Eligibility	11-105
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-106
Texas A&M Health Science Center	Eligibility	11-116
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-117
Texas A&M International University	Eligibility	11-118
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-119
Texas A&M University	Eligibility	11-120
	Reporting	11-121
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-122
	Special Tests and Provisions - Return of Title IV Funds	11-123
Texas Southern University	Special Tests and Provisions - Student Loan Repayments	11-124
	Eligibility	11-127
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-128

Higher Education Institution	Compliance Requirement	Finding Number	
Texas State University - San Marcos	Eligibility	11-129	
	Activities Allowed or Unallowed		
	Cash Management		
	Period of Availability of Federal Funds		
	Special Tests and Provisions - Separate Funds		
	Special Tests and Provisions - Verification		
	Special Tests and Provisions - Disbursements To or On Behalf of Students		
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)		
	Reporting	11-130	
	Special Tests and Provisions - Return of Title IV Funds	11-131	
Texas Tech University	Special Tests and Provisions - Student Status Changes	11-132	
	Eligibility	11-134	
	Activities Allowed or Unallowed		
	Cash Management		
	Period of Availability of Federal Funds		
	Special Tests and Provisions - Separate Funds		
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)		
	Reporting	11-135	
	Special Tests and Provisions - Verification	11-136	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-137	
University of Houston	Special Tests and Provisions - Return of Title IV Funds	11-138	
	Special Tests and Provisions - Student Status Changes	11-139	
	Reporting	11-151	
	Special Tests and Provisions - Verification	11-152	
	Special Tests and Provisions - Return of Title IV Funds	11-153	
	Special Tests and Provisions - Student Status Changes	11-154	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	11-155	
	University of Houston - Downtown	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-159
		Eligibility	11-160
	University of Houston - Victoria	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-160
Eligibility		11-162	
University of North Texas	Reporting	11-163	
	Special Tests and Provisions - Return of Title IV Funds	11-164	

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at Austin	Reporting	11-165
	Activities Allowed or Unallowed	
	Cash Management	
	Eligibility	
	Period of Availability of Federal Funds	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Verification	
	Special Tests and Provisions - Return of Title IV Funds	
	Special Tests and Provisions - Student Status Changes	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
University of Texas at Austin	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-166
	Special Tests and Provisions - Student Loan Repayments	11-167
University of Texas at El Paso	Eligibility	11-170
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-171
University of Texas at San Antonio	Eligibility	11-180
	Activities Allowed or Unallowed	
	Cash Management	
	Period of Availability of Federal Funds	
	Reporting	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Student Status Changes	
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
University of Texas at San Antonio	Special Tests and Provisions - Return of Title IV Funds	11-183
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	11-184
University of Texas Southwestern Medical Center at Dallas	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-186

## Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the Student Financial Assistance Cluster. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on the Student Financial Assistance Cluster in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the State's internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we considered to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control over compliance which are described in the accompanying Schedule of Findings and Questioned Cost to be material weaknesses.

<u>Higher Education Institution</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Lamar State College - Orange	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-104
Texas State University - San Marcos	Special Tests and Provisions - Student Loan Repayments	11-133

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control over compliance which are described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies:

Higher Education Institution	Compliance Requirement	Finding Number
Lamar Institute of Technology	Eligibility	11-101
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-102
Lamar State College - Orange	Eligibility	11-103
Midwestern State University	Eligibility	11-105
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-106
Texas A&M Health Science Center	Eligibility	11-116
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-117
Texas A&M International University	Eligibility	11-118
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-119
Texas A&M University	Eligibility	11-120
	Reporting	11-121
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-122
	Special Tests and Provisions - Return of Title IV Funds	11-123
	Special Tests and Provisions - Student Loan Repayments	11-124
Texas Southern University	Eligibility	11-127
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-128
Texas State University - San Marcos	Eligibility	11-129
	Activities Allowed or Unallowed	
	Cash Management	
	Period of Availability of Federal Funds	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Verification	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Reporting	
	Special Tests and Provisions - Return of Title IV Funds	
Special Tests and Provisions - Student Status Changes	11-132	

Higher Education Institution	Compliance Requirement	Finding Number
Texas Tech University	Eligibility	11-134
	Activities Allowed or Unallowed	
	Cash Management	
	Period of Availability of Federal Funds	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Reporting	11-135
	Special Tests and Provisions - Verification	11-136
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-137
	Special Tests and Provisions - Return of Title IV Funds	11-138
University of Houston	Special Tests and Provisions - Student Status Changes	11-139
	Cash Management	11-150
	Activities Allowed or Unallowed	
	Eligibility	
	Period of Availability of Federal Funds	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
	Reporting	11-151
	Special Tests and Provisions - Verification	11-152
	Special Tests and Provisions - Return of Title IV Funds	11-153
University of Houston - Downtown	Special Tests and Provisions - Student Status Changes	11-154
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	11-155
	Eligibility	11-158
University of Houston - Victoria	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-159
	Eligibility	11-160
University of North Texas	Special Tests and Provisions - Disbursements To or On Behalf of Students	
	Cash Management	11-161
	Eligibility	11-162
	Reporting	11-163
	Special Tests and Provisions - Return of Title IV Funds	11-164



Higher Education Institution	Compliance Requirement	Finding Number	
University of Texas at Austin	Reporting	11-165	
	Activities Allowed or Unallowed		
	Cash Management		
	Eligibility		
	Period of Availability of Federal Funds		
	Special Tests and Provisions - Separate Funds		
	Special Tests and Provisions - Verification		
	Special Tests and Provisions - Return of Title IV Funds		
	Special Tests and Provisions - Student Status Changes		
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)		
University of Texas at Austin	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-166	
	Special Tests and Provisions - Student Loan Repayments	11-167	
University of Texas at El Paso	Eligibility	11-170	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	11-171	
University of Texas at San Antonio	Eligibility	11-180	
	Activities Allowed or Unallowed		
	Cash Management		
	Period of Availability of Federal Funds		
	Reporting		
	Special Tests and Provisions - Separate Funds		
	Special Tests and Provisions - Student Status Changes		
	Special Tests and Provisions - Institutional Eligibility		
	Special Tests and Provisions - Verification		
	Special Tests and Provisions - Disbursements To or On Behalf of Students		
University of Texas at San Antonio	Special Tests and Provisions - Return of Title IV Funds	11-183	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	11-184	
	University of Texas Southwestern Medical Center at Dallas	Eligibility	11-185
		Special Tests and Provisions - Disbursements To or On Behalf of Students	11-186

## Schedule of Program Expenditures

The accompanying Schedule of Program Expenditures for the Student Financial Assistance Cluster (Schedule) of the State for the year ended August 31, 2010, is presented for purposes of additional analysis. This information is the responsibility of the State's management and has been subjected only to limited auditing procedures and, accordingly, we express no opinion on it. However, we have audited the Statewide Schedule of Expenditures of Federal Awards in a separate audit, and the opinion on the Statewide Schedule of Expenditures of Federal Awards is included in the *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010*.

The State's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State's responses and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of the Governor, the Members of the Texas Legislature, the Legislative Audit Committee, the management of the State, KPMG LLP, federal awarding agencies, and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

John Keel, CPA  
State Auditor

February 18, 2011

**Schedule of Program Expenditures for the Student Financial Assistance Cluster  
for the State of Texas  
For the Year Ended August 31, 2010**

Schedule of Program Expenditures			
Higher Education Institution Audited	Expenditures from American Recovery and Reinvestment Act Funds	Expenditures from Funds Other Than the American Recovery and Reinvestment Act	Totals
Lamar Institute of Technology	\$ 0	\$ 11,310,411	\$ 11,310,411
Lamar State College - Orange	13,971	11,104,112	11,118,083
Midwestern State University	0	36,379,682	36,379,682
Texas A&M Health Science Center	0	35,592,886	35,592,886
Texas A&M International University	49,839	34,842,131	34,891,970
Texas A&M University	260,931	264,822,510	265,083,441
Texas Southern University	253,070	119,053,509	119,306,579
Texas State University - San Marcos	100,394	219,313,576	219,413,970
Texas Tech University	311,507	147,969,410	148,280,917
University of Houston	429,747	202,148,227	202,577,974
University of Houston - Downtown	77,846	70,163,840	70,241,686
University of Houston - Victoria	0	20,404,696	20,404,696
University of North Texas	260,334	221,025,849	221,286,183
The University of Texas at Austin	416,392	328,441,447	328,857,839
The University of Texas at El Paso	0	129,787,434	129,787,434
The University of Texas at San Antonio	266,452	198,830,143	199,096,595
The University of Texas Southwestern Medical Center at Dallas	0	22,944,621	22,944,621
Total Audited Student Financial Assistance	\$ 2,440,483	\$ 2,074,134,484	\$ 2,076,574,967
<p>Note: Federal expenditures for the Student Financial Assistance cluster at state entities not included in the scope of this audit totaled \$1,646,604,430 for the year ended August 31, 2010. Of that amount, \$1,644,768 was American Recovery and Reinvestment Act funds.</p>			

# **Schedule of Findings and Questioned Costs**

*State of Texas Compliance with Federal  
Requirements for the Student Financial  
Assistance Cluster of Federal Programs for the  
Fiscal Year Ended August 31, 2010*

## Summary of Auditors' Results

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### Financial Statements

Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010*.

### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?                      Yes

Significant deficiency(ies) identified?                Yes

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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Cluster	Student Financial Assistance
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Dollar threshold used to distinguish between type A and type B programs:    \$85,612,909

Auditee qualified as low-risk auditee?                      No

Section 2:

## ***Financial Statement Findings***

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Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010*.

## Section 3:

**Federal Award Findings and Questioned Costs**

This section identifies significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, as required to be reported by Office of Management and Budget Circular A-133, Section 510(a). This section is organized by higher education institution.

<b>Lamar Institute of Technology</b>
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Reference No. 11-101

**Eligibility****Student Financial Assistance Cluster****Award year – July 1, 2009 to June 30, 2010****Award numbers – CFDA 84.007 P007A098695, CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P095265, CFDA 84.375 P375A095265, CFDA 84.033 P033A098695, and CFDA 84.268 P268K105265****Type of finding – Significant Deficiency and Non-Compliance**Cost of Attendance

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

Questioned Cost: \$151

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal aid to ensure that total aid is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, 682.603, and 685.301).

**Lamar Institute of Technology (Institute) calculated COA incorrectly for 8 (13 percent) of 60 students tested.**

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

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

General Controls

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

**The Institute does not have controls to ensure that it limits high-profile system access to appropriate personnel at the application, database, and server levels.** Specifically:

- At the application level, the Institute assigned four information technology personnel roles that gave them access to the financial aid functionality within Banner, the financial aid application. These personnel serve as programmers, business analysts, and third-party consultants.
- At the database level, the Institute assigned database administrator privileges to a programmer and to the administrative coordinator of the director of computer services. Additionally, three vendor programmers had access to the Banner production database.
- At the server level, the Institute has a high number of accounts with access to a job scheduler server, including 1 terminated Lamar University employee, 12 current employees of Lamar University, and 3 vendor employees.

Allowing employees inappropriate or excessive access to areas in the application, database, or servers that are outside their job responsibilities increase the risk of inappropriate changes and does not allow for proper segregation of duties.

Recommendations:

The Institute should:

- Ensure that it consistently updates students' COA.
- Review transactions to ensure that it does not overaward financial assistance to students.
- Restrict access to Banner based on job duties and responsibilities.

Management Response and Corrective Action Plan:

*Management concurs with recommendations related to determination of eligibility for financial assistance specifically related to Cost of Attendance, Over-awards and General Controls.*

Cost of Attendance

*Lamar Institute of Technology did follow a practice of initially packaging student assistance based on projected enrollment information contained in a student's Free Application for Federal Student Aid (FAFSA), with subsequent updates to COA based on actual attendance. Inconsistencies in updating COA in the financial aid system occurred due to issues and hardships encountered during the conversion to and implementation of a new campus-wide fully integrated computing system during the 2009-2010 processing year.*

*Management will develop a set of queries and comparative processes to properly identify students with discrepancies between the COA established at the point of packaging and the COA relevant to actual enrollment at the point of disbursement.*

*Implementation Date: July 1, 2011*

*Responsible Persons: Lisa W. Schroeder  
Dr. Vivian Jefferson*



Over-load

The school did over-award financial aid to one student due to a change on the FAFSA which resulted in a change to the student's Expected Family Contribution (EFC). Adjustments were not made to properly recalculate eligibility utilizing the updated EFC.

Management will establish a process to review overall calculated eligibility as determined by subtracting Expected Family Contribution from Cost of Attendance. This process will be performed in conjunction with the COA review procedure to ensure that over-awards do not occur.

Implementation Date: July 1, 2011

Responsible Persons: Lisa W. Schroeder  
Dr. Vivian Jefferson

General Controls

Management concurs with the findings associated with general controls and security/access issues related to financial aid. Lamar Institute of Technology (LIT) is in the final phases of a new Banner Enterprise Resource Planning (ERP) system implementation. At this phase of the implementation, LIT will be implementing a new distributed security model in place of the old proprietary model. A review of all contractual obligations between LIT and Lamar University (LU) will be conducted.

LIT will conduct risk assessments in the following areas:

*Banner Application Security*

A risk assessment will be conducted for LIT Banner security in the area of Banner Financial Aid Security. Appropriate Banner user classes and screens will be identified for review. Security reports will be developed to identify user access. User access will be reviewed for appropriateness. Data owner will approve all user access and proper paperwork will be put in place. Annual reviews of user access will be conducted.

*Oracle Data Base Security*

A risk assessment will be conducted at the database layer to identify areas of risk. Security reports will be developed to identify user access. A review of the LIT/LU service level agreement will be conducted for contractual obligations. Data owner will approve all user access and proper paperwork will be put in place. Annual reviews of user access will be conducted.

*LIT ERP Server Security*

A risk assessment will be conducted at the server layer to identify areas of risk. A review of the LIT/LU service level agreement will be conducted for contractual obligations. Data owner will approve all user access and proper paperwork will be put in place. Annual reviews of user access will be conducted.

Implementation Date: July 1, 2011

Responsible Persons: Isaac Barbosa  
Jonathan Wolfe

Reference No. 11-102

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.063 P063P095265, CFDA 84.007 P007A098695, CFDA 84.375 P375A095265, CFDA 84.033 P033A098695, and CFDA 84.268 P268K105265**

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

Disbursement Notification Letters

If an institution credits a student's account at the institution with Direct Loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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

**For the 37 students tested, Lamar Institute of Technology (Institute) did not send disbursement notifications for the students who received Direct Loans. According to the Institute, it did not send disbursement notification to any students who received Direct Loans for the 2009-2010 award year.** The Institute relied on the Common Origination and Disbursement (COD) System to send disclosure statements for Direct Loans, instead of sending separate disbursement notifications; however, the COD System's disclosure statements include anticipated loan amounts and disbursement dates and are not considered a substitute for disbursement notifications. Not receiving disbursement notifications promptly could impair students' and parents' ability to cancel their loans.

COD System Reporting

For Direct Loans, *an institution must submit the promissory note, loan origination record, and initial disbursement record for a loan to the Secretary of the U. S. Department of Education no later than 30 days following the date of the initial disbursement* (Title 34, Code of Federal Regulations, Section 685.301). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement, A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

**For 1 (2 percent) of 60 students tested, the Institute did not report the student's Direct Loan disbursement records to the COD System in a timely manner.** As a result, the Institute's financial aid application did not reflect the same disbursement status or dates as the COD System. Institute personnel could not provide an explanation regarding why the Institute did not report the disbursement records to the COD System.

General Controls

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

**The Institute does not have controls to ensure that it limits high-profile system access to appropriate personnel at the application, database, and server levels.** Specifically:

- At the application level, the Institute assigned four information technology personnel roles that gave them access to the financial aid functionality within Banner, the financial aid application. These personnel serve as programmers, business analysts, and third-party consultants.

- At the database level, the Institute assigned database administrator privileges to a programmer and to the administrative coordinator of the director of computer services. Additionally, three vendor programmers had access to the Banner production database.
- At the server level, the Institute has a high number of accounts with access to a job scheduler server, including 1 terminated Lamar University employee, 12 current employees of Lamar University, and 3 vendor employees.

Allowing employees inappropriate or excessive access to areas in the application, database, or servers that are outside their job responsibilities increase the risk of inappropriate changes and does not allow for proper segregation of duties.

Recommendations:

The Institute should:

- Establish a process to send disbursement notifications within 30 days before or after crediting a student's account with a Direct Loan.
- Ensure that it reports disbursement records for all Direct Loan disbursements to the COD System in accordance with federal requirements.
- Restrict access to Banner based on job duties and responsibilities.

Management Response and Corrective Action Plan:

*Management concurs with recommendations related to disbursements to or on behalf of students, specifically related to disbursement notification letters, COD system reporting, and general controls*

Disbursement Notification Letters

*Lamar Institute of Technology relied on the Common origination and Disbursement (COD) System to send Disclosure Statements to students participating in the Direct Loan program. It was determined that disclosure statements were not an acceptable substitute for the required Disbursement Notifications.*

*Management will develop a process to identify any student records with disbursements of subsidized and/or unsubsidized direct loan funds. Data will be collected on each relevant student record to include disbursement dates and amounts of any relevant loan funds. A Disbursement Notification Form will be created to compile individualized data for each student to enable proper communication (in writing or electronically) of specific disbursement amounts, loan types, disbursement dates, and the rights and responsibilities associated with cancelling all or part of any disbursement or loan.*

*Implementation Date: July 1, 2011*

*Responsible Persons: Lisa W. Schroeder  
Dr. Vivian Jefferson*

COD System Reporting:

Problems associated with timely reporting occurred due to issues related to the conversion to and implementation of a new campus-wide fully integrated computing system during the 2009-2010 processing year along with first time participation in the John D. Ford Direct Loan program.

Management will define a protocol for collecting and subsequently submitting relevant student loan disbursement data to the COD system in a timely manner. A data file submission log will be utilized to monitor submissions, see that appropriate response files are received and loaded into the financial aid system timely and ensure records in the financial aid system are synchronized with those in the COD system as appropriate.

Implementation Date: July 1, 2011

Responsible Persons: Lisa W. Schroeder  
Dr. Vivian Jefferson

General Controls:

Lamar Institute of Technology (LIT) is in the final phases of a new Banner Enterprise Resource Planning (ERP) system implementation. At this phase of the implementation, LIT will be implementing a new distributed security model in place of the old proprietary model. A review of all contractual obligations between LIT and Lamar University (LU) will be conducted. Finally, all appropriate controls will be put in place by July 1, 2011.

LIT will conduct risk assessments in the following areas:

*Banner Application Security*

A risk assessment will be conducted for LIT Banner security in the area of Banner Financial Aid Security. Appropriate Banner user classes and screens will be identified for review. Security reports will be developed to identify user access. User access will be reviewed for appropriateness. Data owner will approve all user access and proper paperwork will be put in place. Annual reviews of user access will be conducted.

*Oracle Data Base Security*

A risk assessment will be conducted at the database layer to identify areas of risk. Security reports will be developed to identify user access. A review of the LIT/LU service level agreement will be conducted for contractual obligations. Data owner will approve all user access and proper paperwork will be put in place. Annual reviews of user access will be conducted.

*LIT ERP Server Security*

A risk assessment will be conducted at the server layer to identify areas of risk. A review of the LIT/LU service level agreement will be conducted for contractual obligations. Data owner will approve all user access and proper paperwork will be put in place. Annual reviews of user access will be conducted.

Implementation Date: July 1, 2011

Responsible Persons: Isaac Barbosa,  
Jonathan Wolfe

## Lamar State College - Orange

Reference No. 11-103

### Eligibility

#### Student Financial Assistance Cluster

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

Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P094258, CFDA 84.007 P007A097177, CFDA 84.033 P033A097177, and CFDA 84.375 P375A094258

Type of finding – Significant Deficiency and Non-Compliance

#### Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades, work projects completed or comparable factors that are measurable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (Title 34, Code of Federal Regulations, Section 668.16(e)).

Questioned Cost: \$ 60,217

U.S. Department of Education

According to Lamar State College – Orange's (College) SAP policy, students are eligible to receive financial assistance if they maintain a minimum grade point average (GPA) of 2.00, earn at least 70 percent of their attempted course hours, and attempt no more than 150 percent of the published length of their declared degree program.

**Eleven (33 percent) of 33 students tested received financial assistance but did not meet the College's SAP requirements.** Of those eleven:

- Two had cumulative attempted hours that exceeded the maximum numbers of hours allowed by the SAP policy.
- Nine did not earn at least 70 percent of attempted course hours as required by the SAP policy. Four of those nine students also did not maintain a minimum GPA of 2.00 as required by the SAP policy.

The College awarded \$60,217 in financial assistance to those eleven ineligible students.

According to the College, these errors occurred because the College was transitioning to a new financial aid application for the 2009-2010 award year. During the data conversion process from the old application to the new application, the College did not identify students who did not comply with its SAP policy. To attempt to ensure the accuracy of SAP data, the College asserts that it manually reconciled a SAP determination report from the old application to the data in the new application. However, the College did not provide evidence of this reconciliation. As a result, auditors were unable to determine the total number of students who received financial assistance but did not comply with the College's SAP policy.

#### Cost of Attendance

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any

equipment, materials, or supplies required of all students in the same course of study.” An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087II).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, and 682.603).

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

**The College uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual or expected enrollment level according to the student’s ISIRs.** Therefore, if a student indicates on the ISIR that he or she expects to enroll half-time or three-quarter time, the College still uses the COA associated with a full-time COA budget. Using a full-time COA budget to estimate the COA for students who attend less-than-full-time increases the risk of awarding financial assistance that exceeds financial need.

Because the College uses only full-time COA budgets to determine COA, auditors could not determine whether students attending less than full-time were awarded financial assistance that exceeded their financial need for the 2009-2010 school year.

#### General Controls

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

**The College did not maintain appropriate access to its financial aid information technology environment.** Specifically, the College did not remove access for one terminated employee to the server that hosts the Appworx (job scheduling) application. The College also did not periodically conduct formal reviews of the user accounts on its network, servers, or databases to identify inappropriate or excessive access.

Additionally, to help ensure appropriate segregation of duties, the College should appropriately restrict access to migrate code changes for its financial aid database to the production environment based on an individual’s job function. In general, programmers should not have access to migrate code changes to the production environment. However, three vendor programmers had database administrator access to the production environment of the financial aid database through two generic user accounts. This could allow them to introduce unauthorized changes into the production environment.

Recommendations:

The College should:

- Determine each student's COA and financial need based on the student's expected enrollment.
- Ensure that the financial aid system accurately determines SAP status prior to disbursing financial assistance.
- Restrict access to its financial aid information technology environment based on job duties and responsibilities, and periodically review user accounts on its network, servers, and databases to ensure it maintains appropriate user access.
- Restrict access to migrate code into the production environment to the appropriate personnel.

Management Response and Corrective Action Plan:

Determine Each Student's COA and Financial Need based on the Student's Expected Enrollment

*Our policy has always been to award based on full-time enrollment, and then adjust awards down based on actual enrollment. We will refine our procedures to ensure compliance, recognizing that the question concerning expected enrollment is being removed from the FAFSA for the 2011-2012 year and that as a result, students' enrollment plans will not be known. We strive to maintain compliance, and would appreciate some guidance on how to accomplish this task in the future.*

*Implementation Date: July 2011*

*Responsible Person: Kerry Olson*

Ensure That The Financial Aid System Accurately Determines SAP Status Prior To Disbursing Financial Assistance

*In the old PLUS FAM system, we historically checked academic progress manually for each student. With the change to the Banner FAM system we were planning to use the automated calculation of SAP. We went live in Banner for the fall 2009 semester, but conversion of academic history was delayed until spring of 2010. The decision was made to calculate a SAP in PLUS and migrate it to Banner. I do not remember a request to provide the report we reviewed to determine the accuracy of the calculations, but we can provide the initial report. We believe our calculation of SAP for this year to be an anomaly as a result of the conversion. We strive to evaluate students' SAP accurately based upon our standards of academic progress. For the fall 2010 semester we were able to begin calculating SAP in Banner based on the standards in our policy. Students are evaluated before they are awarded, and if they receive an unsatisfactory result are placed in groups based on which SAP rule(s) they are violating. The system does not allow these students to be awarded as long as they remain in these groups. Students are moved to a satisfactory group only if they successfully complete the appeal process. We believe this process is working successfully. In regard to the two students with excessive cumulative hours, we earlier responded that we allow students to appeal their status for excessive hours. The financial aid handbook states, "your policy may permit that for students who change majors, credits attempted and grades earned that do not count toward the new major will not be included in the SAP determination". During the appeal process, if we find that they have a reasonable number of hours that would not have gone towards their current degree (due to change of major, developmental hours taken, etc.) we will exclude those hours from consideration. We also require them to show when they will complete their current degree plan.*

*Implementation Date: September 2010*

*Responsible Person: Kerry Olson*

*Restrict Access To Its Financial Aid Information Technology Environment*

*A review of security processes related to financial aid information technology has been conducted. The College will continue to utilize the 'LSC-O Information Resources Request Form' to restrict LSC-O employee access to the financial aid information technology environment.*

*The audit of LSC-O employee INB access to the banner databases will continue to be conducted via use of the 'Banner Security Report' sent to each data owner for their review. Updates to the LSC-O employee INB access will be performed based on this review by the data owner. The audit will be conducted at the end of each fall and spring semesters.*

*We will create audit processes/security reports for LSC-O employee access to: the ARGOS reporting tool, the Appworx scheduling tool, and the LSC-O network via Active Directory. Updates to all access will be performed based on the review by the data owner. All audits of access will be conducted at the end of the fall and spring semesters.*

*LSC-O will request that Lamar University provide system generated listings that detail user access to LSC-O network shares, servers and databases hosted by Lamar University. The requested information should be received at the end of each fall and spring semesters.*

*Implementation Date: May 2011*

*Responsible Person: Linda Burnett*

*Restrict Access To Migrate Code Into Production Environment To The Appropriate Personnel*

*The ability to migrate code to the Banner Oracle production environment is limited to individuals hired by SungardHE. SungardHE is under contract through Lamar University on behalf of LSC-O to provide the Banner Oracle code tree modifications as deemed necessary. LSC-O only requests updates to the Banner oracle code tree that have been tested in a development area by LSC-O staff under the direction of the respective data owner. Prior to SungardHE staff moving code into production, a Lamar University - Change Management Process Request Form completed by either the LSC-O CIO (Linda Burnett), LSC-O Project Manager (Tom Conley), or respective financial aid data owner, must be received by the Lamar University Change Management Coordinator (Rebecca Mitchell). The Lamar University Change Management Coordinator will then schedule the update with the contracted Banner Applications Manager (Kim Skeens). LSC-O will request that SungardHE employees be issued unique accounts for the purpose of moving code to production and further more that the generic accounts be disabled and/or locked.*

*Implementation Date: May 2011*

*Responsible Person: Linda Burnett*



Reference No. 11-104

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P094258, CFDA 84.007 P007A097177, CFDA 84.033 P033A097177, and CFDA 84.375 P375A094258**

**Type of finding – Material Weakness and Material Non-Compliance**

Disbursement Notification Letters

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

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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**Prior to June 3, 2010, Lamar State College – Orange (College) did not send 2009-2010 award year disbursement notifications to students.** The College did not have a process to identify students requiring disbursement notifications when it began using a new financial aid application in Fall 2009. The College received procedures for this process in May 2010 and was able send notifications beginning in June 2010. This issue affected all students who received FFEL loans for the Fall 2009 or Spring 2010 semesters.

Reporting Requirements

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. The disbursement amount and date in the COD System should match the disbursement date and amount in students’ accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement, A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

**For 1 (2 percent) of 60 students tested, the College did not submit Pell disbursement records to the COD System within 30 days of disbursement.** The College did not submit Pell disbursement records to the COD System from June 4, 2010 through July 16, 2010. The College’s financial aid application sends disbursement records to the COD System, but that process must be initiated manually. Because manual initiation of that process did not occur, for all students with Pell disbursements between June 4, 2010, and June 15, 2010, the College did not report the disbursements to the COD System within the required 30-day time frame. Not reporting disbursements can increase the risk of overawards to students and delay the U.S. Department of Education from receiving accurate Pell disbursement information.

General Controls

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

**The College did not maintain appropriate access to its financial aid information technology environment.** Specifically, the College did not remove access for one terminated employee to the server that hosts the Appworx (job scheduling) application. The College also did not periodically conduct formal reviews of the user accounts on its network, servers, or databases to identify inappropriate or excessive access.

Additionally, to help ensure appropriate segregation of duties, the College should appropriately restrict access to migrate code changes for its financial aid database to the production environment based on an individual's job function. In general, programmers should not have access to migrate code changes to the production environment. However, three vendor programmers had database administrator access to the production environment of the financial aid database through two generic user accounts. This could allow them to introduce unauthorized changes into the production environment.

Recommendations:

The College should:

- Send e-mail disbursement notifications to all students to whom it disburses federal loans.
- Report all Pell disbursement records to the COD System in a timely manner.
- Restrict access to its financial aid information technology environment based on job duties and responsibilities, and periodically review user accounts on its network, servers, and databases to ensure it maintains appropriate user access.
- Restrict access to migrate code into the production environment to the appropriate personnel.

Management Response and Corrective Action Plan:

Send E-mail Disbursement Notifications To All Students To Whom It Disburses Federal Loans

*As we showed the auditors during their visit, we developed a process to notify students of loan disbursements effective the summer 2010 semester. The auditors accepted this process. We continue to use this process.*

*Implementation Date: Summer 2010*

*Responsible Person: Kerry Olson*

Report All Pell Disbursement Records To The COD System In A Timely Manner

*Beginning with the fall 2010 semester, PELL disbursements are reported to COD on almost a daily basis. The Federal Direct loan program requires information to be sent to COD on a very regular basis. We extract and send PELL information at the same time, so disbursements are reported in a much, more timely manner.*

*Implementation Date: September 2010*

*Responsible Person: Kerry Olson*

Restrict Access To Its Financial Aid Information Technology Environment

A review of security processes related to financial aid information technology has been conducted. The College will continue to utilize the 'LSC-O Information Resources Request Form' to restrict LSC-O employee access to the financial aid information technology environment.

The audit of LSC-O employee INB access to the banner databases will continue to be conducted via use of the 'Banner Security Report' sent to each data owner for their review. Updates to the LSC-O employee INB access will be performed based on this review by the data owner. The audit will be conducted at the end of each fall and spring semesters.

We will create audit processes/security reports for LSC-O employee access to: the ARGOS reporting tool, the Appworx scheduling tool, and the LSC-O network via Active Directory. Updates to all access will be performed based on the review by the data owner. All audits of access will be conducted at the end of the fall and spring semesters.

LSC-O will request that Lamar University provide system generated listings that detail user access to LSC-O network shares, servers and databases hosted by Lamar University. The requested information should be received at the end of each fall and spring semesters.

Implementation Date: May 2011

Responsible Person: Linda Burnett

Restrict Access To Migrate Code Into Production Environment To The Appropriate Personnel

The ability to migrate code to the Banner Oracle production environment is limited to individuals hired by SungardHE. SungardHE is under contract through Lamar University on behalf of LSC-O to provide the Banner Oracle code tree modifications as deemed necessary. LSC-O only requests updates to the Banner oracle code tree that have been tested in a development area by LSC-O staff under the direction of the respective data owner. Prior to SungardHE staff moving code into production, a Lamar University - Change Management Process Request Form completed by either the LSC-O CIO (Linda Burnett), LSC-O Project Manager (Tom Conley), or respective financial aid data owner, must be received by the Lamar University Change Management Coordinator (Rebecca Mitchell). The Lamar University Change Management Coordinator will then schedule the update with the contracted Banner Applications Manager (Kim Skeens). LSC-O will request that SungardHE employees be issued unique accounts for the purpose of moving code to production and further more that the generic accounts be disabled and/or locked.

Implementation Date: May 2011

Responsible Person: Linda Burnett

Midwestern State University

Reference No. 11-105

Eligibility

Student Financial Assistance Cluster

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

Award numbers – CFDA 84.063 P063P092291, CFDA 84.007 P007A094071, CFDA 84.375 P375A092291, CFDA 84.376 P376S092291, CFDA 84.379 P379T102291, CFDA 84.033 P033A094071, CFDA 84.038 P038A044071, and CFDA 84.268 P268K102291

Type of finding – Significant Deficiency and Non-Compliance

Eligibility and Cost of Attendance

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

Questioned Cost: \$ 442  
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal aid to ensure that total aid is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, 682.603, and 685.301).

**For 10 (25 percent) of 40 students tested, Midwestern State University (University) incorrectly calculated the student’s COA.** Due to limitations in the University’s financial aid system, University personnel manually assign percentages to weight COA for all semesters in the academic year when packaging Summer financial assistance. However, the University’s methodology does not always reflect the University’s established COA budgets. As a result, students may be overawarded student financial assistance.

**For students with mixed enrollment (such as, enrollment as a part-time student in one semester and as a full-time in another semester), the University incorrectly calculated the Summer semester portion of the student’s COA.** As a result, the financial assistance it awarded to 2 (5 percent) of 40 students tested exceeded the students’ COA. For those two students, the assistance awarded exceeded the COA by \$442 and \$54, respectively. The University reduced the \$54 undisbursed balance of the award for one of the two students to prevent disbursement of the overaward. The remaining overaward resulted in questioned costs of \$442.

General Controls

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

**The University does not have controls to ensure that high profile system access is limited to appropriate personnel at the application and server levels.** Specifically:

- The University does not have a policy or policy-level statement regarding segregation of duties for high profile users.
- The account for managing user access to the financial aid application is shared by five information systems personnel.
- One database administrator is inappropriately assigned system administrator rights to the operating system(s) for the servers supporting the financial aid system. Upon notification of the issue, the University removed the root access for the database administrator.

**The University also has five users with access to the financial aid application that is beyond what is required to perform their job functions based on their job titles.** Three of them have rights assigned to set up budget rules, award and disbursement schedules, fund rules, and additional programmed selection rules. Two of them have rights assigned to set up fund rules. These access rights should be limited to certain personnel with those job responsibilities.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

**In addition, the University has weak documented password policies.** The policies specify only the frequency of password changes and do not provide other guidelines. Furthermore, the University has inadequate password controls at the application, database, server, and network levels, and those controls do not comply with the state requirements and guidelines, such as the Title 1, Texas Administrative Code, Chapter 202, and the Department of Information Resources' information technology security policy guidelines. Weak and inadequate password policies and practices increase the risk of unauthorized access to the student financial aid data.

Recommendations:

The University should:

- Ensure COA it calculates for the Summer semester reflects the established University COA budgets.
- Implement a policy regarding segregation of duties for high profile users.
- Ensure each user has a unique user ID to manage access at the application level.
- Restrict the access of high profile user IDs to appropriate personnel at the server level.
- Strengthen password policies to ensure access to the federal student financial assistance data is authorized.

Management Response and Corrective Action Plan:

Eligibility and Cost of Attendance:

*Summer semester budgets will be compiled by the Director of Financial Aid in March, 2011 and added to the established Fall and/or Spring semester budgets within the Banner system. Testing of these budgets will*

*occur in the Banner TEST system prior to the actual awarding process and will be reviewed and approved by the Director of Financial Aid. The Financial Aid Office will ensure exact budget amounts are being used during summer awarding, in lieu of weighted budget amounts, to ensure appropriate University Fall/Spring/Summer budgets are being referenced during the awarding process.*

*Implementation Date: March 2011*

*Responsible Person: Kathy Pennartz*

*General Controls:*

*MSU's Information Systems (IS) Department will ensure the following Banner security measures are in place:*

*-- Implement a policy regarding segregation of duties for high profile users:*

*A policy regarding segregation of duties for high profile users is currently being drafted and will be in place by March 1, 2011.*

*-- Ensure each user has a unique user ID to manage access at the application level:*

*Regarding the management of user access within the Banner System -- When the Banner system is installed by MSU Information Systems department, a user/account is automatically created during installation which has the ability to manage users and their access. This user/account is referred to as BANSECR wherein its only function is to manage users and their access to all Banner modules. Additional users cannot be created to manage access to Banner as this can only be done by BANSECR; therefore, the BANSECR password must be given to an IS employee in order to create and maintain users and their scope of access within the Banner system. Since BANSECR manages user access to all Banner modules, MSU opted NOT to allow individual data custodians to have access to the BANSECR password as this would allow them to manage users outside of their responsibility. NOTE: Currently at MSU, five (5) Banner modules are installed with an individual data custodian responsible for each module; while it is the responsibility of the data custodian to grant access within their individual modules, MSU Information Systems department is the guardian of the BANSECR password and is responsible to implement each data custodian's plans for users and the scope of each user's data access. And, currently at MSU, four (4) Information Systems personnel have access to the BANSECR password in order to ensure data custodian's needs are met in case of sickness, vacations, travel etc.*

*-- Restrict the access of high-profile user IDs to appropriate personnel at the server level:*

*Access of high-profile users has been restricted to the appropriate personnel at the server level. This policy will be finalized and an additional in-house audit will be performed by March 1, 2011.*

*-- Strengthen password policies to ensure that access to the federal student financial assistance data is authorized:*

*Password policy is currently under review; the results and actions of the review will be submitted to the MSU Board of Regents for approval. Target date for implementation is September 1, 2011.*

*Implementation Dates: March 2011 and September 2011 (as detailed above)*

*Responsible Person: Mike Dye*

Reference No. 11-106

**Special Tests and Provisions – Disbursements To or On Behalf of Students****Student Financial Assistance Cluster**

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

Award numbers – CFDA 84.063 P063P092291, CFDA 84.007 P007A094071, CFDA 84.375 P375A092291, CFDA 84.376 P376S092291, CFDA 84.379 P379T102291, CFDA 84.033 P033A094071, CFDA 84.038 P038A044071, and CFDA 84.268 P268K102291

Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

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

Questioned Cost: \$ 0

U.S. Department of Education

**Midwestern State University (University) did not initiate the notification process in a timely manner to two loan recipients (based on auditor's review of all financial assistance recipients).** As a result, the University sent disbursement notifications to two students more than 30 days after it made the disbursements. The University stated that the late notification occurred because of the heavy volume of awards it needed to process in March 2010, and because of the time involved in switching to the Direct Loan program. Not sending notifications in a timely manner could impair students' and parents' ability to cancel their loans.

General Controls

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

**The University does not have controls to ensure that it limits high-profile system access to appropriate personnel at the application and server levels.** Specifically:

- The University does not have a policy or policy-level statement regarding segregation of duties for high-profile users.
- Five information systems personnel share the account for managing user access to the financial aid application.
- One database administrator is inappropriately assigned system administrator rights to the operating system(s) for the servers supporting the financial aid application. When auditors brought this to the University's attention, the University removed the root access for this database administrator.

**The University also has five users with access to the financial aid application that is beyond what is required to perform their job functions based on their job titles.** Three of them have rights assigned to set up budget rules, award and disbursement schedules, fund rules, and additional programmed selection

rules. Two of them have rights assigned to set up fund rules. The University should limit access rights to only personnel whose job responsibilities require this access.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

**In addition, the University has weak documented password policies.** The policies specify only the frequency of password changes and do not provide other guidelines. Furthermore, the University has inadequate password controls at the application, database, server, and network levels, and those controls do not comply with the state requirements and guidelines, such as the Title 1, Texas Administrative Code, Chapter 202, and the Department of Information Resources' information technology security policy guidelines. Weak and inadequate password policies and practices increase the risk of unauthorized access to the student financial aid assistance data.

Recommendations:

The University should:

- Implement controls to ensure that it sends disbursement notifications no earlier than 30 days before and no later than 30 days after crediting the student's account.
- Implement a policy regarding segregation of duties for high profile users.
- Ensure each user has a unique user ID to manage access at the application level.
- Restrict the access of high-profile user IDs to appropriate personnel at the server level.
- Strengthen password policies to ensure that access to the federal student financial assistance data is authorized.

Management Response and Corrective Action Plan:

Disbursement Notification Letters:

*Management acknowledges that disbursement notification letters were not sent to two (2) students within 30 days of making the loan disbursements and was corrected at time of auditor visit. The Financial Aid Office has corrected this by utilizing the electronic Microsoft Outlook calendar to serve as a 'reminder' every 21 days to send the Disbursement Notification Letter; the 21 days allows a 'cushion' of time to ensure the letters are sent within 30 days. Once the electronic 'reminder' is initiated, the Financial Aid Office will begin the Banner process to originate the letters which are printed and mailed to the students. A future enhancement entails the implementation of AppWorx, tentatively within 1-2 years, to automate this process so e-letters can be sent to students in lieu of paper letters.*

*Implementation Date: June 2010*

*Responsible Person: Kathy Pennartz*

General Controls:

*MSU's Information Systems (IS) Department will ensure the following Banner security measures are in place:*



*-- Implement a policy regarding segregation of duties for high profile users:*

*A policy regarding segregation of duties for high profile users is currently being drafted and will be in place by March 1, 2011.*

*-- Ensure each user has a unique user ID to manage access at the application level:*

*Regarding the management of user access within the Banner System -- When the Banner system is installed by MSU Information Systems department, a user/account is automatically created during installation which has the ability to manage users and their access. This user/account is referred to as BANSECR wherein its only function is to manage users and their access to all Banner modules. Additional users cannot be created to manage access to Banner as this can only be done by BANSECR; therefore, the BANSECR password must be given to an IS employee in order to create and maintain users and their scope of access within the Banner system. Since BANSECR manages user access to all Banner modules, MSU opted NOT to allow individual data custodians to have access to the BANSECR password as this would allow them to manage users outside of their responsibility. NOTE: Currently at MSU, five (5) Banner modules are installed with an individual data custodian responsible for each module; while it is the responsibility of the data custodian to grant access within their individual modules, MSU Information Systems department is the guardian of the BANSECR password and is responsible to implement each data custodian's plans for users and the scope of each user's data access. And, currently at MSU, four (4) Information Systems personnel have access to the BANSECR password in order to ensure data custodian's needs are met in case of sickness, vacations, travel etc.*

*-- Restrict the access of high-profile user IDs to appropriate personnel at the server level:*

*Access of high-profile users has been restricted to the appropriate personnel at the server level. This policy will be finalized and an additional in-house audit will be performed by March 1, 2011.*

*-- Strengthen password policies to ensure that access to the federal student financial assistance data is authorized:*

*Password policy is currently under review; the results and actions of the review will be submitted to the MSU Board of Regents for approval. Target date for implementation is September 1, 2011.*

*Implementation Dates: March 2011 and September 2011 (as detailed above)*

*Responsible Person: Mike Dye*

**Texas A&M Health Science Center**

Reference No. 11-116

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.0007 P007A095144, CFDA 84.063 P063P092583, CFDA 84.268 P268K102583, CFDA 93.342 Award Number Not Applicable, and CFDA 93.925 Award Number Not Applicable**

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

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a “C” or its equivalent, or has academic standing consistent with the institution’s requirements for graduation (Title 34, CFR, Section 668.34).

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

**Texas A&M Health Science Center’s (Health Science Center) written satisfactory academic progress (SAP) policy did not include requirements for students enrolled in the College of Nursing.** The Health Science Center did not update its SAP policy to include the College of Nursing when it added that college to its programs in the Summer of 2008. As a result, nursing students may not be aware of SAP requirements for financial assistance. Although it did not formally update its SAP policy, the Health Science Center evaluated nursing students’ academic progress through its promotions committee.

Cost of Attendance

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

**The Health Science Center’s written COA budgets did not detail adjustments necessary to determine tuition and fees for out-of-state students or non-medical students attending year-round. Furthermore, the Health Science Center was unable to provide documentation of how it calculated the COA adjustments it made in its financial aid application, Banner.** The Health Science Center adjusted COA budgets directly in Banner, but it did not update its written COA budgets accordingly. Without support for the COA budget adjustments, auditors were unable to determine whether the Health Science Center accurately determined student COA and financial need.

Recommendations:

The Health Science Center should:

- Update its SAP policy as necessary to reflect all of its current programs.
- Maintain adequate support for all of its COA budgets and adjustments.

Management Response and Corrective Action Plan:

*The SAP policy has been updated to include information for College of Nursing students. This was done immediately on the HSC web-site and in all related publications.*

*Implementation Date: July 2010*

*Responsible Person: Harold Whitis*

*Management has implemented a requirement for the documentation of all COA adjustments that includes entering notes in our student information system at the time of any adjustment and the scanning and indexing of all supporting documentation that justifies the modification.*

*Implementation Date: August 2010*

*Responsible Person: Harold Whitis*

Reference No. 11-117

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A095144, CFDA 84.063 P063P092583, CFDA 84.268 P268K102583, CFDA 93.342 Award Number Not Applicable, and CFDA 93.925 Award Number Not Applicable**

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

Disbursement Notifications

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

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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**For 21 (22 percent) of 96 loans tested, Texas A&M Health Science Center (Health Science Center) did not send the required disbursement notification letter to the student or parent after crediting the**

**student's account with FFEL funds.** All 21 exceptions were for College of Medicine December loan disbursements. For these loans, the Health Science Center entered the date parameter for the notification process incorrectly into its financial aid application, Banner. Not receiving these notifications can impair loan recipients' ability to cancel their awards.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students. (OMB Compliance Supplement, A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

**For 2 (50 percent) of 4 Pell recipients tested, the disbursement date in the COD System did not match the disbursement date in the Health Science Center's financial aid application, Banner.** The two Pell awards contained correct disbursement amounts, but the summer disbursement dates did not match. The Health Science Center incorrectly reported the date the records were prepared to send to the COD System, instead of the actual disbursement date. As a result, the U.S. Department of Education did not receive accurate Pell disbursement information during the award year.

**Additionally, the Health Science Center did not report 23 (31 percent) of 74 Pell disbursements and adjustments to the COD System within 30 days.** For the 2009-2010 award year, the Health Science Center reported Pell disbursements and refunds to the COD System only three times during the year. As a result, the U.S. Department of Education did not receive Pell disbursement and adjustment information in a timely manner during the award year.

Recommendations:

The University should:

- Send disbursement notifications to loan recipients no earlier than 30 days before and no later than 30 days after crediting the student's account with loan funds.
- Perform COD System reporting in a timely manner and report actual disbursement dates to the COD System, in accordance with federal requirements.

Management Response and Corrective Action Plan:

*Management has automated the generation of disbursement notifications from the student information system. Notifications sent in this manner are documented in the system with the letter type and date sent. This process is run no less than once per week. Reports are generated monthly for review to guarantee that there are no omissions.*

*Implementation Date: August 2010*

*Responsible Person: Harold Whitis*

*Management has instituted a schedule to have the Pell origination and export process run weekly. This will insure timely reporting that will meet federal requirements. Additionally, all records are reviewed on a monthly basis to ensure that COD and the student information system dates match as required.*

*Implementation Date: September 2010*

*Responsible Person: Harold Whitis*

**Texas A&M International University**

Reference No. 11-118

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.033 P033A094137, CFDA 84.063 P063P093216, CFDA 84.007 P007A094137, CFDA 84.375 P375A093216, CFDA 84.376 P376S093216, and CFDA 84.032 Award Number Not Applicable**

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

Academic Competitiveness Grant

The Academic Competitiveness Grant (ACG) program provides grants to eligible students enrolled as first-year or second-year students in an ACG-eligible program. Grants are up to \$750 for first-year students and \$1,300 for second-year students (Title 34, Code of Federal Regulations, Sections 691.6 and 691.62).

Questioned Cost: \$ 64,097

U.S. Department of Education

**Texas A&M International University (University) disbursed ACG grants to 78 students who were enrolled as third-year or fourth-year students and, therefore, were not eligible to receive the grants.**

The University awarded a total of \$64,097 in ACG funds to those ineligible students. Those students met the eligibility requirements during the Spring 2009 semester, when the University initially awarded the grants. However, the students were classified as third-year or fourth-year students at the time of the disbursement of the grants. The edit checks in the University’s financial aid application prevented the awarding of ACG grants to third-year or fourth-year students, but they did not prevent the disbursement of ACG grants to third-year or fourth-year students.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution’s satisfactory academic progress (SAP) policy should include (1) a qualitative component that consists of grades, work projects completed, or comparable factors that are measurable against a norm; and, (2) a quantitative component that consists of a maximum time frame in which a student must complete his or her educational program (Title 34, CFR, Section 668.16 (e)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average (GPA) of at least a “C” or its equivalent, or has academic standing consistent with the institution’s requirements for graduation (Title 34, CFR, Section 668.34 (b)).

University staff perform SAP determinations manually using paper forms. The University asserts that, as a control, administrative staff perform random, periodic reviews of those forms; however, because those reviews are not documented, auditors were unable to verify the existence of this control. **During testing, auditors identified several inconsistencies in staff’s documentation of SAP determinations.** Specifically, auditors noted instances in which:

- The documented cumulative GPA included grades earned from non-institutional courses. According to the University’s SAP policy, the cumulative GPA should include only institutional courses.
- The documented cumulative GPA, course completion rate, and total cumulative hours attempted did not incorporate courses completed in the Fall 2008 and/or Spring 2009 semesters. According to the University’s SAP policy, SAP determinations are made at the end of the academic year.

- The documented total cumulative hours attempted included hours earned from transfer courses not applicable to a student's degree program. According to the University's SAP policy, a student's total cumulative hours attempted are counted only if they apply to the student's degree program.

Despite these inconsistencies in SAP calculations, based on testing of 40 students, auditors did not identify any students who were ineligible to receive financial assistance for not meeting SAP requirements.

Recommendations:

The University should:

- Develop and implement edit checks in its financial aid application to ensure that it does not disburse ACG funds to third-year or fourth-year students.
- Improve controls over its calculation and review of SAP determinations.

Management Response and Corrective Action Plan:

Academic Competitiveness Grant (ACG)

*A BANNER system programming rule that controls ACG disbursements has been implemented to ensure funds are accurately disbursed to eligible students. A Web-Focus audit report has also been created to verify awards are being disbursed accurately according to classification. This allows for a system of checks and balances.*

*Implementation Date: June 2010*

*Responsible Persons: Laura Elizondo and Melanie Martinez*

Satisfactory Academic Progress Policy (SAP)

*In an effort to improve controls over the calculation and review of SAP compliance, the SAP checklist and folder completion checklist will be separated. The SAP checklist form will be completed after spring grades become available for current TAMIU students in accordance with the TAMIU SAP Policy. For new and transfer students, the form will be completed after the student has been admitted to the institution and a FAFSA becomes available. The new form will differentiate between returning TAMIU students, new, and/or transfer students. It will also include TAMIU Overall GPA, Transfer Overall GPA, and Overall GPA to be used to verify GPA requirements, calculation of 75% required hours used to calculate deficit hours, calculation of transferable degree hours used to calculate maxed out hours, and an audit section used by the administrators during the review/audit of SAP determinations.*

*Implementation Date: February 2011*

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

Reference No. 11-119

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

**Student Financial Assistance Cluster**

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

**Award number – CFDA 84.032 Award Number Not Applicable**

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

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

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

**Texas A&M International University (University) did not consistently send the required disbursement notifications to FFEL loan recipients for the Fall 2009 and Spring 2010 semesters within 30 days of disbursing loan proceeds. For 24 (96 percent) of 25 loan recipients tested, the University did not send the required notifications within 30 days.** For example, although the majority of the Spring 2010 loan disbursements occurred in February 2010, the University did not send notifications for these disbursements until May 2010.

The University’s financial aid application automatically produces disbursement notifications, but the University must manually initiate this process. For the 2009-2010 award year, the University did not consistently initiate this process within the required time frames. Not receiving these notifications can impair loan recipients’ ability to cancel their awards.

Recommendation:

The University should improve the review process over disbursement notifications to ensure that it sends notifications to students or parents within the required time frame.

Management Response and Corrective Action Plan:

*The loan disbursement notification process has been added to the regular, automated disbursement process which runs twice a week, ensuring that notifications are sent to the student/parent e-mail account immediately after funds are disbursed.*

*Implementation Date: June 2010*

*Responsible Persons: Laura Elizondo and Melanie Martinez*



## Texas A&M University

Reference No. 11-120

### Eligibility

#### Student Financial Assistance Cluster

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

Award numbers – CFDA 84.063 P063P095286, CFDA 84.033 P033A094136, CFDA 84.375 P375A095286, CFDA 84.376 PP376S095286, CFDA 84.379 P379T105286, CFDA 84.268 P268K105286, CFDA 84.007 P007A094136, CFDA 93.925 TH08HP13301-01-00 and T0AHP15858-01-00, CFDA 93.342 E15HP17893, CFDA 84.038 Award Number Not Applicable, and CFDA 84.032 Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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

Questioned Cost: \$ 0

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, and 682.603).

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

**Texas A&M University (University) overestimated COA for 5 (13 percent) of 40 students tested.** This occurred because the five students were enrolled less than full-time, but the University used full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual enrollment level or expected enrollment level according to the student’s ISIRs. For example, if a student indicated on the ISIR that he or she expected to enroll half-time or three-quarter time, the University still used the COA associated with a full-time COA budget. Using a full-time COA budget to estimate the COA for students who attend less than full-time increases the risk of awarding financial assistance that exceeds financial need.

Because the University used only full-time COA budgets to determine COA, auditors could not determine whether students attending less than full-time were awarded financial assistance that exceeded their financial need for the 2009-2010 school year.

Recommendation:

The University should develop less-than-full-time budgets and determine each student's COA and financial need based on the student's actual or expected level of enrollment.

Management Response and Corrective Action Plan:

*Scholarships and Financial Aid acknowledges and agrees with the finding. For the 09-10 award year, although the cost of attendance was only prorated for less-than-half-time enrollment, Federal, State and Institutional grants and Perkins loan awards were prorated based on three-quarter time and half-time enrollment status as of census date, thus preventing students from receiving excessive amounts.*

*For the 10-11 award year, along with the grants and Perkins proration, the cost of attendance is being prorated based on three-quarter and half-time attendance. Less-than-half-time attendance will continue to be prorated based on specific federal regulations.*

*Implementation Date: August 2010*

*Responsible Person: Delisa Falks*

Reference No. 11-121

**Reporting**

**Student Financial Assistance Cluster**

**Award year - July 1, 2009 to June 30, 2010**

**Award number – CFDA 84.063 P063P082293**

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

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, June 2010, Part 5, Student Financial Assistance Cluster, III.L.1.f, page 5-3-19). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3, page 5-3-30).

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

**For 8 (16 percent) of 50 students tested, the disbursement date that Texas A&M University (University) reported to the COD System did not match the disbursement date in the University's financial aid application.** For these eight students, the date discrepancies ranged from one day to four days. This occurred because the University reported the anticipated disbursement date to the COD System, and it did not adjust its reporting to the COD System when the actual disbursement date differed from the anticipated disbursement date.

Recommendation:

The University should report actual disbursement dates of Pell Grant funds to the COD System.

Management Response and Corrective Action Plan:

*Scholarships and Financial Aid acknowledges and agrees with the finding. Changes have been put in place to ensure the actual date of disbursement is reflected in the COD system. Previously the Disbursement Acknowledgement file was received during the day from COD and disbursement did not run until the following morning. We have implemented a process to run Federal Pell, SMART, ACG and TEACH disbursements in the afternoon directly after the Disbursement Acknowledgment file is received. We monitor the receipt of the file and if we receive it after the cutoff time, we run the disbursements manually.*

*Implementation Date: October 2010*

*Responsible Person: Delisa Falks*

Reference No. 11-122

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.268 P268K105286, and CFDA 84.379 P379T105286**

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

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

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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**For 7 disbursements to 5 (15 percent) of 34 students tested, Texas A&M University (University) did not send disbursement notification letters within the required time frame.** A scheduling function within the financial aid application that is responsible for creating disbursement notifications did not operate from April 16, 2010, to September 13, 2010. As a result, in addition to the five students noted during testing, this issue affected all students with loan or TEACH Grant disbursements from April 16, 2010, through August 15, 2010.

On September 13, 2010, the University sent notification letters for all disbursements made within the affected date range. Not receiving these notifications within the required time frame can impair loan and TEACH Grant recipients’ ability to cancel or modify their awards.

Recommendation:

The University should send disbursement notification letters within the required time frames.

Management Response and Corrective Action Plan:

*Student Business Services acknowledges and agrees with the finding. The failure to send disbursement notifications was the result of an inadvertent omission during a programming change. Once the issue was detected, immediate programming modifications were made and now disbursement notification letters are sent within the required time frames.*

*Implementation Date: September 2010*

*Responsible Person: Bob Piwonka*

Reference No. 11-123

**Special Tests and Provisions – Return of Title IV Funds**

**Student Financial Assistance Cluster**

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

**Award number – CFDA 84.063 P063P090387**

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

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Sections 668.22(a)(1)-(3)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a) (1)-(4)).

Questioned Cost: \$ 0 U.S. Department of Education
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When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return or if it has to notify the lender or the Secretary to issue a final demand letter (Title 34, Code of Federal Regulations, section 668.21). The institution must return those funds for which it is responsible as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, Code of Federal Regulations, section 668.21(b)).

**For 6 (43 percent) of 14 students tested, Texas A&M University (University) did not return all Title IV funds within 30 days after the University determined that the students did not begin attendance.** These six students received a Perkins loan and/or Pell grant for the Spring 2010 semester, but they did not begin attendance in the Spring semester. In June 2010, the University determined that these students did not begin attendance, but it did not return Title IV funds for these students until August 2010. As a result, the returns occurred between 11 and 17 days late.

This issue also may have affected eight other students who received a Perkins loan and/or Pell grant for the Spring 2010 semester and for whom the University made the determination that the students did not attend the semester during June 2010.

Recommendation:

The University should ensure that Title IV funds are returned no later than 30 days after it becomes aware that a student will not or has not begun attendance.

Management Response and Corrective Action Plan:

*Scholarships and Financial Aid acknowledges and agrees with the finding. Previously, the Return of Title IV Funds process required one person to complete the calculation and a second person to perform the return of funds. The process for returning Title IV funds has been changed to allow one person to perform both calculation and return of funds. This ensures the person performing the calculation is also the person adjusting the funds, thus no time delay shall occur between time of calculation and actual return of funds.*

*Implementation Date: October 2010*

*Responsible Person: Delisa Falks*

Reference No. 11-124

**Special Tests and Provisions – Student Loan Repayments**

(Prior Audit Issues 10-56 and 09-53)

**Student Financial Assistance Cluster**

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

**Award number – CFDA 84.038 Award Number Not Applicable**

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

Under the Federal Perkins Loan Program, institutions are required to make contact with the borrower during the initial and post-deferment grace periods. For loans with a nine-month initial grace period, the institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations, Section 674.42(c)(2)).

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

The institution is required to send a first overdue notice to a borrower within 15 days after the payment due date if the institution has not received payment or a request for deferment, postponement, or cancellation. The institution must send a second overdue notice within 30 days after the first overdue notice is sent, and it must send a final demand letter within 15 days after the second overdue notice is sent (Title 34, Code of Federal Regulations, Section 674.43(b) and (c)). If the borrower does not respond to the final demand letter within 30 days, the institution shall attempt to contact the borrower by telephone before beginning collection procedures (Title 34, Code of Federal Regulations, Section 674.43(f)).

If the borrower does not satisfactorily respond to the final demand letter or following telephone contact, the institution is required to report the account as being in default to a national credit bureau and either use its

own personnel to collect the amount due or engage a collection firm to collect the account (Title 34, Code of Federal Regulations, Section 674.45(a)).

**Texas A&M University (University) did not consistently perform necessary collection procedures.** Specifically:

- For 1 (10 percent) of 10 defaulted students tested, the University did not provide evidence that it attempted to contact the borrower by phone before beginning collection procedures.
- For 7 (70 percent) of 10 defaulted students tested for which the University was required to make the first effort to collect, the University did not provide evidence that it made the required efforts.

The employee position responsible for making these contacts was vacant for a portion of the Spring 2010 semester, which affected the timeliness of the University's collection efforts.

Recommendations:

The University should:

- Attempt to contact borrowers by telephone prior to beginning collection procedures and adequately document these efforts.
- Perform and adequately document the required first collection efforts.

Management Response and Corrective Action Plan:

*Student Business Services acknowledges and agrees with the finding. Procedures have been implemented to contact borrowers by telephone prior to beginning collection procedures and to perform first collection efforts. Procedures also address appropriate documentation for these activities. At this time, all notices have been sent and collection efforts are on-going.*

*Implementation Date: December 2010*

*Responsible Person: Bob Piwonka*

## Texas Southern University

Reference No. 11-127

### Eligibility

#### Student Financial Assistance Cluster

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

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

Type of finding – Significant Deficiency and Non-Compliance

#### Cost of Attendance

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

Questioned Cost: \$ 0

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, and 682.603).

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

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

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

In addition to the three incorrect COA budgets, auditors identified several other budgets in Banner that did not agree with (1) the budgets the University reported to the Texas Higher Education Coordinating Board and (2) the internal budget spreadsheet the University used to calculate Fall semester only, Spring semester only, and Summer budgets. For example, the budgets in Banner for undergraduate students who are Texas residents, living off campus, and attending the University in either the Fall semester only or Spring

semester only were \$2,909 less than the budgets on the University's internal budget spreadsheet. As a result, students in this category were potentially underawarded financial assistance funds. During the 2009-2010 award year, a total of 282 students were in this budget category. During the same award year, the University disbursed a total of \$119,306,579 in federal student financial assistance.

#### Awards of Pell Grants

The Federal Pell Grant Program awards grants to help financially needy students meet the cost of their postsecondary education (Title 34, Code of Federal Regulations, Section 690.1). In selecting among students for the Federal Pell Grant program, an institution must determine whether a student is eligible to receive a Federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, Code of Federal Regulations, Section 690.6(a)). For each payment period, an institution may pay a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, Code of Federal Regulations, Section 609.75 (a) (2)). For a student to be eligible to receive an Academic Competitiveness Grant (ACG) award, they must also receive a Federal Pell Grant disbursement in the same award year (Title 34, Code of Federal Regulations, Section 691.15(a)).

**The University awarded Academic Competitiveness Grant (ACG) funds to one student who did not also receive a Pell Grant** (based on auditor's review of all financial assistance recipients). The student was eligible for a Pell Grant, and was initially awarded a Pell Grant for \$1,400, but during a semester-end procedure the University inadvertently removed the Pell Grant from the student's account. The student had withdrawn from the University during the semester and the University removed the student's Pell Grant during a procedure to remove funding from students with zero enrolled hours. However, the student had remained in courses long enough to earn the full Pell Grant. When auditors brought this to the University's attention, the University corrected the student's award package so the student would receive the Pell Grant for which the student was eligible. The amount of the new Pell grant awarded was \$1,400.

#### General Controls

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

**The University has not configured its Banner enterprise software to enforce rules regarding password length or complexity.** Banner can be configured to enforce any standards specified in the University's information security policy. Not enforcing password rules increases the risk of unauthorized access to key financial aid processes, student records, and University financial data.

#### Recommendations:

The University should:

- Review COA budgets entered into Banner to ensure they agree with budgets calculated on internal documents and budgets reported to the Higher Education Coordinating Board prior to packaging of student financial assistance.
- Improve controls over semester-end processes it uses to update financial assistance awards to ensure that it does not incorrectly remove funds for which students are eligible.
- Configure Banner to enforce rules regarding password length and complexity.



Management Response and Corrective Action Plan:

Review COA Budgets:

Management agrees with the recommendation and finding. The error was manual in nature and was caused by the inadvertent entry of inaccurate tuition and fee information into the financial aid system. However, this error did not result in an overaward of financial aid. Additionally, for several categories of students such as Pharmacy and Doctoral commuter and Doctoral resident and non-resident Dorm, there have not been any eligible students enrolled within these categories for multiple years.

Management will update all budget categories regardless to whether eligible recipients are enrolled on campus. The Cost of Attendance Budgets will be calculated and entered by the Associate Director. The Director and Assistant Director will perform a review and sign-off on the calculations. The reviewed spreadsheet will be entered into BANNER by the Associate Director. The System's Analyst and Director will perform a review and sign-off prior to initial process for the award year. The Financial Aid team is researching an upload process to import the Cost-of-Attendance Spreadsheet into the BANNER system and reduce the possibility of errors. The projected implementation date is summer 2011.

Implementation Date: June 2011

Responsible Person: Linda Ballard

Improve controls over semester-end processes it uses to update financial assistance awards to ensure that it does not incorrectly remove funds for which the student was eligible:

Management agrees with the recommendation. The OSFA Financial Aid Accountant will conduct a weekly review of all withdrawn students to ensure funds have not been canceled for eligible aid recipients that meet the criteria for earned aid. Any errors will be corrected within 24 hours to ensure all eligible recipients receive the appropriate amount of earned aid when the Return to Title IV Calculation is performed.

Implementation Date: January 10, 2011

Responsible Person: Linda Ballard

Configure Banner to enforce rules regarding password length and complexity:

Management agrees with the finding and recommendation. The Office of Information Technology/Enterprise Applications division has taken on a Banner Security Project that is scheduled to begin February, 2011. The first phase of the project will include password length and complexity rule enforcement. Phase I is scheduled for completion by March 31, 2011.

Implementation Date: March 2011

Responsible Person: Kathy Booker

Reference No. 11-128

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

**Student Financial Assistance Cluster**

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

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

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

Disbursement Notifications

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

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

**Texas Southern University (University) did not send disbursement notifications to the 27 students who received TEACH Grant Program funds for the 2009-2010 award year.** University staff assert that they were unaware of the requirement to send disbursement notifications to TEACH Grant recipients. Not receiving these notifications can impair TEACH Grant recipients’ ability to cancel their awards.

Returning Funds to Lender

An institution must disburse loan funds within 3 business days of receipt if the lender provided the funds by electronic funds transfer or master check, or 30 days if the lender provided the funds by check payable to the borrower or copayer to the borrower and the institution. If a student is temporarily not eligible for a disbursement, but the institution expects the student to become eligible for disbursement in the immediate future, the institution has an additional 10 business days to disburse the funds. An institution must return FFEL funds that it does not disburse by the end of the initial or conditional period, as applicable, promptly but no later than 10 business days from the last day allowed for disbursement (Title 34, Code of Federal Regulations, Section 668.167).

**For 1 (2 percent) of 50 students tested, the University did not return the funds to the lender within 10 business days after the date the funds were required to be disbursed.** Instead, it returned the funds to the lender 1 day late (11 days after the date the funds were required to be disbursed.) The delay in returning funds was the result of the University’s manual process for returning funds to the lender.

Reporting Requirements

An institution must submit the initial disbursement record for a TEACH Grant to the Secretary of the U.S. Department of Education no later than 30 days following the date of the initial disbursement. The institution must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made (Title 34, Code of Federal Regulations, Section 686.37(b)).

**The University did not submit disbursement records to the Secretary of the U.S. Department of Education within 30 days of disbursement for two TEACH Grant recipients** (based on auditor's review of all financial assistance recipients). Staff assert that they attempted to report these disbursements to the Common Origination and Disbursement (COD) System, but the transmission was not processed. University staff were unaware that these disbursement records were not processed and did not resubmit them until auditors brought the discrepancy to their attention, which was several months after the University made the disbursements. Not reporting disbursements can increase the risk of over awards being made to students and limit the University's monitoring capabilities.

#### General Controls

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

**The University has not configured its Banner enterprise software to enforce rules regarding password length or complexity.** Banner can be configured to enforce any standards specified in the University's information security policy. Not enforcing password rules increases the risk of unauthorized access to key financial aid processes, student records, and University financial data.

#### Recommendations:

The University should:

- Sends disbursement notifications to TEACH Grant recipients within the required timeframe.
- Improve its controls over returning funds to the lender to ensure that it returns funds within the required time frame.
- Improve its oversight of submissions to the COD System to ensure that it reports disbursement records as required.
- Configure Banner to enforce rules regarding password length and complexity.

#### Management Response and Corrective Action Plan:

*Send disbursement notifications to TEACH Grant recipients within the required timeframe:*

*Management agrees with the finding and recommendation. Management has added the TEACH Grant to the disbursement notification process to ensure notifications are sent to students prior to the expiration of the 30 day limit.*

*Implementation Date: January 2011*

*Responsible Person: Linda Ballard*

*Improve its controls over returning funds to the lender to ensure that it returns funds within the required time frame:*

*Management agrees with the finding and recommendation. Management has begun implementing automated procedures for calculating the return of funds that will increase accuracy and timeliness. Additionally, management has instituted procedures for weekly review of student withdrawals along with*

*the respective calculations and return of funds to ensure that all funds are returned within the required timeframe.*

*Implementation Date: January 2011*

*Responsible Person: Darlene Brown*

*Improve its oversight of submissions to the COD System to ensure that it reports disbursement records as required:*

*Management agrees with the finding and recommendation. The Student Office of Assistance-Financial Aid Accountant will perform a review and comparison of the COD system and BANNER at the end of month to improve the oversight of the submissions to the COD system.*

*Implementation Date: January 2011*

*Responsible Person: Linda Ballard*

*Configure Banner to enforce rules regarding password length and complexity. Management agrees with the finding and recommendation:*

*The Office of Information Technology/Enterprise Applications division has taken on a Banner Security Project that is scheduled to begin February, 2011. The first phase of the project will include password length and complexity rule enforcement. Phase I is scheduled for completion by March 31, 2011.*

*Implementation Date: March 2011*

*Responsible Person: Kathy Booker*

**Texas State University – San Marcos**

Reference No. 11-129

**Eligibility**

**Activities Allowed or Unallowed**

**Cash Management**

**Period of Availability of Federal Funds**

**Special Tests and Provisions - Separate Funds**

**Special Tests and Provisions - Verification**

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

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

(Prior Audit Issues 10-70 and 09-65)

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.063 P063P090387, CFDA 84.033 P007A094122, CFDA 84.375 P375A090387, CFDA 84.376 P376S090387, CFDA 84.379 P379T100387, CFDA 84.268 P268K100387, CFDA 84.007 P033A094122, CFDA 93.925 T08HP13066, CFDA 84.038 Award Number Not Applicable, and CFDA 84.032 Award Number Not Applicable**

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

Cost of Attendance

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

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, and 682.603).

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

**Texas State University – San Marcos (University) overestimated COA for 2 (5 percent) of 40 students tested.** This occurred because the two students were enrolled less-than-full-time, but the University uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual or expected enrollment level according to the student’s ISIRs. Therefore, if a student indicates on the ISIR that he or she expects to enroll half-time or three-quarter time, the University still uses the COA associated with a full-time COA budget. Using a full-time COA budget to estimate the COA

for students who attend less-than-full-time increases the risk of awarding financial assistance that exceeds financial need.

Because the University uses only full-time COA budgets to determine COA, auditors could not determine whether students attending less than full-time were awarded financial assistance that exceeded their financial need for the 2009-2010 school year.

#### Other Compliance Requirements

Although the general controls weaknesses described below apply to activities allowed or unallowed, cash management, period of availability of federal funds, special tests and provisions - separate funds, special tests and provisions - verification, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - borrower data transmission and reconciliation (direct loan), auditors identified no compliance issues regarding these compliance requirements.

#### General Controls

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

**The University did not appropriately restrict access to its Financial Aid Management (FAM) system.** Specifically:

- Two programmers had super user access to the production mainframe supporting the FAM system.
- One programmer had access rights to move program code changes into the production environment.
- An unknown number of computer operators shared a generic user ID with system administrator privileges.

**Additionally, the University did not appropriately restrict access to its SAP financial management systems.** One programmer had access rights to move program code changes into the production environment.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. In general, programmers should not have access to migrate code changes to the production environment. Sharing a user ID does not allow for appropriate segregation of duties and user accountability.

#### Recommendations:

The University should:

- Determine each student's COA and financial need based on the student's actual or anticipated enrollment.
- Limit high-profile access to the FAM system to the appropriate users based on their responsibilities.
- Define user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities.
- Assign each user a unique user ID for all logins.

Management Response and Corrective Action Plan:

Cost of Attendance

*This issue will be addressed with the implementation of a new financial aid system (Banner) in fall 2011. The automated and manual processes required for implementation in fall are currently being designed and developed.*

*Implementation Date: September 2011*

*Responsible Person: Dr. Christopher Murr*

General Controls

*With respect to limiting high-profile access to the FAM system to the appropriate users based on their responsibilities, the Digital VAX has been the principle system for more than 20 years at the university. As the migration to ERP's has occurred, the applications running on the VAX continue to diminish. Accesses necessary to maintain an operational environment for the remaining VAX applications necessitate appropriate staff retains necessary super user accounts in order to keep this antiquated system operational. This requirement goes back to the VAX environment process and procedures compliant with computing requirements of the 1970-1990 era. Texas State University maintains a solid change management process to assure production changes are documented, tested and approved before migration to production. With the migration to the new SIS ERP systems, the legacy VAX system will be shutdown, thus, removing this identified circumstance. This shutdown will occur in the coming months. Also, user access to the production environment of SAP financial management systems is granted in a manner that promotes separation of duties and is based on users' responsibilities.*

*Implementation Date: September 2011*

*Responsible Person: Mr. William Rampy*

*With respect to defining user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities, the corrective action has been completed.*

*Implementation Date: December 2010*

*Responsible Person: Mr. William Rampy*

*With respect to assigning each user a unique user ID for all logins, this practice was instituted in April of this year.*

*Implementation Date: April 2010*

*Responsible Person: Mr. Michael Krxywonski*

Reference No. 11-130

**Reporting**

(Prior Audit Issues 10-71 and 09-66)

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.063 P063P090387, CFDA 84.007 P007A094122, CFDA 84.268 P268K100387, CFDA 84.033 P033A094122, CFDA 84.375 P375A090387, CFDA 84.376 P376S090387, CFDA 84.379 P379T100387, CFDA 93.925 T08HP13066 and T0AHP15819, CFDA 84.038 Award Number Not Applicable, and CFDA 84.032**

**Award Number Not Applicable**

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

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education’s Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, June 2010, Part 5, Student Financial Assistance Cluster, III.L.1.f, page 5-3-19). The disbursement amount and date in the COD System should match the disbursement date and amount in students’ accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3, page 5-3-30).

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

If an institution credits a student’s institutional account with institutional funds in advance of receiving Title IV, Higher Education Act (HEA) program funds, the U.S. Department of Education considers that the institution makes that disbursement on the 10th day before the first day of classes (Title 34, Code of Federal Regulations, Section 668.164).

**For 11 (14 percent) of 81 Pell disbursements to 40 students tested, the Fall 2009 disbursement date in the COD System did not match the disbursement date shown on the students’ institutional accounts.**

For the Fall 2009 semester, Texas State University – San Marcos (University) reported the date it credited institutional funds to the students’ accounts as the disbursement date to the COD System, instead of the 10th day before the first day of classes. According to the University, this issue was the result of a software issue it corrected after the Fall 2009 disbursement period. For all Spring 2010 Pell disbursements tested, the University reported the correct disbursement date to the COD System.

The University disbursed \$33,499,071 in Pell funds during the 2009-2010 federal award year; it disbursed \$16,310,580 of that amount during the Fall 2009 semester.

General Controls

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

**The University did not appropriately restrict access to its Financial Aid Management (FAM) system. Specifically:**

- Two programmers had super user access to the production mainframe supporting the FAM system.
- One programmer had access rights to move program code changes into the production environment.



- An unknown number of computer operators shared a generic user ID with system administrator privileges.

**Additionally, the University did not appropriately restrict access to its SAP financial management systems.** One programmer had access rights to move program code changes into the production environment.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. In general, programmers should not have access to migrate code changes to the production environment. Sharing a user ID does not allow for appropriate segregation of duties and user accountability.

Recommendations:

The University should:

- Report the actual disbursement date of Pell disbursements to the COD System.
- Limit high-profile access to the FAM system to the appropriate users based on their responsibilities.
- Define user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities.
- Assign each user a unique user ID for all logins.

Management Response and Corrective Action Plan:

Common Origination and Disbursement System Reporting

*As stated in our previous year's management response regarding this finding, the issue with Pell reporting was identified prior to the 2008-2009 audit. At that time, the FA system vendor (SunGard) was contacted and a fix implemented in December of 2009 after: 1) the vendor developed the necessary program upgrade; 2) on-site beta-testing of the solution was conducted at Texas State; and 3) necessary programming by Texas State was undertaken to accommodate the fix's integration with other FA system (university-specific) modified programs. The success of the corrective action is demonstrated by there being no related findings for spring and summer of 2010—the semesters after the above fix was implemented.*

*Implementation Date: December 2009*

*Responsible Person: Dr. Christopher Murr*

General Controls

*With respect to limiting high-profile access to the FAM system to the appropriate users based on their responsibilities, the Digital VAX has been the principle system for more than 20 years at the university. As the migration to ERP's has occurred, the applications running on the VAX continue to diminish. Accesses necessary to maintain an operational environment for the remaining VAX applications necessitate appropriate staff retains necessary super user accounts in order to keep this antiquated system operational. This requirement goes back to the VAX environment process and procedures compliant with computing requirements of the 1970-1990 era. Texas State University maintains a solid change management process*

*to assure production changes are documented, tested and approved before migration to production. With the migration to the new SIS ERP systems, the legacy VAX system will be shutdown, thus, removing this identified circumstance. This shutdown will occur in the coming months. Also, user access to the production environment of SAP financial management systems is granted in a manner that promotes separation of duties and is based on users' responsibilities.*

*Implementation Date: September 2011*

*Responsible Person: Mr. William Rampy*

*With respect to defining user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities, the corrective action has been completed.*

*Implementation Date: December 2010*

*Responsible Person: Mr. William Rampy*

*With respect to assigning each user a unique user ID for all logins, this practice was instituted in April of this year.*

*Implementation Date: April 2010*

*Responsible Person: Mr. Michael Krxywonski*

Reference No. 11-131

**Special Tests and Provisions - Return of Title IV Funds**

(Prior Audit Issues 10-72 and 09-68)

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.007 P007A094122, CFDA 84.033 P033A094122, CFDA 84.063 P063P090387, CFDA 84.268 P268K100387, CFDA 84.375 P375A090387, CFDA 84.376 P376S090387, and CFDA 84.379 P379T100387**

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

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Sections 668.22(a)(1)-(3)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a) (1)-(4)).

Questioned Cost: \$ 303

U.S Department of Education

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the

date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

Scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (Title 34, Code of Federal Regulations, Section 668.22(f)(2)(i)). When classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the return calculation. The first Saturday, the day after the last class, is the first day of the break. The following Sunday, the day before classes resume, is the last day of the break (Title 34, Code of Federal Regulations, Section 668.22(f)(2)(i)).

**For 7 (17.5 percent) of 40 students tested, Texas State University – San Marcos (University) incorrectly calculated the percentage of enrollment period that the students completed, resulting in incorrect return amount calculations for all 7 students.** The University entered the incorrect date range for the Spring 2010 semester when it populated a table for the automated return amount calculation. As a result of this error, for the seven students identified during testing, the University returned \$126 less in Title IV funds than it was required to return, and the students returned \$177 less in Title IV funds than they were required to return. This date range error affected a total of 140 students who withdrew during the Spring 2010 semester.

#### General Controls

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

**The University did not appropriately restrict access to its Financial Aid Management (FAM) system.** Specifically:

- Two programmers had super user access to the production mainframe supporting the FAM system.
- One programmer had access rights to move program code changes into the production environment.
- An unknown number of computer operators shared a generic user ID with system administrator privileges.

**Additionally, the University did not appropriately restrict access to its SAP financial management systems.** One programmer had access rights to move program code changes into the production environment.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. In general, programmers should not have access to migrate code changes to the production environment. Sharing a user ID does not allow for appropriate segregation of duties and user accountability.

#### Recommendations:

The University should:

- Use the appropriate date range when it calculates amounts of Title IV funds to return.

- Limit high-profile access to the FAM system to the appropriate users based on their responsibilities.
- Define user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities.
- Assign each user a unique user ID for all logins.

Management Response and Corrective Action Plan:

Return of Title IV Funds

*Management concurs. Student Business Services and the Financial Aid Office have established a process to provide an additional check to verify the calculated date ranges are entered correctly to help ensure compliance.*

*Implementation Date: December 2010*

*Responsible Person: Ms. Cindy Kruckemeyer*

General Controls

*With respect to limiting high-profile access to the FAM system to the appropriate users based on their responsibilities, the Digital VAX has been the principle system for more than 20 years at the university. As the migration to ERP's has occurred, the applications running on the VAX continue to diminish. Accesses necessary to maintain an operational environment for the remaining VAX applications necessitate appropriate staff retains necessary super user accounts in order to keep this antiquated system operational. This requirement goes back to the VAX environment process and procedures compliant with computing requirements of the 1970-1990 era. Texas State University maintains a solid change management process to assure production changes are documented, tested and approved before migration to production. With the migration to the new SIS ERP systems, the legacy VAX system will be shutdown, thus, removing this identified circumstance. This shutdown will occur in the coming months. Also, user access to the production environment of SAP financial management systems is granted in a manner that promotes separation of duties and is based on users' responsibilities.*

*Implementation Date: September 2011*

*Responsible Person: Mr. William Rampy*

*With respect to defining user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities, the corrective action has been completed.*

*Implementation Date: December 2010*

*Responsible Person: Mr. William Rampy*

*With respect to assigning each user a unique user ID for all logins, this practice was instituted in April of this year.*

*Implementation Date: April 2010*

*Responsible Person: Mr. Michael Krxywonski*

Reference No. 11-132

**Special Tests and Provisions – Student Status Changes**

**Student Financial Assistance Cluster**

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

**Award numbers –CFDA 84.007 P007A094122, CFDA 84.033 P033A094122, CFDA 84.063 P063P090387, CFDA 84.268 P268K100387, CFDA 84.375 P375A090387, CFDA 84.376 P376S090387, and CFDA 84.379 P379T100387**

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

Student Status Changes

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

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

The University uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.3.1.1).

**For 22 (56 percent) of 39 graduated students tested, Texas State University – San Marcos (University) reported an incorrect enrollment change date to NSLDS. All 22 students graduated in the Spring of 2010.** According to the *NSLDS Enrollment Reporting Guide*, the University should have reported the enrollment change date as the date the students completed all course requirements. Instead, the University incorrectly reported the students’ commencement date.

**Additionally, for 1 (2 percent) of 49 students tested, the University reported the student’s graduated status to NSLDS 47 days late.** According to the University, it delayed reporting the student’s status change until it received the student’s grades from a community college at which the student was enrolled.

Inaccurate and delayed information affects determinations made by guarantors, lenders, and servicers of student loans related to in-school status, deferments, grace periods, repayment schedules, and the federal government’s payment of interest subsidies.

General Controls

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

**The University did not appropriately restrict access to its Financial Aid Management (FAM) system.** Specifically:

- Two programmers had super user access to the production mainframe supporting the FAM system.
- One programmer had access rights to move program code changes into the production environment.
- An unknown number of computer operators shared a generic user ID with system administrator privileges.

**Additionally, the University did not appropriately restrict access to its SAP financial management systems.** One programmer had access rights to move program code changes into the production environment.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. In general, programmers should not have access to migrate code changes to the production environment. Sharing a user ID does not allow for appropriate segregation of duties and user accountability.

Recommendations:

The University should:

- Use the date a student completed course requirements as the enrollment change date transmitted to NSLDS.
- Report changes in student status to NSLDS, guaranty agencies, and lenders within the required time frames.
- Limit high-profile access to the FAM system to the appropriate users based on their responsibilities.
- Define user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities.
- Assign each user a unique user ID for all logins.

Management Response and Corrective Action Plan:

Student Status Changes

*With respect to the date a student completed course requirements as the enrollment change date transmitted to NSLDS, the Registrar's Office acquired a copy of the NSLDS Enrollment Reporting Guide from the National Student Clearinghouse, which has been incorporated into our documentation. Subsequent student completed course requirement dates, submitted for a student, is the last day of the semester. Regarding report changes in student status to NSLDS, guaranty agencies, and lenders within the required timeframes, the Registrar's Office reporting schedule has been set to "every month" in accordance with section 1.7 on page 10 of the NSLDS Enrollment Reporting Guide.*

*Implementation Date: August 2010*

*Responsible Person: Ms. Lloydean Eckley*

General Controls

*With respect to limiting high-profile access to the FAM system to the appropriate users based on their responsibilities, the Digital VAX has been the principle system for more than 20 years at the university. As the migration to ERP's has occurred, the applications running on the VAX continue to diminish. Accesses necessary to maintain an operational environment for the remaining VAX applications necessitate appropriate staff retains necessary super user accounts in order to keep this antiquated system operational. This requirement goes back to the VAX environment process and procedures compliant with computing requirements of the 1970-1990 era. Texas State University maintains a solid change management process to assure production changes are documented, tested and approved before migration to production. With the migration to the new SIS ERP systems, the legacy VAX system will be shutdown, thus, removing this identified circumstance. This shutdown will occur in the coming months. Also, user access to the production environment of SAP financial management systems is granted in a manner that promotes separation of duties and is based on users' responsibilities.*

*Implementation Date: September 2011*

*Responsible Person: Mr. William Rampy*

*With respect to defining user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities, the corrective action has been completed.*

*Implementation Date: December 2010*

*Responsible Person: Mr. William Rampy*

*With respect to assigning each user a unique user ID for all logins, this practice was instituted in April of this year.*

*Implementation Date: April 2010*

*Responsible Person: Mr. Michael Krxywonski*

Reference No. 11-133

**Special Tests and Provisions – Student Loan Repayments**

(Prior Audit Issues 10-73 and 09-69)

**Student Financial Assistance Cluster**

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

**Award number – CFDA 84.038 Award Number Not Applicable**

**Type of finding – Material Weakness and Material Non-Compliance**

Student Loan Repayments

Under the Federal Perkins Loan Program, institutions are required to make contact with the borrower during the initial and post-deferment grace periods. For loans with a nine-month initial grace period, the institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be

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

240 days after the beginning of the grace period (Title 34, Code of Federal Regulations, Section 674.42(c)(2)).

Under the Federal Perkins Loan Program, institutions are required to send borrowers a written notice and a statement of account at least 30 days before their first payment is due (Title 34, Code of Federal Regulations, Section 674.43 (a)(2)(i)).

The institution is required to send a first overdue notice to a borrower within 15 days after the payment due date if the institution has not received payment or a request for deferment, postponement, or cancellation. The institution must send a second overdue notice within 30 days after the first overdue notice is sent, and it must send a final demand letter within 15 days after the second overdue notice is sent (Title 34, Code of Federal Regulations, Section 674.43(b) and (c)). If the borrower does not respond to the final demand letter within 30 days, the institution shall attempt to contact the borrower by telephone before beginning collection procedures (Title 34, Code of Federal Regulations, Section 674.43(f)).

If the borrower does not satisfactorily respond to the final demand letter or following telephone contact, the institution is required to report the account as being in default to a national credit bureau and either use its own personnel to collect the amount due or engage a collection firm to collect the account (Title 34, Code of Federal Regulations, Section 674.45(a)). If the institution, or firm it engages, pursues collection activity for 12 months and does not succeed in converting the account to regular repayment status, the institution should either litigate or make a second effort to collect (Title 34, Code of Federal Regulations, Section 674.45(c)). If the institution is unable to place the loan in repayment, the institution shall continue to make annual attempts to collect from the borrower (Title 34, Code of Federal Regulations, Section 674.45(d)).

**Texas State University – San Marcos (University) did not consistently contact defaulted borrowers at required intervals or perform necessary collection procedures.** Specifically:

- For 5 (42 percent) of 12 defaulted students tested, the University did not provide evidence that it sent the first grace period notice. For an additional 4 (33 percent) of 12 defaulted students tested, the University did not send the first grace period notice within 90 days. Additionally, the University's first grace period notice to all borrowers did not include the amount of principal and interest due on the loan or the projected life of the loan.
- For 3 (25 percent) of 12 defaulted students tested, the University did not provide evidence that it sent the second grace period notice. For an additional 8 (67 percent) of 12 defaulted students tested, the University did not send the second grace period notice within 150 days.
- For 3 (25 percent) of 12 defaulted students tested, the University did not provide evidence that it sent the third grace period notice. For an additional 4 (33 percent) of 12 defaulted students tested, the University did not send the third grace period notice within 240 days.

Auditors identified issues related to grace period notices during the audit of the prior year. Because the sending of grace period notices occurred prior to the time period covered by the current audit, the University did not have an opportunity to correct this issue prior to audit of the current year. Auditors identified the following issues during the current audit:

- For all 12 defaulted students tested, the University did not provide evidence that it sent billing statements to the students.
- For 6 (23 percent) of 26 defaulted loans tested for which the University was required to send first overdue notices, the University did not provide evidence that it sent the first overdue notice. For an additional 1 (4 percent) of those 26 defaulted loans, the University did not send the first overdue notices within 15 days.



- For 2 (13 percent) of 16 defaulted loans tested for which the University was required to send second overdue notices, the University did not provide evidence that it sent the second overdue notice. For an additional 3 (19 percent) of those 16 defaulted loans, the University did not send second overdue notices within 30 days after the first overdue notice.
- For 5 (45 percent) of 11 defaulted loans tested for which the University was required to send a final demand letter, the University did not provide evidence that it sent the final demand letter. For an additional 6 (55 percent) of those 11 defaulted loans, the University did not send final demand letters within 15 days after second overdue notices.
- For 3 (38 percent) of 8 defaulted loans tested for which the University was required to attempt to contact the borrower by telephone, the University did not provide evidence that it attempted this contact prior to beginning collection procedures.
- For 2 (33 percent) of 6 defaulted loans for which the University was required to contact a national credit bureau, the University did not provide evidence that it made the required contacts.
- For 4 (67 percent) of 6 defaulted loans for which the University was required to make the first effort to collect, the University did not provide evidence that it made the required efforts.
- For 2 (100 percent) of 2 defaulted loans for which the University was required initiate litigation or make a second effort to collect on these loans, the University did not provide evidence that it made the required efforts.
- For 2 (100 percent) of 2 loans in default for more than one year, the University did not conduct a yearly attempt to collect.

University personnel use a monthly aging report to identify students to contact regarding Perkins billing. University personnel then manually create notices and contact students who are in default based on aging reports. The above issues resulted from a breakdown in this manual processes.

General Controls

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

**The University did not appropriately restrict access to its Financial Aid Management (FAM) system.** Specifically:

- Two programmers had super user access to the production mainframe supporting the FAM system.
- One programmer had access rights to move program code changes into the production environment.
- An unknown number of computer operators shared a generic user ID with system administrator privileges.

**Additionally, the University did not appropriately restrict access to its SAP financial management systems.** One programmer had access rights to move program code changes into the production environment.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. In general, programmers should not

have access to migrate code changes to the production environment. Sharing a user ID does not allow for appropriate segregation of duties and user accountability.

Recommendations:

The University should:

- Send grace period contact letters and initial billing notices to borrowers within the required time frames. Additionally, the University should ensure that the first grace period contact letter includes the amount of principal and interest due on the loan and the projected life of the loan.
- Send Perkins Loan overdue notices and final demand letters within required time frames to all borrowers who do not make the first payment or make a request for deferment, postponement, or cancellation.
- Attempt to contact borrowers by telephone prior to beginning collection procedures and adequately document these efforts.
- Report to a national credit bureau when a borrower fails to respond to the final demand letter and the following telephone contact.
- Perform and adequately document the required first, second, and annual collection efforts.
- Limit high-profile access to the FAM system to the appropriate users based on their responsibilities.
- Define user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities.
- Assign each user a unique user ID for all logins.

Management Response and Corrective Action Plan:

Student Loan Repayments

*Management concurs. Due to the limited sample size of defaults, some defaulted students tested fell under prior years' audit findings and Texas State did not have ample time for correction. Management will continue to monitor timeframes, provide more documentation in the files, and continue to follow up with outside agencies for credit reporting. Management is in the process of liquidating the program.*

*Implementation Date: Ongoing*

*Responsible Person: Ms. Cindy Kruckemeyer*

General Controls

*With respect to limiting high-profile access to the FAM system to the appropriate users based on their responsibilities, the Digital VAX has been the principle system for more than 20 years at the university. As the migration to ERP's has occurred, the applications running on the VAX continue to diminish. Accesses necessary to maintain an operational environment for the remaining VAX applications necessitate appropriate staff retains necessary super user accounts in order to keep this antiquated system operational. This requirement goes back to the VAX environment process and procedures compliant with computing requirements of the 1970-1990 era. Texas State University maintains a solid change management process*

*to assure production changes are documented, tested and approved before migration to production. With the migration to the new SIS ERP systems, the legacy VAX system will be shutdown, thus, removing this identified circumstance. This shutdown will occur in the coming months. Also, user access to the production environment of SAP financial management systems is granted in a manner that promotes separation of duties and is based on users' responsibilities.*

*Implementation Date: September 2011*

*Responsible Person: Mr. William Rampy*

*With respect to defining user access for migrating code to the production environment of the FAM system and financial management systems in a manner that promotes separation of duties and is based on users' responsibilities, the corrective action has been completed.*

*Implementation Date: December 2010*

*Responsible Person: Mr. William Rampy*

*With respect to assigning each user a unique user ID for all logins, this practice was instituted in April of this year.*

*Implementation Date: April 2010*

*Responsible Person: Mr. Michael Krxywonski*

**Texas Tech University**

Reference No. 11-134

**Eligibility**

**Activities Allowed or Unallowed**

**Cash Management**

**Period of Availability of Federal Funds**

**Special Tests and Provisions – Separate Funds**

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.007 P007A094151, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094151, CFDA 84.063 P063P092328, CFDA 84.375 P375A092328, CFDA 84.376 P376S092328, and CFDA 84.379 P379T092328**

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

Cost of Attendance

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

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, and 682.603).

**Texas Tech University (University) incorrectly calculated the COA for 7 (14 percent) of 50 students tested.** Specifically:

- The University overstated one student’s COA by \$350. This occurred because of a data entry error in Banner related to an approved budget increase for car repairs.
- The University understated two students’ COAs by a total of \$1,040. This occurred because the University did not update these students’ COA calculations after the board of regents approved an increase to the budgets on which the University bases its COA calculations. Due to Banner restrictions, the batch posting process to automatically update the budget amounts for all students did not work for some students. As a result, the University understated the COA by \$520 for each student, for a total of \$1,040.
- The University overstated two students’ COAs by a total of \$7,782. This occurred because the University erroneously factored tuition and fees for both the Fall and Spring semesters into its COA calculations for those two students. However, the students only attended either the Fall or Spring semester. Banner automatically recalculated the students’ tuition and fees based on the adjusted budgets approved by the board of regents. However, Banner recalculated the COA based on planned

attendance for both semesters. As a result, the COA was overstated by \$3,891 for each student, for a total of \$7,782.

- The University understated one student's COA by \$704. This occurred because the University erroneously omitted the student from the Summer budget group in Banner, yet it included the student in the Summer aid period. As a result, the student's COA was calculated at 140 percent of the full year amounts, rather than on the summer rates established in the University's budget.
- The University understated one student's COA by \$19,385. This occurred because that student's COA included only tuition and fees and a loan fee. The COA erroneously omitted books, transportation, room and board, and miscellaneous components. As a result, the student's COA was understated by \$19,385.

It is important to note that, for the 50 student files tested, the University's estimated COA did not lead the University to award student financial assistance that exceeded financial need for the 2009-2010 school year. Therefore, there were no questioned costs. However, the risk of over/underawarding student financial assistance increases when the University does not calculate COA accurately.

#### Pell Awards

For the federal Pell Grant program, the payment and disbursement schedules provided each year by the U.S. Department of Education are used for determining award amounts (Title 34, Code of Federal Regulations, Section 690.62). These schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students. Additionally, a student's eligibility for a Pell Grant must first be determined and considered before a student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, Code of Federal Regulations, Section 685.200).

**Based on a review of the full population of student financial assistance recipients, the University did not award Pell to four students who were eligible to receive Pell funds.** Specifically:

- The University did not load two students' EFC/ISIR information properly into Banner; therefore, Pell funds were not awarded. The two students were eligible for Pell awards of \$3,600 and \$1,800, for a total of \$5,400.
- The University coded the student financial assistance period for one student incorrectly in Banner; therefore Pell funds were not awarded. The student was eligible for a Pell award of \$1,200.
- The University had requested additional documents from one student; as a result, the University did not award Pell funds while that request was pending. However, the University requested the documents in error, and it never awarded Pell funds to the student. The student was eligible for a Pell award of \$5,350.

#### Satisfactory Academic Progress (SAP)

A student is eligible to receive Title IV, Higher Education Act Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component which consists of grades, work projects completed or comparable factors that are measurable against a norm, and a quantitative component that consists of a maximum timeframe within which a student must complete his or her education (Title 34, Code of Federal Regulations, Section 668.16(e)).

The University gives a student a "strike" if the student does not comply with the SAP policy. After a student receives three strikes, the University will deny the student financial assistance.

**Two (4 percent) of 50 students tested did not comply with the University's SAP policy**, but the University did not give those students a strike. The University's former financial aid system determined compliance with the SAP policy, and the University converted SAP statuses from that system to the new financial aid system (Banner) at the beginning of the award year. However, the SAP status information for these two students was calculated and converted incorrectly. The University did not perform adequate reconciliations to ensure that SAP status information was properly calculated and converted into Banner. These two students had no previous strikes and were still eligible to receive assistance for the award year; therefore, there are no questioned costs. However, not appropriately assigning strikes to students in accordance with University policy increases the risk that the University could award assistance to an ineligible student.

#### Other Compliance Requirements

Although the general control weakness described below applies to activities allowed or unallowed, cash management, period of availability of federal funds, special tests and provisions – separate funds, and special tests and provisions - borrower data transmission and reconciliation (direct loan), auditors identified no compliance issues regarding these compliance requirements.

#### General Controls

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

**The University allowed excessive high-profile system access at the application level. Specifically, 23 users had excessive modify access to certain components of Banner, the University's student financial aid system.** This included information technology personnel, as well as an individual from the Sponsored Program Accounting and Reporting (SPAR) office who is involved in the cash draw-down process. The access these individuals had included modify access to the various financial aid budgets, federal fund management, global rules, and satisfactory academic progress (SAP) category tables, as well as modify access to award and authorize the disbursement of student financial assistance.

Allowing employees inappropriate or excessive access to areas in an application that are outside of their job responsibilities increases the risk of inappropriate changes and does not allow for proper segregation of duties.

#### Recommendations:

The University should:

- Adjust COA calculations in Banner to ensure that updates to budget groups are applied to all applicable students.
- Implement controls to ensure that COA changes that require manual changes and/or updates are completed.
- Implement controls to ensure that Banner disburses awards to all eligible students within the parameters defined for each financial assistance program.
- Implement controls to ensure that records for students who do not comply with the SAP policy are correctly updated with strikes in accordance with the University's SAP policy.

- Restrict access to Banner based on job responsibilities to decrease the risk of inappropriate changes and ensure separation of duties.

*Management Response and Corrective Action Plan:*

- *Cost of Attendance budget components are determined by the Board of Regents after Financial Aid packaging has begun. Student Financial Aid will run ad hoc reports for all student populations to identify tuition and fees not updated by batch processing. Ad hoc reports will be utilized once the global fee document is approved by the Board of Regents each academic year.*
- *A meeting will be scheduled with our Banner consultant to correctly identify a process to allow Student Financial Aid to load all valid ISIR records for active students.*
- *The Office of Student Financial Aid is working with the Enrollment Management Technology Operations (EMTO) Department to develop a report to identify all students whose matriculation data has been updated to ensure all eligible students are awarded within specific parameters such as aid period, graduation date, and enrollment status.*
- *A reporting tool is currently in place to ensure proper assignment of SAP codes.*

*Implementation Date: July 2011*

*Responsible Person: Shannon L. Crossland*

*General Controls*

- *The Financial Aid Offices and Information Systems have worked together to remove Banner INB access for Financial Aid Offices employees and the Sponsored Program Accounting and Reporting employee as recommended by SAO. In addition, access was removed for two others as recommended by the Director of the TTU Financial Aid Office.*
- *INB access for Information Systems staff is now limited to the DBAs, the Assistant Managing Director for the Student and Student Financial Aid systems, and the Project Leader for the Student Financial Aid System. This access is needed to support the system.*
- *We agree that proper separation of duties requires preventing TTU and HSC from updating each other's Financial Aid records. Information Systems Enterprise Application Security staff are preparing a solution to meet this need. It is scheduled to move to production by August 31, 2011.*

*Implementation Date: August 2011*

*Responsible Person: Heather Horst*

Reference No. 11-135

**Reporting**

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.063 P063P092328, CFDA 84.007 P007A094151, CFDA 84.033 P033A094151, and CFDA 84.038 Award Number Not Applicable**

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

Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, June 2010, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-19)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

Questioned Cost: \$ 0

U.S. Department of Education

**For 4 (8 percent) of 50 students tested, Texas Tech University (University) did not report to the COD System within 30 days of disbursement for the Spring 2010 semester.** Those errors were the result of the University incorrectly configuring certain settings within Banner that were related to Fall 2009 reporting.

**Additionally, for 3 (6 percent) of 50 students tested, the cost of attendance listed in Banner did not match the amount reported to the COD System.** The University asserted that the Texas Tech University System Board of Regents approved a tuition increase for certain students subsequent to the initial COD System reporting. The University further asserted that because it determined that this increase would not affect the students' eligibility, it did not report the change to the COD System.

Fiscal Operations Report and Application to Participate (FISAP)

To apply for and receive funds for campus-based federal student assistance programs (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant (FSEOG)), institutions must have completed and submitted a FISAP by October 1, 2010 (Title 34, Code of Federal Regulations, Chapter 673.3 and *Instruction Booklet for Fiscal Operations Report and Application to Participate*, page i).

The FISAP the University submitted on October 1, 2010, reported on the University's campus-based program participation for the 2009-2010 award year and included an application for campus-based program funding for the 2011-2012 award year. On that FISAP, **the amount the University reported for state expended scholarships and grants to undergraduates erroneously included \$22,314,575** in awards to law students and awards that were not applicable state grants and scholarships, based on FISAP reporting instructions. **Additionally, the University erroneously omitted an applicable state grant totaling \$774,404.** The University reported \$22,428,053 in state grants and scholarships on the FISAP; however the correct amount was \$887,882.

The University reviewed the FISAP prior to submitting it; however, that review was not adequate to ensure that the University followed the FISAP reporting instructions. The U.S. Department of Education considers state grant and scholarship expenditures as a resource when determining the amount of FSEOG an



institution may be eligible for. Therefore, erroneously reporting state grant and scholarship expenditures has the potential to affect the amount of FSEOG the University is awarded.

On November 17, 2010, the University submitted a revised FISAP to correct these errors.

General Controls

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

**The University allowed excessive high-profile system access at the application level. Specifically, 23 users had excessive modify access to certain components of Banner, the University's student financial aid system.** This included information technology personnel, as well as an individual from the Sponsored Program Accounting and Reporting (SPAR) office who is involved in the cash draw-down process. The access these individuals had included modify access to the various financial aid budgets, federal fund management, global rules, and satisfactory academic progress (SAP) category tables, as well as modify access to award and authorize the disbursement of student financial assistance.

Allowing employees inappropriate or excessive access to areas in an application that are outside of their job responsibilities increases the risk of inappropriate changes and does not allow for proper segregation of duties.

Recommendations:

The University should:

- Properly configure its COD System reporting processes and time frames in Banner.
- Report accurate cost of attendance amounts to the COD System.
- Implement procedures to ensure that its FISAP review process confirms that the University reports all elements in the FISAP based on FISAP instructions.
- Restrict access to Banner based on job responsibilities to decrease the risk of inappropriate changes and ensure separation of duties.

Management Response and Corrective Action Plan:

- *The COD system and reporting processes and time frames have been revised and were in process as of May, 2010.*
- *Beginning in July 2011, we will utilize ad hoc reporting to compare Cost of Attendance with Cost of Attendance reported to COD for reconciliation.*
- *TTU FISAP procedures have been documented to include reporting components.*

*Implementation Date: Completed*

*Responsible Person: Shannon L. Crossland*

General Controls

- *The Financial Aid Offices and Information Systems have worked together to remove Banner INB access for Financial Aid Offices employees and the Sponsored Program Accounting and Reporting employee as recommended by SAO. In addition, access was removed for two others as recommended by the Director of the TTU Financial Aid Office.*
- *INB access for Information Systems staff is now limited to the DBAs, the Assistant Managing Director for the Student and Student Financial Aid systems, and the Project Leader for the Student Financial Aid System. This access is needed to support the system.*
- *We agree that proper separation of duties requires preventing TTU and HSC from updating each other's Financial Aid records. Information Systems Enterprise Application Security staff are preparing a solution to meet this need. It is scheduled to move to production by August 31, 2011.*

*Implementation Date: August 2011*

*Responsible Person: Heather Horst*

Reference No. 11-136

**Special Tests and Provisions - Verification**

(Prior Audit Issue 09-72)

**Student Financial Assistance Cluster**

**Award year - July 1, 2009 to June 30, 2010**

**Award numbers – CFDA 84.007 P007A094151, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094151, CFDA 84.063 P063P092328, CFDA 84.375 P375A092328, CFDA 84.376 P376S092328, and CFDA 84.379 P379T092328**

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

Verification

An institution may participate under a U.S. Department of Education-approved quality assurance program (QAP) that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. An institution not participating under a U.S. Department of Education-approved QAP is required to establish written policies and procedures that incorporate the provisions of Title 34, Code of Federal Regulations, Sections 668.51 through 668.61, for verifying applicant information. Such an institution shall require each applicant whose application is selected by the central processor, based on edits specified by the U.S. Department of Education, to verify the information specified in Title 34, Code of Federal Regulations, Section 668.56. Policies and procedures for verification must include: (1) the time period within which an applicant shall provide the documentation; (2) the consequences of an applicant's failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's expected family contribution (EFC) changes and results in a change in the applicant's award or loan; (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error; and (5) the procedures for making referrals under Title 43, Code of Federal Regulations, Section 668.16. The procedures must provide that the institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of

Questioned Cost: \$ 0

U.S. Department of Education

application information, including the deadlines for completing required actions and the consequences of failing to complete any required action (Title 34, Code of Federal Regulations, Section 668.53).

**Texas Tech University's (University) verification policy did not contain procedures for making referrals under Title 34, Code of Federal Regulations, Section 668.16.**

**In addition, for 1 (2 percent) of 50 verification cases tested, the University could not locate all required documents necessary to verify that the number of members in the household who are attending college,** as reported by the student on the student's Institutional Student Information Report (ISIR), was correct.

#### General Controls

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

**The University allowed excessive high-profile system access at the application level. Specifically, 23 users had excessive modify access to certain components of Banner, the University's student financial aid system.** This included information technology personnel, as well as an individual from the Sponsored Program Accounting and Reporting (SPAR) office who is involved in the cash draw-down process. The access these individuals had included modify access to the various financial aid budgets, federal fund management, global rules, and satisfactory academic progress (SAP) category tables, as well as modify access to award and authorize the disbursement of student financial assistance.

Allowing employees inappropriate or excessive access to areas in an application that are outside of their job responsibilities increases the risk of inappropriate changes and does not allow for proper segregation of duties.

#### Recommendations:

The University should:

- Ensure that its verification policy includes all required information.
- Retain all documentation received from students that is necessary for verification.
- Restrict access to Banner based on job responsibilities to decrease the risk of inappropriate changes and ensure separation of duties.

#### Management Response and Corrective Action Plan:

- *The University's Verification policy has been updated to include procedures for making referrals under Title 34, Code of Federal Regulations, Section 668.16.*
- *Student Financial Aid implemented electronic document protocol in December 2010 for receipt of all faxed documents. The documents are received and retained in a secured folder for review, processing and distribution.*

*Implementation Date: Completed*

*Responsible Person: Shannon L. Crossland*

General Controls

- *The Financial Aid Offices and Information Systems have worked together to remove Banner INB access for Financial Aid Offices employees and the Sponsored Program Accounting and Reporting employee as recommended by SAO. In addition, access was removed for two others as recommended by the Director of the TTU Financial Aid Office.*
- *INB access for Information Systems staff is now limited to the DBAs, the Assistant Managing Director for the Student and Student Financial Aid systems, and the Project Leader for the Student Financial Aid System. This access is needed to support the system.*
- *We agree that proper separation of duties requires preventing TTU and HSC from updating each other's Financial Aid records. Information Systems Enterprise Application Security staff are preparing a solution to meet this need. It is scheduled to move to production by August 31, 2011.*

*Implementation Date: August 2011*

*Responsible Person: Heather Horst*

Reference No. 11-137

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.007 P007A094151, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094151, CFDA 84.063 P063P092328, CFDA 84.375 P375A092328, CFDA 84.376 P376S092328, and CFDA 84.379 P379T092328**

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

Disbursement Notification Letters

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

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

**For 29 (78 percent) of 37 students tested for whom disbursement notices were required, Texas Tech University (University) did not send adequate disbursement notices within 30 days.** The following causes contributed to these errors:

- After the midyear holiday break, the University did not reactivate its automated process for generating disbursement notices until February 9, 2010, due to internal miscommunication. As a result, the University asserts that it sent disbursement notices for 10,140 loans disbursed from January 4, 2010, to January 8, 2010 more than 30 days after disbursement.

- The University began disbursing Direct Loans for the Summer semester of 2010. The University's initial implementation of the Direct Loan process did not generate disbursement notices within 30 days after disbursement. As a result, the University asserts that it did not send disbursement notices for 1,308 recipients of Direct Loans within 30 days after disbursement.

**In addition, the University generated disbursement notification letters for TEACH Grant recipients manually outside of its automated process for generating other disbursement notices. Those disbursement notification letters did not contain the date and amount of the disbursement.** The University asserts that it disbursed TEACH Grant funds to 22 recipients during the award year.

Recipients of disbursement notifications that are sent more than 30 days after disbursement or that contained incomplete information may not have been able to make timely and fully informed decisions about accepting disbursements.

#### General Controls

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

**The University allowed excessive high-profile system access at the application level. Specifically, 23 users had excessive modify access to certain components of Banner, the University's student financial aid system.** This included information technology personnel, as well as an individual from the Sponsored Program Accounting and Reporting (SPAR) office who is involved in the cash draw-down process. The access these individuals had included modify access to the various financial aid budgets, federal fund management, global rules, and satisfactory academic progress (SAP) category tables, as well as modify access to award and authorize the disbursement of student financial assistance.

Allowing employees inappropriate or excessive access to areas in an application that are outside of their job responsibilities increases the risk of inappropriate changes and does not allow for proper segregation of duties.

#### Recommendations:

The University should:

- Establish a process to ensure that it sends disbursement notices in a timely manner, including disbursement notices for Direct Loans and disbursement notices generated after holiday breaks.
- Establish a process to generate TEACH Grant disbursement notices that include the date and amount of the disbursement.
- Restrict access to Banner based on job responsibilities to decrease the risk of inappropriate changes and ensure separation of duties.

#### Management Response and Corrective Action Plan:

- *TTU Right to Cancel Loan electronic notification was reinstated in February 2010 and currently remains active year round including during holiday breaks.*

- *TEACH Grant distribution notifications, including date and amount, were added to current daily loan process distribution notification in July 2010.*

*Implementation Date: July 2010*

*Responsible Person: Shannon L. Crossland*

General Controls

- *The Financial Aid Offices and Information Systems have worked together to remove Banner INB access for Financial Aid Offices employees and the Sponsored Program Accounting and Reporting employee as recommended by SAO. In addition, access was removed for two others as recommended by the Director of the TTU Financial Aid Office.*
- *INB access for Information Systems staff is now limited to the DBAs, the Assistant Managing Director for the Student and Student Financial Aid systems, and the Project Leader for the Student Financial Aid System. This access is needed to support the system.*
- *We agree that proper separation of duties requires preventing TTU and HSC from updating each other's Financial Aid records. Information Systems Enterprise Application Security staff are preparing a solution to meet this need. It is scheduled to move to production by August 31, 2011.*

*Implementation Date: August 2011*

*Responsible Person: Heather Horst, August 2011*

Reference No. 11-138

**Special Tests and Provisions - Return of Title IV Funds**

(Prior Audit Issue 09-74)

**Student Financial Assistance Cluster**

**Award year - July 1, 2009 to June 30, 2010**

**Award numbers – CFDA 84.007 P007A094151, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094151, CFDA 84.063 P063P092328, CFDA 84.375 P375A092328, CFDA 84.376 P376S092328, and CFDA 84.379 P379T092328**

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

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Sections 668.22(a)(1)-(3)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a) (1)-(4)).

Questioned Cost: \$ 4,230 U.S. Department of Education
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Returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal

Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (Title 34, Code of Federal Regulations, Section 668.22(e)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, Code of Federal Regulations, Section 668.22(j)(2)).

**Auditors identified the following errors at Texas Tech University (University) for students who attended class during a semester in which they later withdrew:**

- For 2 (6 percent) of 33 withdrawals tested, the University incorrectly calculated either the amount of Title IV funds earned or the amount to be returned. This occurred because of data input errors.
- For 1 (5 percent) of 21 withdrawals tested, the University did not return the correct amount of unearned Title IV funds. This occurred because of a data input error.
- For 11 (52 percent) of 21 withdrawals tested, the University did not return all Title IV funds within the required time frame.

**Auditors also identified the following errors at the University for students who withdrew from the University prior to the first day of class:**

- For 8 (47 percent) of 17 withdrawals tested, the University did not return all Title IV funds within the required time frame.
- For 2 (12 percent) of 17 withdrawals tested, the University did not return all Title IV funds. For those student withdrawals, the University did not return a total of \$4,230 in Title IV funds, including \$747 in Direct Subsidized loans, \$747 in Direct Unsubsidized loans, \$1,741 in Subsidized FFELP, and \$995 in Unsubsidized FFELP.
- For 2 (100 percent) of 2 withdrawals tested for which Title IV funds were not returned, the University did not notify the lender that the student would not be attending.

General Controls

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

**The University allowed excessive high-profile system access at the application level. Specifically, 23 users had excessive modify access to certain components of Banner, the University's student financial**

**aid system.** This included information technology personnel, as well as an individual from the Sponsored Program Accounting and Reporting (SPAR) office who is involved in the cash draw-down process. The access these individuals had included modify access to the various financial aid budgets, federal fund management, global rules, and satisfactory academic progress (SAP) category tables, as well as modify access to award and authorize the disbursement of student financial assistance.

Allowing employees inappropriate or excessive access to areas in an application that are outside of their job responsibilities increases the risk of inappropriate changes and does not allow for proper segregation of duties.

Recommendations:

The University should:

- Develop and implement controls to ensure that it:
  - Returns Title IV funds within the appropriate time frames.
  - Returns Title IV funds in their entirety when it is required to do so.
  - Notifies lenders that students receiving Title IV funds will not be attending.
  - Correctly calculates the amount of Title IV funds earned and the amount to be returned.
  - Returns the correct amount of Title IV funds.
- Restrict access to Banner based on job responsibilities to decrease the risk of inappropriate changes and ensure separation of duties.

Management Response and Corrective Action Plan:

- *The previous staff member has been reassigned and an Assistant Advisor hired. In June 2010, the Assistant Advisor assumed responsibility for R2T4 administration to ensure compliance for R2T4 controls. Copies of all reports related to R2T4 are copies to Associate Director of Administrative Maintenance and Compliance for periodic review and quality control.*

*Implementation Date: June 2010*

*Responsible Person: Shannon L. Crossland*

General Controls

- *The Financial Aid Offices and Information Systems have worked together to remove Banner INB access for Financial Aid Offices employees and the Sponsored Program Accounting and Reporting employee as recommended by SAO. In addition, access was removed for two others as recommended by the Director of the TTU Financial Aid Office.*
- *INB access for Information Systems staff is now limited to the DBAs, the Assistant Managing Director for the Student and Student Financial Aid systems, and the Project Leader for the Student Financial Aid System. This access is needed to support the system.*
- *We agree that proper separation of duties requires preventing TTU and HSC from updating each other's Financial Aid records. Information Systems Enterprise Application Security staff are preparing a solution to meet this need. It is scheduled to move to production by August 31, 2011.*

*Implementation Date: August 2011*

*Responsible Person: Heather Horst*



Reference No. 11-139

**Special Tests and Provisions – Student Status Changes**  
(Prior Audit Issue 09-75)

**Student Financial Assistance Cluster**

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

**Award number – CFDA 84.032 Award Number Not Applicable**

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

Student Status Changes

Unless an institutions expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

Questioned Cost: \$ 0

U.S. Department of Education

Texas Tech University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University’s behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University’s responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.3.1.1).

**Sixteen (32 percent) of 50 student status changes tested at the University were not reported to NSLDS in a timely and accurate manner. Specifically:**

- 12 (24 percent) of 50 student status changes tested were not reported to NSLDS within the required 60-day timeframe.
- 3 (6 percent) of 50 student’s status changes were not reported to NSLDS. These students graduated in May 2010, but they were not reported as graduated.
- 1 (2 percent) of 50 students had no enrollment history reported to NSLDS.

The University does not have a process to monitor the reporting of enrollment status to NSLDS. Without a monitoring process to ensure accurate and timely reporting, the University is not able to detect non-compliance and take appropriate and timely action to address issues. Inaccurate and delayed information affects determinations made by lenders, servicers of student loans related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government’s payment of interest subsidies.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of

contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

**The University allowed excessive high-profile system access at the application level. Specifically, 23 users had excessive modify access to certain components of Banner, the University's student financial aid system.** This included information technology personnel, as well as an individual from the Sponsored Program Accounting and Reporting (SPAR) office who is involved in the cash draw-down process. The access these individuals had included modify access to the various financial aid budgets, federal fund management, global rules, and satisfactory academic progress (SAP) category tables, as well as modify access to award and authorize the disbursement of student financial assistance.

Allowing employees inappropriate or excessive access to areas in an application that are outside of their job responsibilities increases the risk of inappropriate changes and does not allow for proper segregation of duties.

Recommendations:

The University should:

- Implement changes to its reporting procedures to ensure that all student status changes are accurately reported to NSLDS within the required time period.
- Establish and implement policies and procedures to monitor the enrollment student status changes reported to NSLDS on the University's behalf.
- Restrict access to Banner based on job responsibilities to decrease the risk of inappropriate changes and ensure separation of duties.

Management Response and Corrective Action Plan:

*All processes were updated in January 2010 to include enrollment submission to National Student Loan Clearinghouse (NSC) five times during the regular fall/spring terms and four times during summer terms. TTU corrects and clears all errors two days prior to sending the file to NSC. TTU is notified by NSC when a student is enrolled in two careers at once at which point TTU indicates which career is priority. All errors are resolved when TTU is notified by NSC, and TTU is notified by NSC when file is released to website.*

*Implementation Date: January 2010*

*Responsible Person: Shannon L. Crossland*

General Controls

- *The Financial Aid Offices and Information Systems have worked together to remove Banner INB access for Financial Aid Offices employees and the Sponsored Program Accounting and Reporting employee as recommended by SAO. In addition, access was removed for two others as recommended by the Director of the TTU Financial Aid Office.*
- *INB access for Information Systems staff is now limited to the DBAs, the Assistant Managing Director for the Student and Student Financial Aid systems, and the Project Leader for the Student Financial Aid System. This access is needed to support the system.*

- *We agree that proper separation of duties requires preventing TTU and HSC from updating each other's Financial Aid records. Information Systems Enterprise Application Security staff are preparing a solution to meet this need. It is scheduled to move to production by August 31, 2011.*

*Implementation Date: August 2011*

*Responsible Person: Heather Horst*

**University of Houston**

Reference No. 11-150

**Cash Management**

**Activities Allowed or Unallowed**

**Eligibility**

**Period of Availability of Federal Funds**

**Special Tests and Provisions - Separate Funds**

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.007 P007A094166, CFDA84.033 P033A084166 and P033A094166, CFDA 84.063 P063P072333 and P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333**

**Type of finding – Significant Deficiency**

Cash Management

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

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

**For 2 (4 percent) of 50 cash draws tested, the University of Houston's (University) request exceeded the amount it immediately needed to disburse funds to students for the specific awards tested. In addition, for 1 (2 percent) of 50 draws tested, the adjustment the University requested from the U.S. Department of Education was not supported by disbursements for the specific award tested.** For these draws, the University requested payments or adjustments in the federal system for the incorrect federal award numbers, although supporting documentation of related disbursements reflected the correct award numbers. All draws tested had evidence of University review and approval, however this control did not prevent the errors identified. The University subsequently identified and corrected all errors prior to auditors' testing. These errors did not cause the University's cumulative draws to exceed expenditures when aggregating all federal awards.

Other Compliance Requirements

Although the general controls weaknesses described below apply to activities allowed or unallowed, eligibility, period of availability of federal funds, special tests and provisions - separate funds, and special tests and provisions - disbursements to or on behalf of students, auditors identified no compliance issues regarding these compliance requirements.

General Controls

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

**The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system.** The University of Houston System (System) is responsible for granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System's attention, it reduced the number of users with this access to 44.

Recommendations:

The University should:

- Ensure that its drawdowns of Title IV funds reflect the award numbers for which it disbursed funds to students.
- Periodically review user accounts with the ability to create user accounts, and assign appropriate user roles based on job responsibilities. The University should provide this ability only to a limited number of users.

Management Response and Corrective Action Plan: -Cash Management

*Research Accounting will continue to utilize reconciliation and review procedures to help ensure the accuracy of all cash draws, including identification and correction of errors. We have informed our Research Accounting personnel of the importance of their responsibilities for adequately reviewing the support for all such transactions.*

*Implementation Date: January 2011*

*Responsible Person: Karin Livingston*

General Controls:

*We reviewed the listing of all individuals who had Administrator accounts and the ability to manually create accounts and assign roles to users within the PeopleSoft Enterprise Resource Planning system. We removed this access for all users that did not require this functionality in order to perform their job duties. We have implemented procedures to provide for a quarterly review of individuals with the ability to create and assign roles based on their job duties and responsibilities and will modify access accordingly.*

*Implementation Date: June 10, 2010*

*Responsible Persons: Katina McGhee/Keith Martin*

Reference No. 11-151

**Reporting**

(Prior Audit Issues 10-94 and 09-83)

**Student Financial Assistance Cluster**

**Award year- July 1, 2009 to June 30, 2010**

**Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094166, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333**

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

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education’s Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-19)). The disbursement amount and date in the COD System should match the disbursement date and amount in students’ accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement, A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

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

**For 6 (12 percent) of 50 students tested, the University of Houston (University) did not report the Pell disbursement to the COD System within 30 days of disbursement.** These disbursements occurred on or between August 24, 2009, and September 16, 2009. The University did not submit a batch file to the COD System for these dates. The University discovered the oversight and submitted the disbursements to the COD System on October 20, 2009 or October 21, 2009.

General Controls

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

**The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system.** The University of Houston System (System) is responsible for granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System’s attention, it reduced the number of users with this access to 44.

Recommendations:

The University should:

- Submit Pell disbursement reports to the COD System within the required 30-day time frame.

- Periodically review user accounts with the ability to create user accounts, and assign appropriate user roles based on job responsibilities. The University should provide this ability only to a limited number of users.

Management Response and Corrective Action Plan:

Pell Reporting:

We have updated our policies and procedures to report Pell disbursements in a timely manner in accordance with Federal regulation. The actual disbursement date will be reported to the COD system. We are in the process of hiring additional staff to ensure that we process and report Pell in accordance with Federal regulations and requirements.

Implementation Date: August 2010

Responsible Person: Izzy Anderson

General Controls:

We reviewed the listing of all individuals who had Administrator accounts and the ability to manually create accounts and assign roles to users within the PeopleSoft Enterprise Resource Planning system. We removed this access for all users that did not require this functionality in order to perform their job duties. We have implemented procedures to provide for a quarterly review of individuals with the ability to create and assign roles based on their job duties and responsibilities and will modify access accordingly.

Implementation Date: June 10, 2010

Responsible Persons: KatinaMcGhee/Keith Martin

Reference No. 11-152

**Special Tests and Provisions – Verification**

(Prior Audit Issue – 10-95)

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094166, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333**

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

Verification

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education to verify all of the applicable items, which include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income tax paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

Questioned Cost: \$ 0

U.S. Department of Education

**The University of Houston (University) did not verify all required information on selected FASFAs in accordance with federal regulations.** For 3 (6 percent) of 50 students tested, the University did not correctly update its records and the *Institutional Student Information Record (ISIR)*. Specifically:

- For 1 student tested, the University did not correctly update its records and the ISIR to reflect information on the household members enrolled at least half-time in college; however, the student's eligibility was not affected by this error.
- For 1 student tested, the University did not correctly update its records and the ISIR to reflect information on the parent's untaxed income and benefits. Auditors could not determine whether the student's financial assistance was affected because the University stated it no longer had the ability to make corrections to the student's financial assistance.
- For 1 student tested, the University did not correctly update its records and the ISIR to reflect information on the student's adjusted gross income; however, the student's eligibility was not affected by this error.

**The University does not have an adequate process to monitor verification.** Without an adequate process to detect non-compliance and take appropriate and timely action to address issues, the University risks over awarding financial assistance.

#### General Controls

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

**The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system.** The University of Houston System (System) is responsible for granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System's attention, it reduced the number of users with this access to 44.

#### Recommendations:

The University should:

- Implement controls to correctly update its records and ISIR after verifying FAFSA information.
- Periodically review user accounts with the ability to create user accounts, and assign appropriate user roles based on job responsibilities. The University should provide this ability only to a limited number of users.



Management Response and Corrective Action Plan:Verification:

We have updated our policies and procedures to correctly update records requiring verification of FAFSA information. We have hired and trained additional staff within the quality control unit for improving quality and accuracy of data by monitoring verifications to eliminate risk of errors.

Implementation Date: December 2010

Responsible Person: Candida DuBose

General Controls:

We reviewed the listing of all individuals who had Administrator accounts and the ability to manually create accounts and assign roles to users within the PeopleSoft Enterprise Resource Planning system. We removed this access for all users that did not require this functionality in order to perform their job duties. We have implemented procedures to provide for a quarterly review of individuals with the ability to create and assign roles based on their job duties and responsibilities and will modify access accordingly.

Implementation Date: June 10, 2010

Responsible Persons: Katina McGhee/Keith Martin

Reference No. 11-153

**Special Tests and Provisions - Return of Title IV Funds**

(Prior Audit Issues 10-97 and 09-86)

**Student Financial Assistance Cluster**

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

Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333

Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

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

Questioned Cost: \$ 0

U.S. Department of Education

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued

more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

**For 9 (18 percent) of 50 students tested, the University of Houston (University) did not return the correct amount of Title IV funds.** Specifically:

- For eight students, the University erroneously used nine days instead of eight days for Spring break in its computation of the enrollment period.
- For one student, the University used an incorrect withdrawal date in its return calculation, resulting in an incorrect determination that it did not need to return any funds. Based on the correct withdrawal date, the University should have returned \$1,307.

As a result of these nine errors, the University and the affected students returned \$1,212 more in Title IV funds than was required. The Spring break calculation error affected all 104 students with an official withdrawal that required a return of funds in Spring 2010.

**Additionally, the University did not consistently return Title IV funds in a timely manner.** Specifically:

- For all 28 unofficial withdrawals tested, the University did not determine the withdrawal date within 30 days of the end of enrollment period as required. The University explained that it delayed running the query it uses to identify unofficial withdrawals after the end of the term until all student grades were posted. One of the colleges within the University posts grades significantly later than other colleges. The University has revised its procedures to account separately for the grading policy of this college in its query for unofficial withdrawals.
- For 2 (6 percent) of 36 students tested for whom the University was required to return Title IV funds, the funds were not returned within 45 days after the date the University determined that the students withdrew.

#### General Controls

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

**The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system.** The University of Houston System (System) is responsible for granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System's attention, it reduced the number of users with this access to 44.

#### Recommendations:

The University should:

- Implement controls to ensure that it completes returns of Title IV funds in a timely manner and in accordance with federal regulations.

- Periodically review user accounts with the ability to create user accounts, and assign appropriate user roles based on job responsibilities. The University should provide this ability only to a limited number of users.

Management Response and Corrective Action Plan:

Return of Title IV Funds:

*We have reviewed all records for the 2009-2010 award year to identify all students for whom return of Title IV funds were required. Policies and Procedures for all Return of Title IV withdrawals have been updated to require that all official withdrawals will be reviewed weekly and funds will be returned (where necessary) within 21 business days. For unofficial withdrawals, returns will be processed within three weeks of the end of the enrollment period. This is to ensure the returns are within the required timeframe as set by the federal guidelines. We have reviewed our policies and procedures to address the federal requirements, regulations and timeliness.*

*Implementation Date: August 2010*

*Responsible Person: Candida DuBose*

General Controls:

*We reviewed the listing of all individuals who had Administrator accounts and the ability to manually create accounts and assign roles to users within the PeopleSoft Enterprise Resource Planning system. We removed this access for all users that did not require this functionality in order to perform their job duties. We have implemented procedures to provide for a quarterly review of individuals with the ability to create and assign roles based on their job duties and responsibilities and will modify access accordingly.*

*Implementation Date: June 10, 2010*

*Responsible Persons: Katina McGhee/Keith Martin*

Reference No. 11-154

**Special Tests and Provisions – Student Status Changes**

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094166, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333**

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

Student Status Changes

Unless an institution expects to submit its next student status confirmation report to Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2)

Questioned Cost: \$ 0

U.S. Department of Education

discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.3.3.1).

**For 4 (8 percent) of 50 student status changes tested, the University did not report the status change to NSLDS. For an additional 8 student status changes tested, the University did not report the status change to NSLDS within the required 60-day time frame.** For 7 of these 8 status changes, the University reported an incorrect effective date to NSLDS. All of the students affected either officially or unofficially withdrew from the University.

**The University does not have an adequate process to report enrollment status to NSLDS for withdrawn students.** Specifically, the University did not follow its written procedures for reporting students who unofficially withdrew. In addition, the University believes there may be an error in the programming logic used to extract and report students who officially withdrew from the University. Without an adequate process to ensure accurate and timely reporting, the University is not able to detect non-compliance and take appropriate and timely action to address issues. Inaccurate and delayed information affects determinations made by lenders, servicers of student loans related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

#### General Controls

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

**The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system.** The University of Houston System (System) is responsible for granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System's attention, it reduced the number of users with this access to 44.

#### Recommendations:

The University should:

- Report all student status changes accurately to NSLDS within the required time period.

- Periodically review user accounts with the ability to create user accounts, and assign appropriate user roles based on job responsibilities. The University should provide this ability only to a limited number of users.

Management Response and Corrective Action Plan:

Student Status Changes:

*We have implemented procedures to ensure that student status changes are identified and reported to NSLDS and the lender / guarantors within the required time period. As a quality control, the Office of Scholarships and Financial Aid will report an enrollment change to NSLDS for any student receiving Title IV aid and who has officially withdrawn from the University. Additional measures have been implemented to ensure more accurate and timely reporting to NSLDS.*

*Implementation Date: December 2010*

*Responsible Persons: Debbie Hermann/Jessica Thomas*

General Controls:

*We reviewed the listing of all individuals who had Administrator accounts and the ability to manually create accounts and assign roles to users within the PeopleSoft Enterprise Resource Planning system. We removed this access for all users that did not require this functionality in order to perform their job duties. We have implemented procedures to provide for a quarterly review of individuals with the ability to create and assign roles based on their job duties and responsibilities and will modify access accordingly.*

*Implementation Date: June 10, 2010*

*Responsible Persons: Katina McGhee/Keith Martin*

Reference No. 11-155

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094166, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333**

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

Direct Loan Reporting

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 30 days of disbursement (Office of Management and Budget No. 1845-0021). Each month, the COD System provides institutions with a School Account Statement (SAS) data file that consists of cash summary, cash detail, and (optional at the request of the institution) loan detail records. The institution is required to reconcile these files to the institution's financial records. Up to three Direct Loan program years may be open at any given time; therefore, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 685.303).

Questioned Cost: \$ 0

U.S. Department of Education

**For 4 (8 percent) of 50 students tested, the University of Houston (University) reported an incorrect disbursement date to the COD System.** In all four cases, the errors were a result of the University reporting an anticipated date to the COD System, rather than an actual date.

**Additionally, for 3 (6 percent) of 50 students tested, the University did not report the disbursement to the COD System within 30 days of the disbursement.** It reported one disbursement to the COD System as a pending disbursement, and it did not correct that until it made a manual correction 78 days later. For the other two disbursements, the delay was a result of a University oversight in submitting the disbursement record.

#### General Controls

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

**The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system.** The University of Houston System (System) is responsible for granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System's attention, it reduced the number of users with this access to 44.

#### Recommendations:

The University should:

- Report actual disbursements dates to the COD System and report Direct loan disbursement records within the required time frames.
- Periodically review user accounts with the ability to create user accounts, and assign appropriate user roles based on job responsibilities. The University should provide this ability only to a limited number of users.

#### Management Response and Corrective Action Plan:

##### Direct Loan Reporting:

*We have updated policies and procedures to report direct loan disbursements in a timely manner in accordance with Federal regulation. The actual disbursement date will be reported to the COD system. The loan unit has also hired additional staff to ensure the University processes and reports direct loans to the COD system in accordance with Federal regulations and requirements.*

*Implementation Date: January 2011*

*Responsible Person: Lear Hickman*

General Controls:

*We reviewed the listing of all individuals who had Administrator accounts and the ability to manually create accounts and assign roles to users within the PeopleSoft Enterprise Resource Planning system. We removed this access for all users that did not require this functionality in order to perform their job duties. We have implemented procedures to provide for a quarterly review of individuals with the ability to create and assign roles based on their job duties and responsibilities and will modify access accordingly.*

*Implementation Date: June 10, 2010*

*Responsible Persons: Katina McGhee/Keith Martin*

**University of Houston - Downtown**

Reference No. 11-158

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2009 through June 30, 2010**

**Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A094118, CFDA 84.033 P033A094118, CFDA 84.063 P063P20092306, CFDA 84.375 P375A20092306, and CFDA 84.376 P376S20092306**

**Type of finding – Significant Deficiency**

Cost of Attendance

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

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

**The University of Houston – Downtown's (University) written COA budget does not detail adjustments necessary to determine tuition and fees for part-time students in the Fall and Spring semesters.** Furthermore, the University was not able to provide documentation of how it calculated adjustments it made in PowerFAIDS to part-time students’ tuition and fees during packaging of student financial assistance. According to University personnel, the part-time budget adjustments within PowerFAIDS were based on tuition and fees from the 2008-2009 award year because information on 2009-2010 tuition and fees was not available at the time the University programmed PowerFAIDS. Because support for tuition and fees adjustments was not available and the written budget did not provide sufficient detail for part-time students, University personnel cannot be assured that PowerFAIDS budget adjustments for part-time students accurately reflect tuition and fees normally assessed part-time students.

General Controls

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

**The University did not maintain adequate segregation of duties within PowerFAIDS, its financial aid system.** One information technology employee had administrative access to PowerFAIDS and the database and servers on which PowerFAIDS resides. Proper segregation of duties is required so that no employee has complete control of a business process. If an employee has administrative access to each component of a system (application, database, and servers), he or she could introduce unauthorized (errant or fraudulent) changes to the data or functionality of the production environment.

Recommendations:

The University should:

- Ensure the COA budgets within the financial aid application contain sufficient detail to verify COA for part-time students.



- Maintain appropriate segregation of duties in its financial aid application, database, and servers.

Management Response and Corrective Action Plan:

Cost of Attendance

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

Implementation Date: May 31, 2011

Responsible Person: LaTasha Goudeau

General Controls

The University is in the process of converting from PowerFaid to BANNER's financial aid application which will integrate financial aid with the BANNER student system. Within the BANNER environment there is a separation of duties and no one individual will have control of the business process. There is separation between application, database and servers. BANNER financial aid is expected to go live on February 28, 2011.

Implementation Date: February 2011

Responsible Person: LaTasha Goudeau

Reference No. 11-159

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A094118, CFDA 84.033 P033A094118, CFDA 84.063 P063P20092306, CFDA 84.375 P375A20092306, and CFDA 84.376 P376S20092306**

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

Returning Funds to a Lender

An institution must disburse loan funds within 3 business days of receipt if the lender provided the funds by electronic funds transfer (EFT) or master check, or 30 days if the lender provided the funds by check payable to the borrower or copayer to the borrower and the institution. If a student is temporarily not eligible for a disbursement, but the institution expects the student to become eligible for disbursement in the immediate future, the institution has an additional 10 business days to disburse the funds. An institution must return Federal Family Education Loan (FFEL) funds that it does not disburse by the end of the initial or conditional period, as applicable, promptly but no later than 10 business days from the last day allowed for disbursement (Title 34, Code of Federal Regulations, Section 668.167).

Questioned Cost: \$ 0

U.S. Department of Education

**For 3 (5 percent) of 58 FFEL disbursements tested, the University of Houston – Downtown (University) did not disburse the funds to students’ accounts within 3 business days of receipt from the lender.** The delays in disbursements were not the result of eligibility issues. The University’s financial aid office posts the EFT to the students’ account within PowerFAIDS. However, the University’s cashier’s office must release the funds in a separate system in order for the funds to disburse to the students’ accounts. For these three disbursements, the University posted the EFT in PowerFAIDS within three business days. However, the University did not release the EFT in the separate system in a timely manner. As a result, the three disbursements were released within four, five, and eight business days after receipt. Delays in disbursement of loan funds could result in students not having funds when needed.

#### Financial Assistance History

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

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

#### Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. (OMB Compliance Supplement, A-133, Part 5, Student Financial Assistance Cluster III.N.3 (page 5-3-19)) The disbursement amount and date in the COD System should match the disbursement date and amount in students’ accounts or the amount and date the funds were otherwise made available to students. (OMB Compliance Supplement, A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

**For all 36 Pell Grant disbursements tested, the actual date of the disbursement did not match the disbursement date the University reported to the COD System.** PowerFAIDS creates an origination date when running the COD System reporting process and reports that origination date as the Pell disbursement date. Although, PowerFAIDS can report the actual amount disbursed, it cannot identify and report the corresponding disbursement date to the COD System. As a result, the U.S. Department of Education is not obtaining accurate Pell disbursement information during the award year.

Additionally, the University did not submit any Pell disbursement records to the COD System from April 19, 2010, to June 10, 2010. During this time, the University identified 7 students for whom it did not submit Pell disbursement records within the 30-day reporting requirement.

#### General Controls

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

**The University did not maintain adequate segregation of duties within PowerFAIDS, its financial aid system.** One information technology employee had administrative access to PowerFAIDS and the database and servers on which PowerFAIDS resides. Proper segregation of duties is required so that no employee has complete control of a business process. If an employee has administrative access to each component of a system (application, database, and servers), he or she could introduce unauthorized (errant or fraudulent) changes to the data or functionality of the production environment

Recommendations:

The University should:

- Ensure that all departments complete the necessary steps to ensure that they disburse loan funds to students within three business days of receipt from the lender.
- Maintain documentation supporting its review of NSLDS financial assistance history for mid-year transfer students.
- Report actual disbursement dates to the COD System in a timely manner.
- Maintain appropriate segregation of duties in its financial aid application, database, and servers.

Management Response and Corrective Action Plan:

Returning Funds to a Lender

*The conversion of PowerFaidS to BANNER financial aid should help to ensure that funds are applied in a timely manner. However, since the University is now in the Federal Direct Loan program rather than the Federal Educational Loan Program (FELP) this should not be an issue since the University draws down Direct Loan funds from the U.S. Department of Education once a borrower's funds are applied to his/her account by the Business Office. We will communicate to the appropriate departments the audit findings related to the requirements to complete the steps necessary to help ensure that all funds are applied to a student's account in a timely manner.*

Financial Assistance History

*The University of Houston-Downtown concurs with this recommendation. The transfer file functionality was not part of PowerFaidS and as result was not well done. BANNER incorporates this functionality and all mid-year transfer and first-time enrollees will be placed on the transfer file.*

Common Origination and Disbursement Reporting

*We concur that PowerFaidS could not report the actual disbursement date to COD but defaulted to report date. The conversion from PowerFaidS to Banner financial aid system should remedy this situation as BANNER has the ability to report the actual disbursement date.*

*The University was in error by not running Pell disbursement record during the period April 19, 2010 to June 10, 2010 and was the result of human error. In conjunction with the conversion from PowerFaidS to BANNER financial aid system we will establish procedures to help ensure that actual disbursement dates are reported in a timely manner to COD.*

General Controls

*The University is in the process of converting from PowerFaid to BANNER's financial aid application which will integrate financial aid with the BANNER student system. Within the BANNER environment there is a separation of duties and no one individual will have control of the business process. There is separation between application, database and servers. BANNER financial aid is expected to go live on February 28, 2011.*

*Implementation Date: February 2011*

*Responsible Person: Latasha Goudeau*

## University of Houston - Victoria

Reference No. 11-160

### Eligibility

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

#### Student Financial Assistance Cluster

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

Award numbers – CFDA 84.268 Award Number Not Applicable, CFDA 84.007 P007A04901, CFDA 84.063 P063P093632, CFDA 84.033 P033A094901, CFDA 84.376 P376S093632, and CFDA 84.379 P379T10632

Type of finding – Significant Deficiency and Non-Compliance

#### Financial Need

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

Questioned Cost: \$ 49,708

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's *Institutional Student Information Report* (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal aid to ensure that total aid is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6 and 682.603).

The University of Houston – Victoria (University) performed all initial COA budget calculations correctly. However, after student enrollment levels changed, **the University did not consistently revalidate the students' enrollment status to ensure it awarded students the correct amount of financial assistance. As a result, the University overawarded financial assistance to 2 (5 percent) of 40 students tested based on the COA in the University's PeopleSoft system.** Specifically:

- For one student, the University awarded direct unsubsidized loans in excess of the student's COA. This occurred due to changes in the student's enrollment level for the Spring 2010 semester. The University initially awarded the student financial assistance based on full-time enrollment. However, the student dropped to three-quarter time enrollment for the Spring 2010 semester prior to the disbursement of financial assistance. The University did not repackage the student's financial assistance to reflect the change in COA, which caused the student to be awarded \$2,372 more than the student's COA.
- For the other student, the University initially awarded the student financial assistance based on three-quarter time enrollment, but the student dropped to half-time enrollment for the Spring 2010 semester prior to the disbursement of financial assistance. The University did not repackage the student's financial assistance, which could have resulted in an overaward of financial assistance. In this case, the student was not overawarded financial assistance because the student was co-enrolled at another institution during the Spring 2010 semester; however, the University did not have correct documentation in its system to reflect the student's co-enrollment status.

Based on a review of the entire population, as a result of not repackaging financial assistance awards prior to disbursement of financial assistance, the University overawarded a total of \$49,708 in financial assistance to 22 students (including the student discussed above).

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

Although the general control weaknesses described above apply to disbursements, auditors identified no compliance issues regarding disbursements for the student financial assistance cluster.

General Controls

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

**The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system.** The University of Houston System (System) is responsible for granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System's attention, it reduced the number of users with this access to 44.

Recommendations:

The University should:

- Adjust financial assistance awards when changes in students' enrollment status affect their COA.
- Periodically review user accounts with the ability to create user accounts, and assign appropriate user roles based on job responsibilities. The University should provide this ability only to a limited number of users.

Management Response and Corrective Action Plan:

Financial Need

*The two students who were identified as having a cost of attendance overaward were resolved.*

- *The student who was identified as being awarded an unsubsidized loan in excess of Cost of Attendance, subsequently submitted a Special Consideration Request which included a computer purchase and additional transportation expenses which occurred during the 2009-10 academic year. Our approval of the special consideration request did not require the University of Houston-Victoria to return the unsubsidized loan funds (\$2,372) to the lender since the student was no longer in an overaward situation.*
- *The Office of Financial Aid obtained the Consortium Agreement Form and supporting documentation from the other student after identifying the student was co-enrolled. The student's electronic file in the system was updated to reflect the student's full-time status and full-time cost of attendance for the Spring 2010 semester.*

*University of Houston PeopleSoft Project Office technical personnel made programming changes to the Custom Overaward Report in order to identify students who may have a federal financial need and/or a federal cost of attendance overaward. Testing was completed to insure that all students in both categories were included in the report prior to implementation of the change.*

*Implementation Date: July 29, 2010*

*Responsible Person: Carolyn Mallory*

*General Controls*

*We reviewed the listing of all individuals who had Administrator accounts and the ability to manually create accounts and assign roles to users within the PeopleSoft Enterprise Resource Planning system. We removed this access for all users that did not require this functionality in order to perform their job duties. We have implemented procedures to provide for a quarterly review of individuals with the ability to create and assign roles based on their job duties and responsibilities and will modify access accordingly.*

*Implementation Date: June 10, 2010*

*Responsible Persons: Katina McGhee and Keith Martin*

University of North Texas

Reference No. 11-161  
**Cash Management**

**Student Financial Assistance Cluster**  
**Award year – July 1, 2009 to June 30, 2010**  
**Award numbers – CFDA 84.007 P007A094085 and CFDA 84.033 P033A094085**  
**Type of finding – Significant Deficiency**

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

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

**For 2 (4 percent) of 50 cash draws tested, the University of North Texas's (University) request for funds was not supported by expenditures reflected on corresponding monthly reconciliations.** As a result, for 1 (2 percent) of 50 cash draws tested, the University's request for funds exceeded the amount it immediately needed to disburse funds to students by \$1,530 for one federal program tested. However, this did not result in an excess cash balance overall because excess expenditures had accumulated for other federal programs included in the same draw.

For federal programs other than the Direct Loan program, the University bases its draw amounts per federal program on expenditure reconciliation totals, after monthly reconciliations for the programs are complete. For one draw, the University completed the request for funds more than a month after it completed the reconciliation for the program, and the request omitted an expenditure decrease that was reflected on the subsequent monthly reconciliation. For the other draw, the University based its calculation of the draw amount on an incorrect assumption, which caused a discrepancy between the draw and the supporting monthly reconciliation. The University repeated the same error for draw calculations related to all 5 monthly reconciliations reviewed for this federal program from February 2010 to June 2010. Although the calculated draw amounts were based on excess program expenditures of \$1,249, the University did not request excess funds for the program.

Recommendation:

The University should ensure that its cash draws for Title IV funds are adequately supported.



Management Response and Corrective Action Plan:

Management agrees with the findings and recommendations of the auditors. Management has implemented a review process to ensure that its cash draws are adequately supported.

Implementation Date: April 2010

Responsible Person: Barbara MacDonald

Reference No. 11-162

**Eligibility****Student Financial Assistance Cluster**

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

Award numbers – CFDA 84.007 P007A094085, CFDA 84.033 P033A094085, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092293, CFDA 84.268 P268K102293, CFDA 84.375 P375A092293, CFDA 84.376 P376S092293, and CFDA 84.379 P379T102293

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance (COA)

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

Questioned Cost: \$ 0

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, 682.603, 668.2, and 690.2).

**For 1 (2 percent) of 50 students tested, the University of North Texas (University) incorrectly calculated the COA.** The University understated the student’s budget by \$634. This occurred because the University erroneously reduced the student’s transportation budget when the student enrolled at three-quarter time in the Summer 2010 semester. The transportation component of the budget is not dependent on the enrollment status of the student, unless the student enrolls less-than-half-time. The University did not overaward student financial assistance to the student as a result of this error. However, the risk of overawarding or underawarding student financial assistance increases when the University does not calculate COA accurately.

National SMART Grant

Under the National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) program, a student who meets certain eligibility requirements is also eligible to receive a National SMART Grant if the student is receiving a federal Pell Grant disbursement in the same award year (Title 34, Code of Federal Regulations, Section 691.15(a)).

Based on a review of the full population of student financial assistance recipients, **the University awarded one student a National SMART Grant for \$1,000, even though it had canceled the student's Pell Grant** because the student was awarded Pell Grants at two institutions for the Spring 2010 semester. The University canceled the student's National SMART Grant on September 22, 2010, after auditors brought this issue to its attention.

Recommendations:

The University should:

- Complete manual updates to COA budgets accurately.
- Do not award and disburse National SMART Grants to students who do not also receive Pell Grant awards.

Management Response and Corrective Action Plan:

*Management agrees with the findings and recommendations of the auditors. The manual error identified will be reviewed with the employee, and periodic review for the accuracy of the COA budgets that are set manually will occur.*

*Implementation Date: February 2011*

*Responsible Person: Lacey Thompson*

*Management agrees with the findings and recommendations of the auditors. The manual error identified will be reviewed with the employee, and periodic review for the accuracy of awarding National SMART Grants to students who also receive Pell Grant awards will occur.*

*Implementation Date: January 2011*

*Responsible Person: Kirsten Lehrmann*

Reference No. 11-163

**Reporting**

**Student Financial Assistance Cluster**

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

**Award number – CFDA 84.063 P063P082293**

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

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, June 2010, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-19)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the

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

amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

**For 2 (4 percent) of 50 students tested, the University of North Texas (University) did not report Pell disbursement records to the COD System within 30 days of disbursement for the Fall 2009 semester.** In these two cases, the COD System process date for these students' records was 50 and 56 days after the date of disbursement. The University asserts that it attempted to submit these disbursement records in a timely manner, but the COD System rejected the records because the citizenship status field was blank. The University did not then manually adjust the citizenship status code field in its system and resubmit the records in a timely manner. The University asserts that, at the time of Fall 2009 disbursements, it was developing a process to respond to records that the COD System rejected due to a missing citizenship status code.

Recommendations:

The University should submit records to the COD System within the required 30-day time frame and resubmit records in a timely manner after the COD System rejects them.

Management Response and Corrective Action Plan:

*Management agrees with the findings and recommendations of the auditors. Disbursement records will be submitted to the COD System within the 30 day timeframe after the disbursement of funds to be in compliance with federal regulations.*

*Implementation Date: November 2010*

*Responsible Person: Barbara MacDonald*

Reference No. 11-164

**Special Tests and Provisions - Return of Title IV Funds**

(Prior Audit Issue 10-103)

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.007 P007A094085, CFDA 84.063 P063P092293, CFDA 84.268 P268K102293, CFDA 84.375 P375A092293, CFDA 84.376 P376S092293, and CFDA 84.379 P379T102293**

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

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a)(3)-(4)).

Questioned Cost: \$ 1,903

U.S. Department of Education

When a recipient does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. For remaining amounts of Direct Loan funds disbursed directly to the student for the payment period or period of enrollment, the institution must immediately notify the lender or the Secretary of the U.S. Department of Education, as appropriate, when it becomes aware that the student will not or has not begun attendance, so that the lender or the Secretary of the U.S. Department of Education will issue a final demand letter to the borrower (Title 34, Code of Federal Regulations, Sections 668.21(a)(1) and(2)). The institution must return those Title IV funds as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, Code of Federal Regulations, Section 668.21(b)).

**For five (11 percent) of 47 students requiring a return calculation, the University of North Texas (University) did not return the correct amount of Title IV funds.** Specifically:

- For four students, the University incorrectly used seven days instead of eight days for Spring break in its computation of the enrollment period.
- For one student, the University incorrectly reinstated the financial aid that it had returned per its initial return calculation, based on instructors' confirmation that the student had begun attendance. However, instructors did not provide a last date of attendance supporting the assumption that the student had earned all of the Title IV funds.

As a result of these five errors, the University and the affected students tested should have returned an additional \$1,903 in Title IV funds. The Spring break calculation issue also affected all 115 students with an official withdrawal that required a return of funds in Spring 2010.

For two other students tested, the University either could not locate the return worksheet or the return worksheet did not contain updated information on the student's status. In both instances, no Title IV funds needed to be returned.

**Additionally, the University did not return \$4,377 in Title IV funds in a timely manner for 1 (11 percent) of 9 students identified as not having begun attendance.** The student certified non-attendance for the Spring 2010 semester on the initial withdrawal form faxed to the University in January 2010, but the University did not incorporate that information into its return calculation until May 2010. As a result, although the funds were returned, they were not returned within 30 days from the date the University first became aware that the student did not attend.

Recommendations:

The University should accurately calculate returns of Title IV funds and return these funds within the required time frames.

Management Response and Corrective Action Plan:

*Management agrees with the findings and recommendations of the auditors. The university will take action to assure accurate calculations for the return of Title IV funds are enacted and that the return of these funds will fall within the required timeframe in order to meet federal regulations.*

*Implementation Date: May 2010*

*Responsible Person: Barbara MacDonald*

## University of Texas at Austin

Reference No. 11-165

### Reporting

Activities Allowed or Unallowed

Cash Management

Eligibility

Period of Availability of Federal Funds

Special Tests and Provisions - Separate Funds

Special Tests and Provisions - Verification

Special Tests and Provisions - Return of Title IV Funds

Special Tests and Provisions - Student Status Changes

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

### Student Financial Assistance Cluster

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

Award numbers – CFDA 84.063 P063P092336, CFDA 84.007 P007A094173, CFDA 84.038 P038A044173, CFDA 84.268 P268K102336, CFDA 84.033 P033A094173, CFDA 84.375 P375A092336, and CFDA 84.376 P376S082336

Type of finding – Significant Deficiency and Non-Compliance

### Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-19)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement, A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

Questioned Cost: \$ 0

U.S. Department of Education

**For 2 (4 percent) of 50 students tested, the University of Texas at Austin (University) reported incorrect data to the COD System.** For one student, the University reported the incorrect enrollment date on the origination record to the COD System. The University reported the student as enrolled one semester prior to the student beginning enrollment for the award year. For the other student, the University reported the incorrect disbursement date on the disbursement record to the COD System. According to the University, it reported the first date in the disbursement process instead of the date funds became available to the student.

### Other Compliance Requirements

Although the general control weakness described below applies to activities allowed or unallowed, cash management, eligibility, period of availability of federal funds, special tests and provisions - separate funds, special tests and provisions - verification, special tests and provisions - return of Title IV funds, special tests and provisions - student status changes, and special tests and provisions - borrower data transmission and reconciliation (direct loan), auditors identified no compliance issues regarding these compliance requirements.

General Controls

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

**The University did not have sufficient change management controls for the information systems that its Office of Accounting and Office of Student Financial Services use.** Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel who make programming changes and migrate those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial assistance.

Recommendations:

The University should:

- Report accurate data on the origination and disbursement records to the COD System in accordance with federal requirements.
- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from making code changes and also migrating those changes to the production environment.

Management Response and Corrective Action Plan:

*The university concurs with the finding.*

*The Office of Student Financial Services (OSFS) has corrected the programming error used for reporting enrollment and disbursement dates to the COD System. The correction has been monitored and enrollment dates are now transmitting in compliance with federal regulations. The reporting of an incorrect disbursement date was a human error. Our IT and Accounting units have made process improvement changes to the program allowing automation of disbursement information reducing the need for human intervention, which will eliminate manual errors.*

*We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and we are on schedule with a two year plan to enact enhanced change management controls. At present, all change requests within OSFS are logged and monitored through an incident and change management tool. Only select, senior members of the OSFS IT team are able to deploy code to production, and the office maintains logs that allow for post-deployment review.*

*The OSFS and Office of Accounting, in coordination with IT staff from across the university, have analyzed various tools and procedures necessary to segregate duties for personnel who make programming changes from those who migrate those changes to the production environment. We are working with a software vendor and have implemented a pilot program, to be completed and evaluated by April 2011. At that time, the software will be deployed or we will institute a locally developed solution, which has been designed as a back-up process.*

*Implementation Dates: Reporting of Data - Implemented December 2010  
Change management - August 2011*

*Responsible Persons: Reporting of Data - Gloria De Leon  
Change management - Graham Chapman*

Reference No. 11-166

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

#### **Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.063 P063P092336, CFDA 84.007 P007A094173, CFDA 84.038 P038A044173, CFDA 84.268 P268K102336, CFDA 84.033 P033A094173, CFDA 84.375 P375A092336, and CFDA 84.376 P376S082336**

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

#### Disbursement Notifications

If an institution credits a student's account at the institution with Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Questioned Cost: \$ 0

U.S. Department of Education

**For 16 (42 percent) of 38 students tested who received FFELP Loans, the University of Texas at Austin (University) did not send disbursement notifications within the required 30 days.** The University manually runs a program to send notifications to students for disbursements made on the first two days of disbursement for the Fall semester. This process allows the University to perform an internal review of disbursements prior to sending notifications. However, after the University completed this review, it failed to manually run the program to send the notifications for disbursements made on those dates. As a result, the University did not send disbursement notifications within the required time frame to 5,489 students who received disbursements on August 17, 2009 or August 18, 2009. The total amount of FFELP loans disbursed was \$32,769,929. Not receiving disbursement notifications promptly could impair students' or parents' ability to cancel their loans.

#### General Controls

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

**The University did not have sufficient change management controls for the information systems that its Office of Accounting and Office of Student Financial Services use.** Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel who make programming changes and migrate those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial assistance.

Recommendations:

The University should:

- Send disbursement notifications to loan recipients within 30 days before or after crediting a student's account with a FFELP Loan.
- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from making code changes and also migrating those changes to the production environment.

Management Response and Corrective Action Plan:

*The university concurs with the finding.*

*Currently, the disbursement notification is a manual procedure, which we failed to run after a review of the disbursement process. The Office of Student Financial Affairs (OSFS) will investigate automating the notification process and will establish controls to verify completion. Due to limited resources, we will evaluate the cost benefit of any automation as part of our investigation.*

*We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and we are on schedule with a two year plan to enact enhanced change management controls. At present, all change requests within OSFS are logged and monitored through an incident and change management tool. Only select, senior members of the OSFS IT team are able to deploy code to production, and the office maintains logs that allow for post-deployment review.*

*The OSFS and Office of Accounting, in coordination with IT staff from across the university, have analyzed various tools and procedures necessary to segregate duties for personnel who make programming changes from those who migrate those changes to the production environment. We are working with a software vendor and have implemented a pilot program, to be completed and evaluated by April 2011. At that time, the software will be deployed or we will institute a locally developed solution, which has been designed as a back-tip process.*

*Implementation Dates: Disbursement notification - December 2011  
Change management - August 2011*

*Responsible Persons: Disbursement notification - Gloria De Leon  
Change management - Graham Chapman*



Reference No. 11-167

**Special Tests and Provisions – Student Loan Repayments**

(Prior Audit Issues 10-116 and 09-91)

**Student Financial Assistance Cluster****Award year – July 1, 2009 to June 30, 2010****Award numbers – CFDA 84.063 P063P092336, CFDA 84.007 P007A094173, CFDA 84.038 P038A044173, CFDA 84.268 P268K102336, CFDA 84.033 P033A094173, CFDA 84.375 P375A092336, and CFDA 84.376 P376S082336****Type of finding – Significant Deficiency and Non-Compliance**Defaulted Borrowers

Under the Federal Perkins Loan Program, institutions are required to make contact with the borrower during the initial and post-deferment grace periods. For loans with a nine-month initial grace period, the institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations, Section 674.42(c)(2)).

Questioned Cost: \$ 0

U.S. Department of Education

The institution is required to send a first overdue notice to a borrower within 15 days after the payment due date if the institution has not received payment or a request for deferment, postponement, or cancellation. The institution must send a second overdue notice within 30 days after the first overdue notice is sent, and it must send a final demand letter within 15 days after the second overdue notice is sent (Title 34, Code of Federal Regulations, Section 674.43(b) and (c)).

**For 28 (56 percent) of 50 defaulted loans tested, the University of Texas at Austin (University) did not send the final demand letter within 15 days of the second overdue notice.** The University was unaware of the requirement to send final demand letters within this time frame. According to the University, this issue was corrected as of December 1, 2009; however, the University did not maintain documentation to support whether it sent students final demand letters until March 1, 2010. No issues were identified for students scheduled to receive final demand letters after March 1, 2010. Not sending this required communication within the required time frame increases the risk that students will be unaware that their defaulted Perkins loans will be sent to a collection agency and they will not have appropriate time to correct their balance and prevent their loans from going to a collection agency.

General Controls

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

**The University did not have sufficient change management controls for the information systems that its Office of Accounting and Office of Student Financial Services use.** Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel who make programming changes and migrate those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial assistance.

Recommendations:

The University should:

- Send all required notices and letters to borrowers within the required time frames.
- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from making code changes and also migrating those changes to the production environment.

Management Response and Corrective Action Plan:

*The university concurs with the finding that all required notices and letters to borrowers should be sent within the required timeframes.*

*The final demand letters meeting the 15 day requirement were manually generated beginning in December 2009, when the university became aware of the requirement. However, we concur that we did not maintain programmatic proof that this was implemented until March 2010 when the process was automated in order to generate the letters, and maintain support, programmatically. In addition to meeting the federal requirements to protect and support our students, the university follows in-house collection procedures prior to sending loans to an external agency for collection. These procedures include sending additional warning letters at four and five months past due, allowing students additional time and notice prior to their loans being sent to a collection agency at six months past due.*

*We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and we are on schedule with a two year plan to enact enhanced change management controls. At present, all change requests within the Office of Accounting (OA) are logged and monitored through an incident and change management tool. The office maintains deployment logs that allow for post-deployment review.*

*The Office of Student Financial Services and the Office of Accounting, in coordination with IT staff from across the university, have analyzed various tools and procedures necessary to segregate duties for personnel who make programming changes from those who migrate those changes to the production environment. We are working with a software vendor and have implemented a pilot program, to be completed and evaluated by April 2011. At that time, the software will be deployed or we will institute a locally developed solution, which has been designed as a back-tip process.*

*Implementation Dates: Notification letters - Implemented March 2010  
Change management - August 2011*

*Responsible Persons: Notification letters - Karen Derouen  
Change management - Dana Cook*

## University of Texas at El Paso

Reference No. 11-170

### Eligibility

#### Student Financial Assistance Cluster

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

Award numbers – CFDA 84.007 P007A094176, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A94176, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092338, CFDA 84.375 P375A092338, CFDA 84.376 P376S092338, and CFDA 84.379 P379T102338

Type of finding – Significant Deficiency and Non-Compliance

### Cost of Attendance

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

Questioned Cost: \$ 3,223

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, and 682.603).

**For 1 (2 percent) of 50 students tested, the University of Texas at El Paso (University) awarded assistance in excess of the student's COA.** The University originally awarded assistance to the student based on expected full-time enrollment for the entire academic year. However, when the student enrolled only three-quarter time, the University updated the student's COA budget to reflect this enrollment level for the Fall semester only. Because the student's awards did not exceed the COA for the full year, the University did not adjust the student's awards. However, the student attended only the Fall semester. As a result, the University overawarded the student \$879.

### Aggregate Loan Limits

For independent students who have not already received an undergraduate degree, the aggregate unpaid principal amount of all subsidized and unsubsidized Stafford Loan Program loans, excluding the amount of capitalized interest, may not exceed \$57,500 (Title 34, Code of Federal Regulations, Section 682.204(b)).

**For 1 (2 percent) 50 students tested, the University awarded Stafford loans in excess of the aggregate loan limit.** The University awarded the student loans for the Fall semester based on the most recent aggregate loan amounts on the student's ISIR; however, the ISIR did not include loans that were awarded late in the prior year's Summer term. When the University received an updated ISIR, which noted that the student exceeded the aggregate loan limit, the University incorrectly determined that the student was eligible for Stafford loans. As a result, the University awarded \$1,344 in Stafford loans to the student, and that student's loans exceeded the aggregate limit. The prior year's award also exceeded the aggregate limit by \$1,000.

General Controls

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

**The University did not maintain appropriate access to its financial aid application, Banner.** Specifically, the University did not remove the access of one former employee to Banner in a timely manner. Additionally, 12 users had excessive access to modify student budgets and fund rules in Banner. Not maintaining appropriate access to Banner increases the risk of unauthorized access to key financial aid processes and student records.

Recommendations:

The University should:

- Update student awards when it adjusts COA budgets to prevent overawards.
- Review calculations of aggregate loan amounts for accuracy when it identifies a student as nearing or exceeding aggregate loan limits.
- Remove access to Banner in a timely manner when individuals' employment is terminated.
- Periodically review user access to Banner and appropriately limit user access based on job responsibilities.

Management Response and Corrective Action Plan:

Cost of Attendance

*Awards are currently being adjusted based on COA reflecting the student's actual enrollment to prevent over awards. Reports are run off BANNER after census date to match what was reported on a student's ISIR (Institutional Student Information Report) and their actual enrollment.*

Aggregate Loan Limits

*We are reviewing ISIR's as soon as we receive them along with NSLDS (National Student Loan Data System) information to identify students possibly reaching their aggregate loan limits.*

General Controls

*In order to assure BANNER access is removed in a timely manner when an employee is terminated we have set up a more formal procedure. Upon separation/termination our administrative assistant will send a notice to our Help Desk requesting the removal of access.*

*In order to maintain appropriate access to BANNER, the number of users with access to modify student budgets and fund rules in BANNER has been reduced to members of the office's management team. Currently, only the Financial Aid Director, Associate Director, and Assistant Director (accounting) have access to modify budgets. Only the Associate Director and Financial Aid Analyst have access to modify fund rules in BANNER. A periodical review of user access will be conducted during a staff member's annual performance evaluation.*

*Implementation Date: October 2010*

*Responsible Person: Ron Williams*

Reference No. 11-171

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

#### **Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.379 P379T102338, CFDA 84.007 P007A094176, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A94176, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092338, CFDA 84.375 P375A092338, and CFDA 84.376 P376S092338**

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

#### Disbursement Notifications

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

Questioned Cost: \$ 0

U.S. Department of Education

The University of Texas at El Paso (University) sent disbursement notifications containing the anticipated date and amount of the disbursement to all 267 TEACH Grant recipients. However, **none of those disbursement notifications included required language** informing the recipients of (1) the student's right or parent's right to cancel all or a portion of that TEACH Grant or TEACH Grant disbursement or (2) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the grant. University staff assert that they informed TEACH Grant recipients of this information verbally and that they were unaware of the requirement to send such disbursement notifications in writing to TEACH Grant recipients.

**Additionally, in two instances, the University did not initiate the disbursement notification letter generation process in time to ensure that it sent notifications within the required time frames.** As a result, the University sent 37 disbursement notifications more than 30 days after the disbursement date.

Not sending disbursement notifications in a timely manner or not including all of the required information in the notifications could impair TEACH Grant recipients' ability to cancel their awards.

#### General Controls

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

**The University did not maintain appropriate access to its financial aid application, Banner.** Specifically, the University did not remove the access of one former employee to Banner in a timely manner. Additionally, 12 users had excessive access to modify student budgets and fund rules in Banner. Not maintaining appropriate access to Banner increases the risk of unauthorized access to key financial aid processes and student records.

Recommendations:

The University should:

- Send, either in writing or electronically, disbursement notifications containing all required language within the required time frame to loan and TEACH Grant recipients.
- Remove access to Banner in a timely manner when individuals' employment is terminated.
- Periodically review user access to Banner and appropriately limit user access based on job responsibilities.

Management Response and Corrective Action Plan:

Disbursement Notifications

*Written disbursement notices are being sent out containing all required language within the required time frame to loan and now TEACH Grant recipients. This is being done as these awards are disbursed.*

General Controls

*In order to assure BANNER access is removed in a timely manner when an employee is terminated we have set up a more formal procedure. Upon separation/termination our administrative assistant will send a notice to our Help Desk requesting the removal of access.*

*In order to maintain appropriate access to BANNER, the number of users with access to modify student budgets and fund rules in BANNER has been reduced to members of the office's management team. Currently only the financial aid director, associate director, and assistant director (accounting) have access to modify budgets and fund rules in BANNER. A periodic review of user access will be conducted during a staff member's annual performance evaluation.*

*Implementation Date: October 2010*

*Responsible Person: Maria Carrizales*

## University of Texas at San Antonio

Reference No. 11-180

### Eligibility

### Activities Allowed or Unallowed

### Cash Management

### Period of Availability of Federal Funds

### Reporting

### Special Tests and Provisions - Separate Funds

### Special Tests and Provisions - Student Status Changes

### Special Tests and Provisions - Institutional Eligibility

### Student Financial Assistance Cluster

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

Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093294, CFDA 84.268 P268K103294, CFDA 84.007 P007A094169, CFDA 84.033 P033A094169, CFDA 84.375 P375A093294, CFDA 84.376 P376S093294, and CFDA 84.379 P379T103294

Type of finding – Significant Deficiency and Non-Compliance

### Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34).

Questioned Cost: \$ 16,324

U.S. Department of Education

The University of Texas at San Antonio's (University) satisfactory academic progress policy requires an undergraduate student receiving federal aid to (1) maintain a minimum 2.00 cumulative GPA, or 1.80 GPA for freshman students; (2) successfully complete at least 67 percent of the student's attempted credit hours; and (3) meet the student's degree objectives without attempting more than 150 percent of the published length of the program of study. If a student does not meet these requirements, the student may be placed on financial aid termination. If the student is placed on financial aid termination, the student may appeal the termination. For students who are readmitted to the University after satisfactory academic progress is measured for the award year, the University considers the satisfactory academic progress measured when the student was last enrolled in the University.

**The University disbursed \$16,324 in financial assistance to 1 (2.5 percent) of 40 students tested, even though that student did not meet the University's satisfactory academic progress policy.** This occurred because of an error in data migration from the prior financial aid application to Banner. When the student was last enrolled, the student failed to make satisfactory academic progress, and information regarding the student's failed satisfactory academic progress status was recorded correctly in the prior financial aid application. However, that information was not transferred correctly from the prior financial aid application to Banner; as a result, information in Banner indicated the student had made satisfactory academic progress. The student was readmitted after the University began using Banner, and the University relied on information in Banner to award assistance. As a result, the University incorrectly awarded \$16,324 in assistance to the student.

A total of 22 students who received assistance during the award year had last enrolled when the University was still using the prior financial aid application but were readmitted after the University had started using Banner.

#### Other Compliance Requirements

Although the general control weakness described below applies to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - student status changes, and special tests and provisions - institutional eligibility, auditors identified no compliance issues regarding these compliance requirements.

#### General Controls

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

**The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment.** Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

**Additionally, the University does not perform formal reviews of user accounts at the server level.** Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

#### Recommendations:

The University should:

- Improve controls to ensure that students who are readmitted to the University are eligible to receive assistance based on satisfactory academic progress.
- Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.
- Remove database administrator access for IT managers and others whose job responsibilities do not require such access.
- Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.



Management Response and Corrective Action Plan:

Improve controls to ensure that students who are readmitted to the University are eligible to receive assistance based on satisfactory academic progress.

As indicated in the finding, one student was readmitted to UTSA after Banner was implemented. The student had previously been terminated on the old NATISIS system because they did not meet the satisfactory academic progress (SAP) standards. When we migrated to Banner, the termination did not move into Banner correctly and listed the student as in good standing. Once a student is terminated on Banner, that status stays unless the student appeals and is approved or continues to attend and regains eligibility by meeting the SAP standards. This includes readmitted students to UTSA. If they previously were terminated, stop attending UTSA, and are readmitted, the status will remain as terminated until the student appeals and is approved or continues to attend and becomes in good standing. As students are readmitted, we will determine SAP status prior to their first semester. This will include a review of information obtained from NATISIS.

Implementation Date: May 2011

Responsible Person: Lisa Blazer

Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.

The 82 Banner accounts have all been reviewed and handled appropriately. Most of the accounts were for users who have since left the university. Those accounts are now locked, expired, and/or cleaned of all access.

The Department of Human Resources now provides separation notices for employees to the Banner Security Team. Then, Banner Security reviews user access and sets an "Active To" date and locks the account to prevent use of the Banner System after separation. Once the account has been locked and/or expired for 90 days the account is cleaned of all access. The newly revised Add/Drop Report now provides us more pertinent information for separations that we may use to increase our effectiveness and response time. Furthermore, Banner Security conducts monthly access reviews with multiple aims: cleaning accounts of all access that have been locked/expired for 90 days, locking accounts for users who separated without notice, verifying unknown user accounts, and maintaining the general integrity of user accounts.

Banner Security has created Policies & Procedures Manual that documents these practices. Additionally, a separate Banner User Account Policies and Procedures Manual is available for Banner Users, focusing more on issues that directly affect users such as account requests, locking/expiring/cleaning of existing accounts, and password guidelines. Both manuals are updated as new policies and processes become available.

Implementation Date: December 2010

Responsible Person: Joe DeCristoforo

Remove database administrator access for IT managers and others whose job responsibilities do not require such access.

The DBA role access for the Director SIS Operations and the System Analyst III has been removed. Concerning the OIT managers with DBA access, it is part of their job function to upload code and package changes to the Banner system which requires the level of access. The IT managers are not permitted to upload their own work into production. The team lead must submit their work to another team lead to implement the change.

*Implementation Date: December 2010*  
*Responsible Person: Anthony Espinoza*

*Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.*

*The accounts of the terminated employees in question have been disabled. Accounts of terminated employees are disabled on the last day of employment. As a check to ensure all accounts have been disabled, a quarterly review of the accounts on the server that hosts the Banner database has been implemented. The first quarterly review was completed on 12/10/2010. The results of the review are documented in a tool utilized by OIT (PlanIT).*

*Implementation Date: December 2010*

*Responsible Person: Anthony Espinoza*

Reference No. 11-181

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093294, CFDA 84.268 P268K103294, CFDA 84.007 P007A094169, CFDA 84.033 P033A094169, CFDA 84.375 P375A093294, CFDA 84.376 P376S093294, and CFDA 84.379 P379T103294**

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

Verification

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education, to verify all of the applicable items, which include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

Questioned Cost: \$ 137
U.S. Department of Education

The University of Texas at San Antonio (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop and implement a quality improvement approach to federal student assistance program administration and delivery. The QAP provides participating institutions with an alternative management approach to develop verification that fits their population. As a part of quality improvement for the verification process, the University's policy requires verifying wages and income exclusions, in addition to all of the items required by Title 34, Code of Federal Regulations, Section 668.56.

**For 1 (2 percent) of 50 students tested, the University did not accurately verify all required items on the FAFSA.** Specifically, for that student, the University incorrectly identified the household size as five and the number of household members who are in college as one. Based on review of the student's tax return and verification worksheet, the correct household size was four and the correct number of household members in college was two. As a result of this error, the University understated the student's expected

family income and overawarded the student \$137 in Pell grants. The University corrected the error in September 2010 and reduced the student's Pell award accordingly.

General Controls:

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

**The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment.** Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

**Additionally, the University does not perform formal reviews of user accounts at the server level.** Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

Recommendations:

The University should:

- Accurately update its records and the Institutional Student Information Record based on results of the FAFSA verification process.
- Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.
- Remove database administrator access for IT managers and others whose job responsibilities do not require such access.
- Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.

Management Response and Corrective Action Plan:

Accurately update its records and the Institutional Student Information Record based on results of the FAFSA verification process.

*The verification team members utilize an excel spreadsheet to compare the verifiable information from Banner (Institutional Student Information Record) with the information supplied through verification documentation. Prior to the audit, team members were manually entering the data from Banner, thus leaving room for human error. Since the audit, we have created an automated download from Banner to*

*the spreadsheet to reduce human errors. The verification team members now receive the spreadsheet for each student with the ISIR information and use that information to compare and process the verification documentation. The supervisor also does quality control on 10% of the verifications processed every 2 weeks. Because we also participate in the Quality Assurance Program through the Department of Education, we are required to perform 2 FSA Assessments each year. For the 2010-11 award year, the compliance team will be completing the Verification FSA Assessment, which will require an additional quality control review by that team.*

*Implementation Dates: Quality Control - September 2010; FSA Assessment – August 2011*

*Responsible Person: Lisa Blazer*

*Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.*

*The 82 Banner accounts have all been reviewed and handled appropriately. Most of the accounts were for users who have since left the university. Those accounts are now locked, expired, and/or cleaned of all access.*

*The Department of Human Resources now provides separation notices for employees to the Banner Security Team. Then, Banner Security reviews user access and sets an “Active To” date and locks the account to prevent use of the Banner System after separation. Once the account has been locked and/or expired for 90 days the account is cleaned of all access. The newly revised Add/Drop Report now provides us more pertinent information for separations that we may use to increase our effectiveness and response time. Furthermore, Banner Security conducts monthly access reviews with multiple aims: cleaning accounts of all access that have been locked/expired for 90 days, locking accounts for users who separated without notice, verifying unknown user accounts, and maintaining the general integrity of user accounts.*

*Banner Security has created Policies & Procedures Manual that documents these practices. Additionally, a separate Banner User Account Policies and Procedures Manual is available for Banner Users, focusing more on issues that directly affect users such as account requests, locking/expiring/cleaning of existing accounts, and password guidelines. Both manuals are updated as new policies and processes become available.*

*Implementation Date: December 2010*

*Responsible Person: Joe DeCristoforo*

*Remove database administrator access for IT managers and others whose job responsibilities do not require such access.*

*The DBA role access for the Director SIS Operations and the System Analyst III has been removed. Concerning the OIT managers with DBA access, it is part of their job function to upload code and package changes to the Banner system which requires the level of access. The IT managers are not permitted to upload their own work into production. The team lead must submit their work to another team lead to implement the change.*

*Implementation Date: December 2010*

*Responsible Person: Anthony Espinoza*

Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.

The accounts of the terminated employees in question have been disabled. Accounts of terminated employees are disabled on the last day of employment. As a check to ensure all accounts have been disabled, a quarterly review of the accounts on the server that hosts the Banner database has been implemented. The first quarterly review was completed on 12/10/2010. The results of the review are documented in a tool utilized by OIT (PlanIT).

Implementation Date: December 2010

Responsible Person: Anthony Espinoza

Reference No. 11-182

**Special Tests and Provisions – Disbursements To or On Behalf of Students****Student Financial Assistance Cluster**

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

Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093294, CFDA 84.268 P268K103294, CFDA 84.007 P007A094169, CFDA 84.033 P033A094169, CFDA 84.375 P375A093294, CFDA 84.376 P376S093294, and CFDA 84.379 P379T103294

Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notifications

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

Questioned Cost: \$ 0

U.S. Department of Education

**The University of Texas at San Antonio (University) did not send disbursement notifications to 37 (62 percent) of the 60 students who received TEACH Grant funds for award year 2009-2010 within the required time frame.** The University disbursed TEACH Grant funds to one of these students on February 25, 2010, but it did not send the disbursement notification until July 15, 2010. For the remaining 36 students, the University disbursed funds between February 26, 2010, and March 30, 2010, but it did not send the disbursement notifications until May 10, 2010. The University relied on a manual process for sending TEACH Grant disbursement notifications, and it did not perform that process within 30 days for the February 2010 and March 2010 TEACH Grant disbursements. Not receiving these notifications within the required time frame can impair TEACH Grant recipients' ability to cancel their awards.

General Controls

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

**The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment.** Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

**Additionally, the University does not perform formal reviews of user accounts at the server level.** Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

Recommendations:

The University should:

- Send disbursement notifications to TEACH Grant recipients within the required time frame.
- Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.
- Remove database administrator access for IT managers and others whose job responsibilities do not require such access.
- Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.

Management Response and Corrective Action Plan:

Send disbursement notifications to TEACH Grant recipients within the required time frame.

*Because the 2009-10 award year was the first year UTSA participated in the TEACH Grant program, we were initially sending out disbursement notifications manually. We have since created an automated process that runs every Thursday once we begin disbursing TEACH Grant each semester (after census date).*

*Implementation Date: September 2010*

*Responsible Person: Lisa Blazer*

Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.

*The 82 Banner accounts have all been reviewed and handled appropriately. Most of the accounts were for users who have since left the university. Those accounts are now locked, expired, and/or cleaned of all access.*

*The Department of Human Resources now provides separation notices for employees to the Banner Security Team. Then, Banner Security reviews user access and sets an "Active To" date and locks the account to prevent use of the Banner System after separation. Once the account has been locked and/or expired for 90 days the account is cleaned of all access. The newly revised Add/Drop Report now provides us more pertinent information for separations that we may use to increase our effectiveness and response time. Furthermore, Banner Security conducts monthly access reviews with multiple aims: cleaning accounts of all access that have been locked/expired for 90 days, locking accounts for users who separated without notice, verifying unknown user accounts, and maintaining the general integrity of user accounts.*

*Banner Security has created Policies & Procedures Manual that documents these practices. Additionally, a separate Banner User Account Policies and Procedures Manual is available for Banner Users, focusing more on issues that directly affect users such as account requests, locking/expiring/cleaning of existing accounts, and password guidelines. Both manuals are updated as new policies and processes become available.*

*Implementation Date: December 2010*

*Responsible Person: Joe DeCristoforo*

*Remove database administrator access for IT managers and others whose job responsibilities do not require such access.*

*The DBA role access for the Director SIS Operations and the System Analyst III has been removed. Concerning the OIT managers with DBA access, it is part of their job function to upload code and package changes to the Banner system which requires the level of access. The IT managers are not permitted to upload their own work into production. The team lead must submit their work to another team lead to implement the change.*

*Implementation Date: December 2010*

*Responsible Person: Anthony Espinoza*

*Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.*

*The accounts of the terminated employees in question have been disabled. Accounts of terminated employees are disabled on the last day of employment. As a check to ensure all accounts have been disabled, a quarterly review of the accounts on the server that hosts the Banner database has been implemented. The first quarterly review was completed on 12/10/2010. The results of the review are documented in a tool utilized by OIT (PlanIT).*

*Implementation Date: December 2010*

*Responsible Person: Anthony Espinoza*

Reference No. 11-183

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093294, CFDA 84.268 P268K103294, CFDA 84.007 P007A094169, CFDA 84.033 P033A094169, CFDA 84.375 P375A093294, CFDA 84.376 P376S093294, and CFDA 84.379 P379T103294**

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

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Sections 668.22(a)(1)-(3)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a) (1)-(4)).

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

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (Title 34, Code of Federal Regulations, Section 668.22(e)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, Code of Federal Regulations, Section 668.22(j)(2)).

**For 1 (2 percent) of 46 students tested, the University of Texas at San Antonio (University) did not return the proper amount of funds.** The University correctly calculated the amount of funds to return using the Return of Title IV worksheet; however, the University returned \$39 more in Pell grant funds than required due to a manual error. By returning more funds than required, the University disbursed less financial aid to the student than the student had earned.

**For 1 (3 percent) of 31 students tested, the University did not return Pell grant funds within 45 days after the date the University determined that the student withdrew.** The University initially removed the grant funds from the student's account within the required time frame, but it erroneously redisbursed



the funds to the student a few days later because it had not locked that student's account. The University returned the funds several months later when it identified the error during a supervisory review of the student's account.

**For 19 (63 percent) of 30 students who unofficially withdrew from the University, the University did not determine the withdrawal date within 30 days after the end of the semester, as required.** The University did not begin the process to identify these potential unofficially withdrawn students and to determine their withdrawal dates until after the required 30-day timeframe. Not determining withdrawal dates in a timely manner delays the return of Title IV funds.

#### General Controls

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

**The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment.** Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

**Additionally, the University does not perform formal reviews of user accounts at the server level.** Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

#### Recommendations:

The University should:

- Develop and implement controls to ensure that it:
  - Returns the correct amount of Title IV funds.
  - Returns Title IV funds within the appropriate time frames.
  - Determines the withdrawal dates for students with unofficial withdrawals within 30 days of the end of the semester, as required.
- Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.
- Remove database administrator access for IT managers and others whose job responsibilities do not require such access.
- Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.

Management Response and Corrective Action Plan:

Develop and implement controls to ensure that it:

- Returns the correct amount of Title IV funds.
- Returns Title IV funds within the appropriate time frames.
- Determines the withdrawal dates for students with unofficial withdrawals within 30 days of the end of the semester, as required.

We implemented a step-by-step checklist to be used for students who withdraw prior to census as well as after census. This checklist includes re-disbursing earned funds based on the Return of Title IV calculation that were backed out by the system. The policies and procedures are to be enhanced to clarify before and after census processing utilizing a step-by-step checklist to be used on each file processed for Return of Title IV. Unofficial withdrawals are to be processed within 30 days of the end of term processing dates provided by the Office of the Registrar. Return of Title IV files are processed weekly in groups. The processor's supervisor will review 10% of each group.

Implementation Date: January 2011

Responsible Person: Lisa Blazer

Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.

The 82 Banner accounts have all been reviewed and handled appropriately. Most of the accounts were for users who have since left the university. Those accounts are now locked, expired, and/or cleaned of all access.

The Department of Human Resources now provides separation notices for employees to the Banner Security Team. Then, Banner Security reviews user access and sets an "Active To" date and locks the account to prevent use of the Banner System after separation. Once the account has been locked and/or expired for 90 days the account is cleaned of all access. The newly revised Add/Drop Report now provides us more pertinent information for separations that we may use to increase our effectiveness and response time. Furthermore, Banner Security conducts monthly access reviews with multiple aims: cleaning accounts of all access that have been locked/expired for 90 days, locking accounts for users who separated without notice, verifying unknown user accounts, and maintaining the general integrity of user accounts.

Banner Security has created Policies & Procedures Manual that documents these practices. Additionally, a separate Banner User Account Policies and Procedures Manual is available for Banner Users, focusing more on issues that directly affect users such as account requests, locking/expiring/cleaning of existing accounts, and password guidelines. Both manuals are updated as new policies and processes become available.

Implementation Date: December 2010

Responsible Person: Joe DeCristoforo

Remove database administrator access for IT managers and others whose job responsibilities do not require such access.

The DBA role access for the Director SIS Operations and the System Analyst III has been removed. Concerning the OIT managers with DBA access, it is part of their job function to upload code and package changes to the Banner system which requires the level of access. The IT managers are not permitted to upload their own work into production. The team lead must submit their work to another team lead to implement the change.

*Implementation Date: December 2010*

*Responsible Person: Anthony Espinoza*

*Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.*

*The accounts of the terminated employees in question have been disabled. Accounts of terminated employees are disabled on the last day of employment. As a check to ensure all accounts have been disabled, a quarterly review of the accounts on the server that hosts the Banner database has been implemented. The first quarterly review was completed on 12/10/2010. The results of the review are documented in a tool utilized by OIT (PlanIT).*

*Implementation Date: December 2010*

*Responsible Person: Anthony Espinoza*

Reference No. 11-184

### **Special Tests and Provisions – Borrower Data Transmission and Reconciliations (Direct Loans)**

#### **Student Financial Assistance Cluster**

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

**Award number – CFDA 84.268 P268K103294**

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

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 30 days of disbursement (Office of Management and Budget No. 1845-0021). Each month, the COD System provides institutions with a School Account Statement (SAS) data file that consists of a cash summary, cash detail, and (optional at the request of the school) loan detail records. The institution is required to reconcile these files to the institution's financial records. Up to three Direct Loan program years may be open at any given time; therefore, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 685.303).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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**For 23 (58 percent) of 40 students tested at the University of Texas at San Antonio (University), the disbursement date shown in the DLSS did not match the date the University disbursed the funds.** The University disbursed the funds on January 2, 2010; however, the DLSS showed the disbursement date as December 30, 2009. For disbursements made on January 2, 2010, the University incorrectly programmed the disbursement date as December 30, 2009, in its student financial aid system; it also loaded the incorrect date into the DLSS. This issue affected disbursement date reporting for 9,697 students. Reporting incorrect disbursement dates increases the risk of overawards being made to students and limits the University's monitoring capabilities.

#### General Controls

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

**The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment.** Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

**Additionally, the University does not perform formal reviews of user accounts at the server level.** Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

Recommendations:

The University should:

- Improve its oversight of submissions to the DLSS to ensure that it reports disbursement dates correctly.
- Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.
- Remove database administrator access for IT managers and others whose job responsibilities do not require such access.
- Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.

Management Response and Corrective Action Plan:

The University should improve its oversight of submissions to the DLSS to ensure that it reports disbursement dates correctly.

*The 2009-10 award year was the first full year that UTSA started processing and disbursing loans through the Direct Loan Program. As we were setting up for the award year, the Associate Director contacted COD to find out how to set up the disbursement dates to ensure we report information correctly. At that time, COD advised our office to set up the disbursement date earlier than the 10 days prior to the semester because their office was closed on our initial disbursement date for the spring term due to the holiday. We set up our spring disbursement date on Banner based on what we thought we were required to do according to COD. At that time, we were requesting funds prior to disbursement for direct loans. In an effort to project the dollar amount we needed for the initial spring disbursements, we ran our regular disbursement process in the hopes that the student loans would simply memo instead of disburse. When we did that on 12/31/2009, the funds started to actually disburse. We actually stopped the process and then pulled back any loan funds that had disbursed so that we would be in compliance with the 10 days rule and did not disburse the loans funds until a few days later to stay in compliance. Unfortunately, we submitted the COD file within a few days after our disbursement but neglected to change the disbursement date. Therefore, the date on Banner did not match the date on COD. While this did not cause any issues, it does mean we do not have a match. We no longer request money prior to disbursement and we also will not set*

up the disbursement date prior to the 10 days on Banner, regardless of the days COD is closed for the holiday. For the next new year set up (2011-12), the loan periods and disbursement date process will be reviewed by the supervisor (Director of Student Financial Aid) and also by the Compliance Team as part of the normal set up process. This will allow us to have an additional review to ensure dates are set up correctly. Also, prior to the COD report submission, a quality control review will occur to ensure dates match between Banner and COD.

*Implementation Date: August 2010*

*Responsible Person: Lisa Blazer*

*Disable Banner accounts that cannot be matched with active University personnel and strengthen the access control in its termination process.*

*The 82 Banner accounts have all been reviewed and handled appropriately. Most of the accounts were for users who have since left the university. Those accounts are now locked, expired, and/or cleaned of all access.*

*The Department of Human Resources now provides separation notices for employees to the Banner Security Team. Then, Banner Security reviews user access and sets an "Active To" date and locks the account to prevent use of the Banner System after separation. Once the account has been locked and/or expired for 90 days the account is cleaned of all access. The newly revised Add/Drop Report now provides us more pertinent information for separations that we may use to increase our effectiveness and response time. Furthermore, Banner Security conducts monthly access reviews with multiple aims: cleaning accounts of all access that have been locked/expired for 90 days, locking accounts for users who separated without notice, verifying unknown user accounts, and maintaining the general integrity of user accounts.*

*Banner Security has created Policies & Procedures Manual that documents these practices. Additionally, a separate Banner User Account Policies and Procedures Manual is available for Banner Users, focusing more on issues that directly affect users such as account requests, locking/expiring/cleaning of existing accounts, and password guidelines. Both manuals are updated as new policies and processes become available.*

*Implementation Date: December 2010*

*Responsible Person: Joe DeCristoforo*

*Remove database administrator access for IT managers and others whose job responsibilities do not require such access.*

*The DBA role access for the Director SIS Operations and the System Analyst III has been removed. Concerning the OIT managers with DBA access, it is part of their job function to upload code and package changes to the Banner system which requires the level of access. The IT managers are not permitted to upload their own work into production. The team lead must submit their work to another team lead to implement the change.*

*Implementation Date: December 2010*

*Responsible Person: Anthony Espinoza*

*Disable server accounts associated with terminated employees and implement a periodic review of server level accounts.*

*The accounts of the terminated employees in question have been disabled. Accounts of terminated employees are disabled on the last day of employment. As a check to ensure all accounts have been*

*disabled, a quarterly review of the accounts on the server that hosts the Banner database has been implemented. The first quarterly review was completed on 12/10/2010. The results of the review are documented in a tool utilized by OIT (PlanIT).*

*Implementation Date: December 2010*

*Responsible Person: Anthony Espinoza*

## University of Texas Southwestern Medical Center at Dallas

Reference No. 11-185

### Eligibility

#### Student Financial Assistance Cluster

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

Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093281, CFDA 84.007 P007A094161, and CFDA 84.033 P033A094161

Type of finding – Significant Deficiency

#### Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34).

Questioned Cost: \$ 0

U.S. Department of Education

The University of Texas Southwestern Medical Center at Dallas's (Medical Center) published satisfactory academic progress (SAP) policy requires that graduate students maintain at least a 3.0 cumulative grade point average (qualitative standard) and earn at least 9 hours per academic semester (quantitative standard). However, **the Medical Center's SAP determination process was insufficient to ensure that the Medical Center identified and flagged in its student financial aid application all graduate students who did not meet the quantitative standard of the SAP policy.** The SAP determination query was set to identify students who earned fewer than six hours in a semester, rather than students who earned fewer than nine hours in a semester. As a result, the Medical Center's SAP determination query did not identify nine graduate students who did not meet the SAP quantitative requirement. The Medical Center asserted that all nine students met the SAP requirements or would have been granted aid upon appeal; however, incorrect SAP query parameters could result in ineligible students receiving financial assistance.

#### General Controls

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

**The Medical Center did not appropriately restrict access to its student financial aid application.** Specifically, three users had excessive access to the student financial aid application database. Two of these users were programmers and one was a former temporary employee.

#### **Additionally, auditors identified the following situations in which multiple users shared a generic user ID:**

- Four users shared a generic user ID to migrate code to the production environment for the student financial aid application. Two of these individuals were programmers for that application.
- A group of 28 individuals shared a generic high-profile user ID for the student financial aid application server.

- The domain administrators group, which included 28 individuals, shared a generic high-profile user ID for the network.

Allowing employees inappropriate or excessive access to Medical Center systems increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing a user ID and password does not allow for user accountability and does not follow the Medical Center's published password policy.

**Additionally, two user accounts for the student financial aid application were still active but were unused or were not assigned to a specific individual.** Inactive or unassigned user accounts should be deactivated. Leaving inactive or unassigned accounts active can lead to possible unauthorized entry into the application.

Recommendations:

The Medical Center should:

- Revise its SAP query parameters to ensure it identifies and flags all students who do not meet the requirements of the SAP policy.
- Limit high-profile access to the student financial aid database to the appropriate users based on their responsibilities.
- Define user access for migrating student financial aid application code to the production environment in a manner that promotes separation of duties and is based on users' responsibilities.
- Assign each user a unique user ID and password for all logins.
- Disable inactive or unused user accounts for the student financial aid application.

Management Response and Corrective Action Plan:

Satisfactory Academic Progress

*a) The parameters of the SAP Determination Query in the student financial aid application have been revised to ensure the results identify all students who do not meet the requirements of the SAP policy.*

*Implementation Date: October 2010*

*Responsible Person: Charles Kettlewell*

General Controls

*It is important to note that all of the access control issues are unique to an existing proprietary mainframe computer system (SIS) which will be retired in March of 2012 in favor of more modern system architecture (Oracle/PeopleSoft).*

*b) High-profile access to the student financial aid database has been limited to the appropriate users based on their responsibilities.*

*The audit team identified situations where three users shared administrative access to the database and 28 individuals shared generic high-profile user stat us for the Network and Application Server.*

*The three users with administrative access to the main database were high-level users whose responsibilities required high access levels to perform system tasks. Inherent within the system architecture is the storage of*



working files that are maintained for exclusive use by the specific User ID. Therefore, to avoid conflicted data, the users are required to work with a shared generic login. This need will be removed once more modern system architecture and security is implemented in March 2012.

SIS runs on an Open VMS system, not a Windows System. Due to the cost of hardware and hardware maintenance, we have implemented the Open VMS system that runs the SIS product on a virtualization technology called Charon. This technology is very much like VMWare, except that the emulated hardware layer is VAX and the Operating System is Open VMS instead of Windows or Linux. The Domain administrator account and groups have elevated access to the HOST system, but do not have authority on the Open VMS GUEST named SWVX12 where SIS runs. System account access on the Open VMS system is limited to the three Open VMS system administrators. Due to the age of the Open VMS/VAX operating system, many of the more modern methods of implementing policy-based access controls are not available. The access to the Windows server is governed by Active Directory Authentication and the administrator role is assigned to members of the Systems and Operations Group that have System/Database support as their primary role. As a mitigating control, all personnel within the division of Systems and Operations (the 28) possess successfully adjudicated NACI High background investigations performed by the federal Office of Personnel Management.

*Implementation Date: March 2012*

*Responsible Person: Charles Kettlewell*

c) Change management procedures have been implemented for migrating student financial aid application code to the production environment to mitigate risks created by limited resources and the system functionality. Access for this purpose is already tightly restricted to the extent the size of the technical support team allows. However, application code change management procedures were changed immediately to require documentation of 1) a summary of all changes made, 2) itemized approval of the changes prior implementation in production mode, and 3) final system change approval by the primary business owner.

*Implementation Date: January 2011*

*Responsible Person: Charles Kettlewell*

d) Unique logins for the self-contained database system are already standard in all cases except where temporary working files are utilized that must remain in a common access directory for consistent processing. Shared logins are only used where the common access directory is required. This functionality is inherent to the existing proprietary system which is being retired in March 2012 in favor of more modern architecture.

*Implementation Date: March 2012*

*Responsible Person: Charles Kettlewell*

e) The inactive or unused user accounts in the student financial aid application have been deleted. The accounts identified in the finding were for two former employees of the Institution who were expected to provide occasional on-going contract work where the access levels would have been required. Their access rights within the system were tightly contained within the system and would have required two additional gateway access points to reach and the individual's login passwords within the system which had been changed following non-employment. Their access rights were retained largely as a template within the system to aid in future setup.

*Implementation Date: January 2011*

*Responsible Person: Charles Kettlewell*

Reference No. 11-186

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

**Student Financial Assistance Cluster**

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

**Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093281, CFDA 84.007 P007A094161, and CFDA 84.033 P033A094161**

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

Disbursement Notification Letters

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

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

**For 11 (28 percent) of 39 students tested who received loans, the University of Texas Southwestern Medical Center at Dallas (Medical Center) did not retain evidence that it sent the required disbursement notification letters.** These 11 students received loan funds, but these funds did not result in credit balances on the students' accounts. The Medical Center asserts that when students do not have credit balances on their accounts, the Medical Center mails loan disbursement notifications to the student, but it does not retain copies of those notifications.

Additionally, when a student receives loan funds that result in a credit balance to the student's account, the Medical Center e-mails the disbursement notification to the student. However, the **e-mail notifications do not contain the actual disbursement date of the loan.**

Not receiving the disbursement notifications or not being notified of the actual loan disbursement dates could impair students' and parents' ability to cancel their loans.

General Controls

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

**The Medical Center did not appropriately restrict access to its student financial aid application.** Specifically, three users had excessive access to the student financial aid application database. Two of these users were programmers and one was a former temporary employee.

**Additionally, auditors identified the following situations in which multiple users shared a generic user ID:**

- Four users shared a generic user ID to migrate code to the production environment for the student financial aid application. Two of these individuals were programmers for that application.
- A group of 28 individuals shared a generic high-profile user ID for the student financial aid application server.
- The domain administrators group, which included 28 individuals, shared a generic high-profile user ID for the network.

Allowing employees inappropriate or excessive access to Medical Center systems increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing a user ID and password does not allow for user accountability and does not follow the Medical Center's published password policy.

**Additionally, two user accounts for the student financial aid application were still active but were unused or were not assigned to a specific individual.** Inactive or unassigned user accounts should be deactivated. Leaving inactive or unassigned accounts active can lead to possible unauthorized entry into the application.

Recommendations:

The Medical Center should:

- Retain documentation demonstrating that it sent loan disbursement notifications within the required time frames.
- Include all of the required disclosures, such as the disbursement date of funds, in e-mail disbursement notifications.
- Limit high-profile access to the student financial aid database to the appropriate users based on their responsibilities.
- Define user access for migrating student financial aid application code to the production environment in a manner that promotes separation of duties and is based on users' responsibilities.
- Assign each user a unique user ID and password for all logins.
- Disable inactive or unused user accounts for the student financial aid application.

Management Response and Corrective Action Plan:

Disbursement Notification Letters

*a) Loan disbursement procedures have been revised to include retaining backup documentation to confirm that the date of the loan notification is within the required time frames.*

*Implementation Date: January 2011*

*Responsible Person: Charles Kettlewell*

*b) The standard content used in email disbursement notifications has been revised to include the disbursement date of the funds.*

*Implementation Date: January 2011*

*Responsible Person: Charles Kettlewell*

General Controls

*It is important to note that all of the access control issues are unique to an existing proprietary mainframe computer system (SIS) which will be retired in March of 2012 in favor of more modern system architecture (Oracle/PeopleSoft).*

*c) High-profile access to the student financial aid database has been limited to the appropriate users based on their responsibilities.*

*The audit team identified situations where three users shared administrative access to the database and 28 individuals shared generic high-profile user status for the Network and Application Server.*

*The three users with administrative access to the main database were high-level users whose responsibilities required high access levels to perform system tasks. Inherent within the system architecture is the storage of working files that are maintained for exclusive use by the specific User ID. Therefore, to avoid conflicted data, the users are required to work with a shared generic login. This need will be removed once more modern system architecture and security is implemented in March 2012.*

*SIS runs on an Open VMS system, not a Windows System. Due to the cost of hardware and hardware maintenance, we have implemented the Open VMS system that runs the SIS product on a virtualization technology called Charon. This technology is very much like VMWare, except that the emulated hardware layer is VAX and the Operating System is Open VMS instead of Windows or Linux. The Domain administrator account and groups have elevated access to the HOST system, but do not have authority on the Open VMS GUEST named SWVX12 where SIS runs. System account access on the Open VMS system is limited to the three Open VMS system administrators. Due to the age of the Open VMS/VAX operating system, many of the more modern methods of implementing policy-based access controls are not available. The access to the Windows server is governed by Active Directory Authentication and the administrator role is assigned to members of the Systems and Operations Group that have System/Database support as their primary role. As a mitigating control, all personnel within the division of Systems and Operations (the 28) possess successfully adjudicated NACI High background investigations performed by the federal Office of Personnel Management.*

*Implementation Date: March 2012*

*Responsible Person: Charles Kettlewell*

*d) Change management procedures have been implemented for migrating student financial aid application code to the production environment to mitigate risks created by limited resources and the system functionality. Access for this purpose is already tightly restricted to the extent the size of the technical support team allows. However, application code change management procedures were changed immediately to require documentation of 1) a summary of all changes made, 2) itemized approval of the changes prior implementation in production mode, and 3) final system change approval by the primary business owner.*

*Implementation Date: January 2011*

*Responsible Person: Charles Kettlewell*

*e) Unique logins for the self-contained database system are already standard in all cases except where temporary working files are utilized that must remain in a common access directory for consistent processing. Shared logins are only used where the common access directory is required. This functionality is inherent to the existing proprietary system which is being retired in March 2012 in favor of more modern architecture.*

*Implementation Date: March 2012*

*Responsible Person: Charles Kettlewell*

*f) The inactive or unused user accounts in the student financial aid application have been deleted. The accounts identified in the finding were for two former employees of the Institution who were expected to provide occasional on-going contract work where the access levels would have been required. Their access rights within the system were tightly contained within the system and would have required two additional gateway access points to reach and the individual's login passwords within the system which had been changed following non-employment. Their access rights were retained largely as a template within the system to aid in future setup.*

*Implementation Date: January 2011*

*Responsible Person: Charles Kettlewell*

## Summary Schedule of Prior Year Audit Findings

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Federal regulations (Office of Management and Budget Circular OMB Circular A-133) state, "the auditee is responsible for follow-up and corrective action on all audit findings." As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2009 Schedule of Findings and Questioned Costs.
- Each finding in the 2009 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding.

The Summary Schedule of Prior Audit Findings (year ended August 31, 2009) has been prepared to address these responsibilities.

### Angelo State University

Reference No. 09-36

#### Eligibility

##### Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.063 P063P072258

Type of finding - Significant Deficiency and Non-Compliance

#### The University Did Not Always Maintain Appropriate Access to Banner, Its Financial Aid System

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

Initial Year Written: 2008  
Status: Implemented

U.S. Department of Education

The University did not always maintain appropriate user access over Banner, its financial aid system. Three users had excessive access to modify the cost of attendance, min/max tables, and Banner rules for each of the funds.

#### Corrective Action:

Corrective action was taken.

## Lamar State College – Port Arthur

Reference No. 10-31

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

#### Student Financial Assistance Cluster

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

Award numbers - CFDA 84.268 P268K094241, CFDA 84.063 P063P084241, CFDA 84.007 P007A086986, CFDA 84.033 P033A086986, and CFDA 84.375 P375A084241

Type of finding - Significant Deficiency and Non-Compliance

#### Disbursement Notices

If an institution credits a students' account at the institution with Direct Loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the students' right or parents' right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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

To help ensure compliance with federal disbursement notification requirements, Lamar State College - Port Arthur (College) staff use a voucher summary report from the previous night's refund process to identify loan disbursements. However, students who receive loans but who do not receive refunds are not on that report. Based on the review of the voucher summary report, the College creates and sends a disbursement notification to the student. However, it is possible that a student could have a loan disbursement that covered only tuition and fees. In these instances, identifying the disbursement would require checking the detailed disbursement report, rather than the refund report. The College's current process for disbursement notification does not include this review. Auditors did not identify any instances of non-compliance as a result of this control weakness.

In addition, the College's loan disbursement notifications for all seven students tested who received federal direct student loans did not include some of the required information. Specifically, the notifications did not inform the students or parents of their right to cancel loans, either in full or in part, including corresponding procedures by which the students or parents must notify the College that they wish to cancel the loan. The College sent the loan notifications within the required time frame, and the notifications contained the correct information about the disbursement amounts and dates. The College began offering Direct Loans during the Spring 2009 semester, and College staff assert that the notifications lacked required information as a result of an unintentional omission.

#### Recommendations:

The College should:

- When making disbursement notification determinations, ensure that it reviews information necessary to identify all federal aid disbursements to student accounts, even if such disbursements would not result in a refund to the student.
- Ensure that it includes all required loan disbursement information in disbursement notifications sent to students and parents.

Management Response and Corrective Action Plan 2009:

#1. When making disbursement notification determinations, ensure that it reviews information necessary to identify all federal aid disbursements to student accounts, even if such disbursements would not result in a refund to the student.

Management Concur -

Upon learning of the omission of the instructions on what a student or parent needs to do to cancel all or a portion of their loan the revision was made to the disbursement notification letter immediately.

#2 Ensure that it includes all required loan disbursement information in disbursement notifications sent to students and parents.

Management Concur –

Immediate changes were made to the process of determining who was to receive a disbursement notification letters after the telephone conversation with auditors concerning the process by which we were using. Auditors brought to our attention of the fact that potential student, under very specific circumstances might not be identified for a disbursement letter. Changes were made immediately to ensure that all loan borrowers would receive a disbursement notification letter. The combination of the loan worksheet and the internal report of disbursements of loans identify the student and/or parent.

Management Response and Corrective Action Plan 2010:

Management Concur

Procedures for identifying students who did not receive refunds and needed a disbursement notification letter showed that borrowers for the new award year were processed by using a worksheet supplied by the Assistant Director. This worksheet identified all students receiving a loan. When the second disbursement was made in the Spring a report was run showing students that had been paid. Using this report all payments were reviewed to make sure that students who may have not received refunds were sent a disbursement notification letter. This report was not specified in the procedures process.

Implementation of Corrective Action: Action was taken effective the date of the consultation audit cycle in August 23, 2010, and was applied for the Fall 2010 semester -1<sup>st</sup> class day August 23, 2010. New procedures for identifying students who need disbursement notification letters are in place with our new Banner Software. A report is generated after every disbursement cycle listing all students who were disbursed a student loan. Using this report letters are generated.

Implementation Date: August 23, 2010

Responsible Person: Diane Hargett

Management Concur

A transposition error resulted in the incorrect amount on a disbursement notification letter. This notification letter will be converted to an automated process to prevent this error again.

An outdated letter was sent in error using the incorrect notification information. This letter has been deleted to prevent this from happening again.



*Implementation of Corrective Action: Action was taken effective the date of the consultation audit cycle in August 23, 2010, and was applied for the Fall 2010 semester – 1st class day August 23, 2010. The notification letter has been converted to an automated process implemented in yet another software upgrade/migration. The incorrect letter was deleted immediately.*

*Implementation Date: August 23, 2010*

*Responsible Person: Diane Hargett*

#### Common Origination and Disbursement System Reporting

An institution makes a disbursement of Title IV, Higher Education Act (HEA) program funds on the date that the institution credits a students' account at the institution or pays a student or parent directly with (1) funds received from the U.S. Secretary of Education; (2) funds received from a lender under the Federal Family Education Loan Programs; or (3) institutional funds used in advance of receiving Title IV, HEA program funds (Title 34, Code of Federal Regulations, Section, 668.164(a)). Institutions submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 2 (5 percent) of 40 student records tested (associated with 2 of 69 disbursements) at the College, the actual date of the Pell Grant disbursement did not match the disbursement date the College reported to the COD System. There was a difference of one day in the disbursement dates. The College explained that there was a malfunction in its computer system in both instances that prevented the information from being correctly transmitted from the College's system to the COD System.

The College is testing its system so that this error does not occur in the future. The College's total Pell Grant expenditures for 2008-2009 school year were \$1,969,923.00.

#### Corrective Action:

Corrective action was taken.

**Prairie View A&M University**

Reference No. 10-33

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.268 P268K092319, CFDA 84.063 P063P082319, CFDA 84.007 P007A084098, CFDA 84.033 P033A084098, CFDA 84.375 P375A082319, CFDA 84.376 P376S082319, CFDA 84.379 P379T082319, and CFDA 93.925 Award number Not Applicable.**

**Type of finding - Material Weakness and Non-Compliance**

General Controls

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

Initial Year Written: 2009  
Status: Partially Implemented  
  
U.S. Department of Education  
U.S. Department of Health and Human Services

Prairie View A&M University (University) did not maintain appropriate user access for Banner, its financial aid application. Auditors identified several areas within Banner that enabled employees to have excessive access privileges for modification. Specifically:

- 16 users had inappropriate access to the super user security class, which allowed them to modify all screens or objects within Banner.
- 23 users had inappropriate access to modify the setting up of financial aid budgets in Banner, as well as the creation of budgets in Banner.
- 9 users had excessive access to modify the fund packaging rules tables in Banner.
- 24 users had excessive access to modify the structured query language for all Banner global rules.
- 23 users had excessive access to modify the satisfactory academic progress rules in Banner.
- 22 users had inappropriate modify access to the RBRCOMP screen. This screen is where the various components to a budget are set up.
- 8 users had inappropriate modify access to the RFRMGMT screen. This screen is where the minimum maximum amounts are set up for each fund.
- 25 users had inappropriate modify access to the RFRDEFA screen. This screen is where the disbursement dates are set up for each fund.
- 23 users had inappropriate modify access to the RORPOST screen. This screen is where the batch posting rules are set up, which includes loading of required documents on the document required screen based on the Institutional Student Information Record (ISIR) comment codes.
- 24 users had inappropriate modify access to the RORTPRD screen. This screen is where the start and end dates for each semester are set.

Additionally, the University has not performed a review of user access to Banner, the Oracle database, or its network. Allowing employees inappropriate or excessive access to areas in Banner that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five University employees shared the user ID and password used by the University's database administrator, which provided them with excessive access to migrate code into Banner's production environment

The University did not have formal system development policy and procedures in place when it implemented Banner. The University implemented its current system development policy and procedure in May 2009. Having a policy and procedures helps to ensure that the changes that are made will be able to meet user needs, that the controls in place adequately cover the risks to the University, and that the new system will be able to integrate with the University's existing system.

Corrective Action:

Corrective action was taken.

Budget Amounts

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

When entering students' cost of attendance (COA) budgets into its financial aid system tables, the University included incorrect loan fee amounts for three budget groups. The University entered \$200, when the correct amount was \$100. This was limited to the following three budget groups: (1) student was a full-time undergraduate from out of state entering the University in the Spring semester; (2) student was a three-quarter time undergraduate in-state resident entering the University in the Spring semester; and (3) student was a full-time undergraduate from out of state entering the University for the Spring and Summer 1 semesters. A total of 42 students were affected by the incorrect cost of attendance budgets. As a result, the University included incorrect loan fee amounts within all Pell-based budgets that it reported to the U.S. Department of Education's *Common Origination and Disbursement* (COD) system. Reporting incorrect COA budgets could result in students being underawarded or overawarded financial assistance. None of the items tested resulted in incorrect award amounts.

Awards of Pell Grants

The Federal Pell Grant Program awards grants to help financially needy students meet the cost of their post-secondary education (Title 34, Code of Federal Regulations, Section 690.1). In selecting among students for the Federal Pell Grant program, an institution must determine whether a student is eligible to receive a Federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, Code of Federal Regulations, Section 690.6(a)). For each payment period, an institution may pay a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, Code of Federal Regulations, Section 609.75 (a)(2)). In selecting eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10(a)).

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

#### Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34).

The University's satisfactory academic progress policy requires an undergraduate student receiving federal aid to (1) maintain a minimum 2.00 cumulative GPA, (2) successfully complete at least 75 percent of the student's credit hours, and (3) meet the student's degree objectives within 180 total attempted hours. If a student does not meet these requirements, the student may be placed on financial aid probation or financial aid suspension. If the student is placed under financial aid suspension, the student may appeal the suspension. All appeals that are denied could be awarded in error if the manual adjustment is not made to the automated system.

The University disbursed financial assistance to 1 (2.5 percent) of 40 students tested, even though that student did not meet the University's satisfactory academic progress policy. The University awarded the student a total of \$8,880 in assistance because the University did not manually adjust its automated system to reflect that the student's satisfactory academic progress appeal was denied. The University later detected this error and canceled the assistance, but it had already disbursed \$8,800 for the Spring semester to this student. The University cleared the student's account with the U.S. Department of Education after canceling the funds; therefore, there is no questioned cost associated with the error.

#### COA Calculation

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

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

The University incorrectly calculated the COA for 4 (10 percent) of 40 students tested. While the University's financial aid system automatically calculates COA for Fall and Spring semesters, University staff manually calculates the Summer semester portion of each student's COA. This could result in an overaward if the student does not have any excess unmet need. For the four students noted, the staff

incorrectly calculated the Summer semester portion of the student's COA. One student was a full-time graduate student who incorrectly had a loan fee of \$75 added to the student's COA. The remaining three students were part-time for the Summer semester: One student had a \$500 room charge incorrectly added to the student's COA, one student had a \$425 book allowance incorrectly omitted from the student's COA, and one student had \$406 in personal expenses incorrectly omitted from the student's COA. However, the incorrect COA calculations did not have an effect on the amount of assistance awarded to students because the students had excess unmet needs.

Recommendations:

The University should:

- Review COA budget component amounts prior to packaging of student financial assistance to prevent errors in COA calculations.
- Improve controls over processes it uses to update its financial aid system when a student's status changes to ensure that it does not incorrectly remove funding eligibility.
- Improve controls over the manual process used to update the financial aid system to reflect the current status of students' satisfactory academic progress policy appeals.
- Improve controls over manual calculations of COA.

Management Response and Corrective Action Plan 2009:

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

*Management will develop a process to: 1) identify students that are transitioning from Undergraduate to Graduate status; 2) use the Federal Pell Reconciliation process in Banner to isolate exceptions and ensure that changes to classification do not affect previous awards.*

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

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

Management Response and Corrective Action Plan 2010:

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

*Implementation Date: October 1, 2011*

*Responsible Person: Kelvin Francois*

Reference No. 10-34

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

(Prior Audit Issue - 08-38)

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.268 P268K092319, CFDA 84.063 P063P092319, CFDA 84.007 P007A084098, CFDA 84.033 P033A084098, CFDA 84.375 P375A082319, CFDA 84.376 P376S082319, and CFDA 93.925 Award number Not Applicable.**

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

General Controls

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

Initial Year Written: 2009 Status: Partially Implemented  U.S. Department of Education U.S. Department of Health and Human Services
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Prairie View A&M University (University) did not maintain appropriate user access for Banner, its financial aid application. Auditors identified several areas within Banner that enabled employees to have excessive modify access privileges. For example:

- 16 users had inappropriate access to the super user security class, which allowed them to modify all screens or objects within Banner.
- 23 users had inappropriate access to modify the setting up of financial aid budgets in Banner, as well as the creation of budgets in Banner.
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Additionally, the University has not performed a review of user access to Banner, the Oracle database, or its network. Allowing employees inappropriate or excessive access to areas in Banner that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five University employees shared the user ID and password used by the University's database administrator, which provided them with excessive access to migrate code into Banner's production environment.

The University did not have formal system development policy and procedures in place when it implemented Banner. The University implemented its current system development policy and procedure in May 2009. Having a policy and procedures helps to ensure that the changes that are made will be able to meet user needs, that the controls in place adequately cover the risks to the University, and that the new system will be able to integrate with the University's existing system.

Corrective Action:

Corrective action was taken.

Disbursement Notification Letters

If an institution credits a students' account at the institution with Direct Loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

For 7 (18 percent) of 39 students tested who received Direct Loans, the University did not send disbursement notifications within the required 30 days for the Fall 2008 semester. The University implemented a new financial aid system and did not set up the automated process for disbursement notification letters in time to ensure that it sent disbursement notifications within the 30-day requirement for some of the disbursements it made on the first day of the Fall 2008 disbursement cycle (August 18, 2008). As a result, the University sent disbursement notification letters one day late for some of the disbursements that occurred on the first day of the Fall 2008 disbursement cycle, including for the seven students discussed above. Auditors did not note any late disbursement notification letters for the Spring 2009 semester. Not receiving these notifications promptly could impair students' and parents' ability to cancel their loans.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 1 (4 percent) of 25 students with Pell disbursements tested, the University did not report the amount and date of the Pell disbursement to the COD System. According to University staff, the student's information was recorded in Banner but was rejected by the COD System. The student's information was

not manually corrected; therefore, the University did not report information subsequently to the COD System. The University did not have an adequate procedure in place to ensure data not accepted by COD was corrected and submitted timely.

Recommendations:

The University should:

- Maintain controls to ensure that it sends disbursement notification notices within 30 days before or after crediting a student's account with a Direct Loan.
- Improve its oversight of the Pell reporting process to ensure that student information that Banner does not retrieve during the process for reporting to the COD System is captured and reported to the COD System in a timely manner.

Management Response and Corrective Action Plan 2009:

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

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

Management Response and Corrective Action Plan 2010:

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

*Implementation Date: February 1, 2011*

*Responsible Person: Kelvin Francois*



## Sam Houston State University

Reference No. 10-43

### Eligibility

#### Student Financial Assistance Cluster

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

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

Type of finding -Significant Deficiency and Non-Compliance

### General Controls

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

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

Sam Houston State University (University) did not maintain appropriate user access to the SIS Plus Financial Aid Management (FAM) system, its financial aid application. Specifically, University programmers have access to production code, and one programmer is responsible for migrating code from test to production. The University should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. Additionally, the University does not perform formal, periodic reviews of user access rights in FAM. Allowing employees inappropriate or excessive access to areas in FAM that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregations of duties.

### Recommendations:

The University should strengthen controls to ensure that it:

- Implements separation of duties between programmers and server administrators so that programmers do not have direct access to production code.
- Performs periodic formal reviews of user access to its systems.

### Management Response and Corrective Action Plan 2009:

#### General Controls - Management Response and Corrective Action Plan:

*Sam Houston State University acknowledges the ability for programmers to promote code to production without automated technology enforced review. SHSU has previously identified this problem and in 2007, as a short-term solution, implemented management-enforced processes that require code to be reviewed by a code review manager before it may be promoted to production. These code reviews are documented within the Information Resources Work Order system, along with any related programming changes. Spot checks are randomly performed by the Director of this group to identify any failures to follow procedure.*

*For a long-term solution, further segregation of the legacy production environment is being designed and implemented, which will allow improved code control. These enhanced restrictions are estimated to be completed by September 1, 2010. At this point, policy requires all mainframe code changes to be promoted*

by the designated code review manager (or backup); only after successful code review is completed. A similar environment and process is being designed and implemented with the implementation of SunGard Higher Education's Banner Unified Digital Campus (UDC) software.

Sam Houston State University acknowledges that user access within the SIS/PLUS Financial Aid Management software was not formally reviewed for in relation to employee job assignments. SIS/PLUS software was discontinued after the completion of the academic year 2008-2009. SHSU is currently implementing Banner (UDC) software; implementation of the Financial Aid module was achieved in February 2009 for the financial aid application year 2009-2010. With Banner, the user security procedure significantly changed. User access levels are managed through the Banner security matrix. The process of submitting the security matrix through the work order system began in June 2009. The Financial Aid Office Director is responsible for maintaining the matrix for the FAO. Within the matrix, form or screen level access is determined and assigned to each business process role, such as Financial Aid Counselor and Data Entry Assistant. Each employee is entered into the matrix and assigned one or more roles based on job functions. An updated matrix is sent to the Information Resources through the Work Order system. Information Resources updates employee access based on the provided matrix. The FAO is notified of completion through the Work Order system.

The security matrix is updated upon employment changes within the FAO and concurrent with the annual regulatory update of New Year specific forms. A thorough review of user form level access is conducted to ensure the security is tailored to meet the needs of the department. This review is consistent with the Information Resource recommendation of an annual review of granted access.

Management Response and Corrective Action Plan 2010:

Implementing separation of duties between programmers and server administrators so that programmers do not have direct access to production code:

Sam Houston State University is on track for a September 1, 2010 implementation of separation of duties between programmers and those that promote code to our production environment. Currently, the ability to promote code to production has been isolated to three programmers rather than the entire programming staff. These programmers are responsible for ensuring that each program has been code reviewed according to the existing procedure and then promoting the code as necessary. Additionally, these programmers are prohibited by management controls from promoting their own code. By September 1, 2010, this access will be further restricted to a new staff member that has recently been hired and will be training to promote code to production. This Administrative Coordinator position is a clerical staff member that has no coding responsibilities. As a backup and business continuity plan, the three programmers currently responsible for code promotion will fill in for the Administrative Coordinator when unavailable.

Implementation Date: September 1, 2010

Responsible Person: Jacob Chandler

Aggregate Loan Limits

For students who have not already received an undergraduate degree, the aggregate unpaid principal amount of all subsidized Stafford Loan Program loans in combination with loans received by the student under the Federal Direct Stafford/Ford Loan Program, but excluding the amount of capitalized interest, may not exceed \$23,000 (Title 34, Code of Federal Regulations, Section 682.204(b)).

The University has an automated process that prevents the disbursement of a student's awards when an award would exceed the student's aggregate subsidized Stafford loans. The University also has a manual process that financial aid counselors can use to determine whether the student is eligible for any subsidized Stafford loan and the amount of subsidized Stafford loan to offer that would not exceed the aggregate limit.

For 1 (2.7 percent) of 37 students tested, a University counselor determined the proper loan amount to offer but did not change the loan amount in the system prior to clearing the hold, which released the funds for disbursement. As a result, the University awarded that student a loan under the subsidized Stafford Loan Program that caused the aggregate unpaid principal amount of the student's subsidized Stafford Loans to exceed the \$23,000 maximum. The student was awarded \$2,946 in excess of the maximum. The student was eligible to receive this amount under the Unsubsidized Stafford Loan program.

Corrective Action:

Corrective action was taken.

Reference No. 10-44

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

**Student Financial Assistance Cluster**

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

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

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

General Controls

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

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

Sam Houston State University (University) did not maintain appropriate user access to the SIS Plus Financial Aid Management (FAM) system, its financial aid application. Specifically, University programmers have access to production code, and one programmer is responsible for migrating code from test to production. The University should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. Additionally, the University does not perform formal, periodic reviews of user access rights in FAM. Allowing employees inappropriate or excessive access to areas in FAM that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregations of duties.

Pell Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (OMB Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

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

Recommendations:

The University should strengthen controls to ensure that it:

- Implements separation of duties between programmers and server administrators so that programmers do not have direct access to production code.
- Performs periodic formal reviews of user access to its systems.
- Establishes a process to correct Pell disbursement data in the COD System after the University updates estimated disbursement dates with actual disbursement dates.

Management Response and Corrective Action Plan 2009:

General Controls - Management Response and Corrective Action Plan:

*Sam Houston State University acknowledges the ability for programmers to promote code to production without automated technology enforced review. SHSU has previously identified this problem and in 2007, as a short-term solution, implemented management enforced processes that require code to be reviewed by a code review manager before it may be promoted to production. These code reviews are documented within the Information Resources Work Order system, along with any related programming changes. Spot checks are randomly performed by the Director of this group to identify any failures to follow procedure.*

*For a long-term solution, further segregation of the legacy production environment is being designed and implemented, that will allow improved code control. The estimated completion for these enhanced restrictions is September 1, 2010. At this point, policy requires all mainframe code changes to be promoted by the designated code review manager (or backup); only after successful code review is completed. A similar environment and process is being designed and implemented with the implementation of SunGard Higher Education's Banner Unified Digital Campus (UDC) software.*

*Sam Houston State University acknowledges that user access within the SIS/PLUS Financial Aid Management software was not formally reviewed for in relation to employee job assignments. SIS/PLUS software was discontinued after the completion of the academic year 2008-2009. SHSU is currently implementing Banner (UDC) software; implementation of the Financial Aid module was achieved in February 2009 for the financial aid application year 2009-2010. With Banner, the user security procedure significantly changed. User access levels are managed through the Banner security matrix. The process of submitting the security matrix through the work order system began in June 2009. The Financial Aid Office Director is responsible for maintaining the matrix for the FAO. Within the matrix, form or screen level access is determined and assigned to each business process role, such as Financial Aid Counselor and Data Entry Assistant. Each employee is entered into the matrix and assigned one or more roles based on job functions. An updated matrix is sent to the Information Resources through the Work Order system. Information Resources updates employee access based on the provided matrix. The FAO is notified of completion through the Work Order system.*

*The security matrix is updated upon employment changes within the FAO and concurrent with the annual regulatory update of New Year specific forms. A thorough review of user form level access is conducted to*

ensure the security is tailored to meet the needs of the department. This review is consistent with the Information Resource recommendation of an annual review of granted access.

Pell Grant Reporting - Management Response and Corrective Action Plan:

Sam Houston State University acknowledges the limitations of the SIS/PLUS Financial Aid Management with regard to reporting the actual disbursement dates of Pell Grants. The solution is the implementation of SunGard's Banner Unified Digital Campus (UDC) software which will provide integration between the campus business areas, including all departments involved in student account activity such as the offices of Undergraduate Admission, Graduate Admissions, Registrar, Bursar and Financial Aid. The implementation of the Financial Aid module for academic year 2009-2010 was the initial step toward SHSU's goal of a unified digital campus.

The Financial Aid module is currently operating as a stand alone system with interface software created in SHSU Information Resources. The functionality of processes that request, track, and release Pell Grant disbursements through Banner and into Student Receipt System result in a median difference of one day between the date of actual disbursement and the reported disbursement date. Upon implementation of the Student Accounts Receivable and Cashiering modules of Banner, University departments will be integrated resulting in improved electronic communication and reporting. The scheduled implementation dates for these modules are January 2011 and June 2011.

Banner UDC software is widely utilized in higher education and has proven results in the Pell Grant reporting area. The processes and procedures through which Pell Grant disbursement data is gathered and reported through COD are established. The disbursement dates and amounts reported to COD will reflect the actual dates and disbursements reflected in student account records and regular functionality will be verified by FAO personnel.

Management Response and Corrective Action Plan 2010:

Implementing separation of duties between programmers and server administrators so that programmers do not have direct access to production code:

Sam Houston State University is on track for a September 1, 2010 implementation of separation of duties between programmers and those that promote code to our production environment. Currently, the ability to promote code to production has been isolated to three programmers rather than the entire programming staff. These programmers are responsible for ensuring that each program has been code reviewed according to the existing procedure and then promoting the code as necessary. Additionally, these programmers are prohibited by management controls from promoting their own code. By September 1, 2010, this access will be further restricted to a new staff member that has recently been hired and will be training to promote code to production. This Administrative Coordinator position is a clerical staff member that has no coding responsibilities. As a backup and business continuity plan, the three programmers currently responsible for code promotion will fill in for the Administrative Coordinator when unavailable.

Regarding periodic formal review of program access within the legacy system, we have prompted campus staff to review access to their programs in the June edition of the Information Resources Update. (See [http://www.shsu.edu/~ucs\\_www/update/pdf/updates2010.pdf](http://www.shsu.edu/~ucs_www/update/pdf/updates2010.pdf)) Information Resources staff have also emailed each program owner requiring them to confirm via email that they have reviewed program access by June 25, 2010. Program access for Banner is still requested, reviewed and maintained in the same mechanism described in the previous audit response.

Implementation Date: September 1, 2010

Responsible Person: Jacob Chandler

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*User Access to Financial Aid Banner:*

*Implementation of the Financial Aid module was accomplished in February 2009 for the financial aid application year 2009-2010. In June 2009, a Banner Security Matrix was implemented to manage user security. All users are identified uniquely and assigned user groups based on their job duties. The security matrix is updated upon employment changes within the FAO and a comprehensive review is conducted concurrent with the annual regulatory update of new year-specific forms. An updated matrix is sent to Information Resources through the Work Order system. Information Resources updates employee access based on the provided matrix. The FAO is notified through the Work Order system as the updates are promoted into production.*

*Implementation Date: June 9, 2010*

*Responsible Person: Lisa Tatom*

*Use of Actual Disbursement Dates for Pell in COD:*

*SHSU has made timely progress in the implementation of SunGard's Banner Unified Digital Campus (UDC) software which will provide integration between the campus business areas, including all departments involved in student account activity such as the offices of Undergraduate Admission, Graduate Admissions, Registrar, Bursar and Financial Aid. The Financial Aid module is currently still standalone. The functionalities necessary to provide the actual Pell Disbursement Date are included in the Finance module. The Finance module, including cashiering and student accounts receivable functionality, is on schedule to be implemented in March 2011.*

*Implementation Date: March 2011*

*Responsible Person: Lisa Tatom*

## Stephen F. Austin State University

Reference No. 10-48

### Eligibility

#### Student Financial Assistance Cluster

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

Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.007 P007A084129, CFDA 84.033 P033A084129, CFDA 84.063 P063P082315, CFDA 84.375 P375A082315, CFDA 84.376 P376S082315, and CFDA 84.379 P379T092315

Type of finding - Significant Deficiency and Non-Compliance

### General Controls

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

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

Stephen F. Austin University (University) did not maintain appropriate user access to PLUS, its financial aid application. Auditors identified several areas within PLUS that enabled employees to have excessive modify access privileges. Specifically:

- Eleven users had excessive access to modify the minimum/maximum aid limits for the various federal funds.
- One user had excessive access to modify the disbursement date tables.

Additionally, the University has not performed a review of user access to PLUS or its Enterprise Resource Platform (ERP). Allowing employees inappropriate or excessive access to areas in PLUS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate PLUS code changes to the production environment based on an individual's job function to help ensure that adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 20 users, including programmers, have access to an application that provides them excessive access to migrate code into PLUS's production environment. The University's current change management procedures do not promote segregation of duties and do not comply with the University's change management policy. The University also does not maintain consistent documentation of authorization, testing, and approval of changes to PLUS.

### Calculation of the Cost of Attendance

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

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

among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6 and 682.603).

For 1 (2.5 percent) of 40 students tested, the University calculated COA incorrectly based on the wrong residency status. The University has tuition rates for Texas residents, non-residents, and Arkansas and Louisiana residents. This student was not on the Office of Admission's change in residency report submitted to the Financial Aid office for determining residency status for COA. Consequently, the student was classified as a non-resident for the COA calculation when the student was actually a Louisiana resident. As a result of this misclassification, the student's COA was overstated, and the student was overawarded \$4,456 in subsidized Stafford loans.

Recommendations:

The University should:

- Restrict access to PLUS based on job duties and responsibilities, and periodically review PLUS access levels to ensure that appropriate access is granted.
- Ensure that all changes to PLUS are authorized, tested, and approved and that it maintains supporting documentation for these changes.
- Perform formal, documented, and periodic reviews of users on the ERP.
- Ensure change management procedures are in place to promote segregation of duties and comply with the University's change management policy.
- Establish additional procedures to verify that a student's change in residency is captured so that the University calculates COA correctly when determining award amounts.

Management Response and Corrective Action Plan 2009:

PLUS access and changes:

*The University is converting from PLUS to Banner in February 2010. Access in Banner will be restricted based on job duties and responsibilities. A procedure to periodically review access will be implemented. The University has implemented procedures to ensure that all changes to Banner are authorized, tested and approved with supporting documentation maintained in accordance with record retention guidelines.*

Reviews of ERP access:

*The University currently performs reviews of access to the ERP platform, but no formal documentation is maintained. Procedures will be implemented to formally document the reviews.*

Change Management Procedures:

*The University has enacted change management procedures that comply with our policy.*



Cost of Attendance:

The University has established automated procedures in Banner to ensure that changes in residency are captured to appropriately calculate cost of attendance. For the student indentified in the audit, the questioned cost of \$4,456 has been resolved by retroactively transferring the amount from a subsidized to an unsubsidized loan.

Management Response and Corrective Action Plan 2010:

PLUS Access and Changes:

The university converted from PLUS to Banner in February 2010 for students enrolling and attending fall 2010. Access in Banner is restricted based on job duties and responsibilities. A procedure to periodically review access has been implemented. The university has implemented procedures to ensure that all changes to Banner are authorized, tested, and approved with supporting documentation maintained in accordance with record retention guidelines.

Implementation Date: August 31, 2010

Responsible Person: Paul Davis

Reviews of ERP access:

SFASU's ITS department has developed procedures to have system owners review access and formally acknowledge and document the review twice a year. The first review is October 2010.

Implementation Date: October 31, 2010

Responsible Person: Paul Davis

Change Management Procedures:

SFASU has enacted change management procedures that comply with our policy.

Implementation Date: January 31, 2010

Responsible Person: Paul Davis

Cost of Attendance:

SFASU Office of Financial Aid has developed a report in the Banner system to compare residency codes and identify residency changes. The report is currently in use. The questioned cost from the audit has been resolved by transferring the amount from a subsidized to an unsubsidized loan.

Implementation Date: August 31, 2010

Responsible Person: Mike O'Rear

Reference No. 10-49

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

**Student Financial Assistance Cluster**

**Award year – July 1, 2008 to June 30, 2009**

**Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.007 P007A084129, CFDA 84.033 P033A084129, CFDA 84.063 P063P082315, CFDA 84.375 P375A082315, CFDA 84.376 P376S082315, and CFDA 84.379 P379T092315**

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

General Controls

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

Initial Year Written: 2009  
Status: Partially Implemented

U.S. Department of Education

Stephen F. Austin University (University) did not maintain appropriate user access to PLUS, its financial aid application. Auditors identified several areas within PLUS that enabled employees to have excessive modify access privileges. Specifically:

- Eleven users had excessive access to modify the minimum/maximum aid limits for the various federal funds.
- One user had excessive access to modify the disbursement date tables.

Additionally, the University has not performed a review of user access to PLUS or its Enterprise Resource Platform (ERP). Allowing employees inappropriate or excessive access to areas in PLUS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate PLUS code changes to the production environment based on an individual's job function to help ensure that adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 20 users, including programmers, have access to an application that provides them excessive access to migrate code into PLUS's production environment. The University's current change management procedures do not promote segregation of duties and do not comply with the University's change management policy. The University also does not maintain consistent documentation of authorization, testing, and approval of changes to PLUS.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (OMB Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

The University did not accurately report the disbursement dates for Pell awards to the COD System. PLUS has an automated procedure that reports estimated disbursement information, including the date and amount of the award, to the COD System electronically. Due to changes in PLUS, the system had an incorrect estimated disbursement date for the Spring 2009 semester, and the University was not aware of

this prior to the PLUS system reporting the estimated disbursement date to the COD System. Additionally, the PLUS system does not update the COD System with the actual disbursement date.

As a result of this issue, the University reported incorrect Pell disbursement dates reported to the COD System for 13 (65 percent) of 20 students tested. Twelve students had incorrect disbursement dates caused by the changes that were made to the PLUS system and one had an estimated disbursement date reported that could not be corrected when the actual disbursement was delayed.

Recommendations:

The University should:

- Restrict access to PLUS based on job duties and responsibilities, and periodically review PLUS access levels to ensure that appropriate access is granted.
- Ensure that all changes to PLUS are authorized, tested, and approved and that it maintains supporting documentation for these changes.
- Perform formal, documented, and periodic reviews of users on the ERP.
- Ensure change management procedures are in place to promote segregation of duties and comply with the University's change management policy.
- Establish a process to correct Pell disbursement data in the COD System after the University updates estimated disbursement dates with actual disbursement dates.

Management Response and Corrective Action Plan 2009:

PLUS access and changes:

*The University is converting from PLUS to Banner in February 2010. Access in Banner will be restricted based on job duties and responsibilities. A procedure to periodically review access will be implemented. The University has implemented procedures to ensure that all changes to Banner are authorized, tested, and approved with supporting documentation maintained in accordance with record retention guidelines.*

Reviews of ERP access:

*The University currently performs reviews of access to the ERP platform, but no formal documentation is maintained. Procedures will be implemented to formally document the reviews.*

Change Management Procedures:

*The University has enacted change management procedures that comply with our policy.*

COD System Disbursement Dates:

*The University's financial aid software provider issued a Time-of-Solution Modification on February 12, 2009 to correct the software problem with COD disbursement dates. The University implemented the software update on February 17, 2009.*

Management Response and Corrective Action Plan 2010:

PLUS Access and Changes:

The University converted from PLUS to Banner in February 2010 for students enrolling and attending fall 2010. Access in Banner is restricted based on job duties and responsibilities. A procedure to periodically review access has been implemented. The university has implemented procedures to ensure that all changes to Banner are authorized, tested, and approved with supporting documentation maintained in accordance with record retention guidelines.

Implementation Date: August 31, 2010

Responsible Person: Paul Davis

Reviews of ERP access:

SFASU's ITS department has developed procedures to have system owners review access and formally acknowledge and document the review twice a year. The first review is October 2010.

Implementation Date: October 31, 2010

Responsible Person: Paul Davis

Change Management Procedures:

SFASU has enacted change management procedures that comply with our policy.

Implementation Date: January 31, 2010

Responsible Person: Paul Davis

COD System Disbursement Dates:

SFASU's software provider corrected the software problem in February 2009. We Continue to review our COD submissions on a monthly basis to monitor our Pell disbursements.

Implementation Date: February 17, 2009

Responsible Person: Mike O'Rear

## Sul Ross State University

Reference No. 09-49

### Eligibility

#### Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not applicable, CFDA 84.063 P063P072316, CFDA 84.375 P375A072316, CFDA 84.376 P376S072316, CFDA 84.007 P007A074130, and CFDA 84.033 P033A074130

Type of finding - Significant Deficiency and Non-Compliance

#### Cost of Attendance Calculation

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

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

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

Sul Ross State University (University) incorrectly calculated the COA for 2 (4 percent) of 50 students tested. University staff performed manual adjustments to the system-programmed COA, resulting in incorrect COA calculations. However, the incorrect COA calculations did not have an effect on the amount of assistance awarded to students.

#### Recommendations:

The University should establish controls over manual adjustments it uses in determining financial need.

#### Management Response and Corrective Action Plan 2008:

*The University has implemented an internal office auditing process by which no budget adjustments can be made by Financial Counselors without verification of calculations by another staff member.*

#### Management Response and Corrective Action Plan 2009:

*The University had implemented an internal office auditing process by which budgets were not to be manually calculated without another staff member overseeing this change. Additional monitoring will be done to make sure that this is does not happen.*

Management Response and Corrective Action Plan 2010:

*Certain changes in the administrative reporting structure have come about with the retirement of Rena Gallego, Director of Financial Aid, effective June 1, 2010, and the Financial Aid Office is under the supervision of the Executive Director of Enrollment Services.*

*A new policy outlining documentation, data entry, and approval policies has been drafted and approved. A minimum of two staff members are required to process a budget adjustment, one to document and calculate the requested adjustment and another to review, approve, and enter the adjustment in management computer system (BANNER). The Budget Adjustment Worksheet must be completed and signed by both staff members and, in some cases, approved by the Executive Director of Enrollment Services\*. The Budget Adjustment Worksheet and all supporting documents will be scanned into the electronic imaging system.*

*\* The Executive Director of Enrollment Services will approve these adjustments until a permanent Director of Financial Aid is in place as the Interim Director is also serving as a full-time Financial Aid Specialist.*

*We believe the administrative support is now in place that acknowledges the serious nature of this finding and that appropriate procedures have been put in place to ensure corrective action is enforced.*

*Implementation Date: 06/01/2010*

*Responsible Person: Robert Cullins*

## Tarleton State University

Reference No. 10-50

### Eligibility

#### Student Financial Assistance Cluster

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

**Award number - CFDA 84.032 Award Number Not Applicable**

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

### Cost of Attendance

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) that is provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student financial need (Federal Work Study and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations (CFR), Section 673.5; Federal Family Education Loans (FFEL), Title 34, CFR, Section 682.603(d)(2)).

Initial Year Written: 2009  
Status: Partially Implemented

U.S. Department of Education

The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 10871l).

Furthermore, Title 34, CFR, Section 668.2, defines a full-time student as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. The student's workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as a full-time student. However, for an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours or 12 quarter hours per academic term for a program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters). Additionally, a half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

For 1 (3 percent) of 40 students tested, Tarleton State University (University) overestimated the student's COA. The University uses full-time COA budgets to determine COA for students receiving loans, regardless of students' expected enrollment according to their ISIRs. Therefore, if a student indicates on the ISIR that he or she expects to enroll half-time or three-quarter time, the University still uses the COA associated with a full-time COA budget. Using a full-time COA budget to estimate the COA for students who attend less-than-full-time increases the risk of awarding financial assistance that exceeds financial need. For the one student for whom the University overestimated COA, the ISIR showed that the student expected to attend half-time for the 2008-2009 school year. The University estimated this student's COA at \$17,180 (which includes tuition and fees of \$5,590) based on full-time enrollment. Based on the University's published estimated cost of tuition and fees schedule, the COA for half-time enrollment (in 6 hours) would be \$13,469 (which includes tuition and fees of \$2,438). The difference between the tuition and fees for full-time enrollment and a half-time enrollment is \$3,152.

It is important to note that for the 40 student files tested, the University's estimated COA did not lead the University to award student financial assistance that exceeded financial need for the 2008-2009 school year. Therefore, there were no questioned costs. A total of 5,630 students at the University received federal student financial assistance for the 2008-2009 school year. Of those 5,630 students, 181 (3 percent) indicated on their ISIRs that they expected to enroll half-time. The University's total loan expenditures for the 2008-2009 school year were \$39,656,259.

Recommendations:

The University should:

- Determine each student's COA and financial need based on the student's expected enrollment.
- Improve internal controls so that it re-evaluates students' eligibility for student financial assistance if changes in students' enrollment status affect students' loan disbursements.

Management Response and Corrective Action Plan 2009:

*For the 2010-2011 award year, the Student Financial Aid Office will change the process by which we calculate the cost of attendance for part-time students based on the recommendations from auditors in reference to our previous system of pro-rating grants for part-time students. We will initially populate the cost of attendance based on the expected enrollment status as indicated by the student on the FAFSA form. All students needing to change their enrollment status will be processed manually by staff either through an enrollment change form submitted by the student or at census date for each semester. For 2010-2011, we will develop full-time cost of attendance for the entire year, part-time cost of attendance for the entire year, and a mixed cost of attendance for students that attend full-time in one semester and part-time in another semester.*

*As of January 2010, the Office of Student Financial Aid has updated the Financial Aid Office procedures manual and the Student Financial Aid University Web page with the current Satisfactory Academic Policy and the current acceptable requirements for student appeal requests.*

Management Response and Corrective Action Plan 2010:

*For the 2010-2011 award year, the Student Financial Aid Office changed the process by which we calculate the cost of attendance for part-time students based on the recommendations from auditors. We will initially populate the cost of attendance based on the expected enrollment status as indicated by the student on the FAFSA form. All students needing to change their enrollment status will be processed manually by staff through an enrollment change request form submitted by the student. For 2010-2011, we have developed full-time cost of attendance budgets and part-time cost of attendance budgets for the aid year.*

*Implementation Date: June 2010*

*Responsible Person: Betty Murray*

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the



provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). Additionally, an institution is required to have specific policies defining the effect of course incompletes, withdrawals, repetitions, and non-credit remedial courses on satisfactory progress and to provide specific procedures under which a student may appeal a determination that the student is not making satisfactory progress (Title 34, CFR, Section 668.16(d)).

The University did not have sufficient controls to ensure that it consistently awarded student financial assistance to students who made satisfactory academic progress. As a result, the University overawarded FFEL subsidized and unsubsidized loans to 1 (2.5 percent) of 40 students tested. The student received \$2,405 more in awards than the student was eligible to receive. The University has a standard, undocumented method of reviewing student withdrawals in the Fall semester. In this case, the student withdrew from all Fall 2008 semester classes before that semester was complete. The University initially categorized the student as not eligible for student financial assistance for the upcoming Spring 2009 semester and notified the student so that she had an opportunity to appeal before the semester began. The student appealed and was granted an appeal to be eligible for Spring 2009 semester assistance if she enrolled in and completed 12 hours in that semester. However, the student enrolled in only 6 hours for the Spring 2009 semester and, therefore, was not eligible to receive student financial assistance for the Spring 2009 semester.

Corrective Action:

Corrective action was taken.

Reference No. 10-51

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

**Student Financial Assistance Cluster**

**Award year - July 1, 2008 through June 30, 2009**

**Award number - CFDA 84.032 Award Number Not Applicable**

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

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

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

For 1 (3.1 percent) of 32 students tested who received loans, Tarleton State University (University) did not notify the student of the date and amount of the Fall 2008 semester FFELP disbursement within 30 days before or after the disbursement. The student received an award letter stating that she needed to complete a loan application, but the University did not send the student a loan disbursement notification. In this case, the University’s automated notification process was interrupted because the student received additional, non-federal scholarships after the packaging of student financial assistance but prior to disbursement, which resulted in the manual adjustment of student financial assistance to avoid overawarding federal assistance. Not receiving these notifications promptly could impair students’ and parents’ ability to cancel their loans.

Corrective Action:

Corrective action was taken.

## Texas A&M University

Reference No. 10-55

### Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issues - 09-51 and 08-45)

#### Student Financial Assistance Cluster

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

Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A074136, and CFDA 84.063 PO63J075286

Type of finding - Significant Deficiency and Non-Compliance

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a)(3)-(4)).

Initial Year Written: 2007

Status: Implemented

U.S. Department of Education

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

For 6 (15 percent) of 40 students tested, Texas A&M University (University) made errors in the return of Title IV fund calculations. For four of these six students, the errors did not affect the overall return amounts. However, for the remaining two students, the errors resulted in the University not returning the proper amount of Title IV funds. Specifically:

- For one student, the University returned \$1,596 and the student returned \$1,961. However, the University should have returned \$3,224 and the student should have returned \$333.
- For one student, the University returned \$3,847 and the student returned \$2,425, for a total of \$6,272. However, the University should have returned \$5,545 and the student should not have returned any funds. The difference between the total amount returned and the total amount that should have been returned is due to the University not including room and board charges in the institutional charges section of the Title IV worksheet.

For all six students, the University did not include room and board charges in the institutional charges section of the return of Title IV worksheet, which resulted in return calculation errors for students living on campus at the University. In addition to the six students associated with the errors identified during audit testing, this omission affected all students living on campus for whom a return of Title IV funds was required.

Corrective Action:

Corrective action was taken.

Reference No. 10-56

**Special Tests and Provisions - Student Loan Repayments**

(Prior Audit Issue - 09-53)

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.038 Award Number Not Applicable**

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

Under the Federal Perkins Loan Program, institutions are required to make contact with the borrower during the initial and post-deferment grace periods. For loans with a nine-month initial grace period, the institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations, Section 674.42(c)(2)).

Initial Year Written: 2008 Status: Partially Implemented
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U.S. Department of Education
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For borrowers in default status, Texas A&M University (University) made the required contacts, but it did not make all of the required contacts in a timely manner. Specifically:

- For all 40 borrowers in default tested, the University did not make first contact with the borrowers on or within 90 days after the start of their grace period.
- For all 40 borrowers in default tested, the University did not make second contact with the borrowers on or within 150 days after the start of their grace period.
- For all 40 borrowers in default tested, the University did not make third contact with the borrowers on or within 240 days after the start of their grace period.

The University interpreted the requirements discussed above to mean that contacts should not be made until after 90 days, 150 days, and 240 days, instead of on these days or within these time periods. As a result, it made contact at 105 days, 165 days, and 255 days, respectively.

An institution is also required to send a first overdue notice to a borrower within 15 days after the payment due date if the institution has not received payment or a request for deferment, postponement, or cancellation. The institution must send a second overdue notice within 30 days after the first overdue notice is sent, and it must send a final demand letter within 15 days after the second overdue notice is sent (Title 34, Code of Federal Regulations, Section 674.43(b) and (c)).

- For 2 (5.0 percent) of 40 borrowers in default tested, the University did not send a second overdue notice within 30 days after the first overdue notice. The University did, however, send a second overdue notice to these borrowers 35 days after the first notice. For each of these borrowers, the normal process for generating a second overdue notice did not take effect because the University flagged the overdue loan being tested as a collections loan due a University process designed to take collections action against previous loans by the borrower.

- For all 40 borrowers in default tested, the University did not send a final demand letter within 15 days after the second overdue notice. The University did send final demand letters, but configured its system so that the system generated the final demand letters approximately 30 days after the second overdue notice, rather than within 15 days after the second overdue notice.

Corrective Action:

This finding was reissued as current year reference number: 11-124.

**Texas A&M University – Commerce**

Reference No. 10-57

**Eligibility**

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

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084016, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084016, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P080384, CFDA 84.268 P268K090384, CFDA 84.375 P375A080384, CFDA 84.376 P376S080384, and CFDA 84.379 P379T090384**

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

General Controls

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

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

Auditors identified the following weaknesses related to general controls over information systems at Texas A&M University-Commerce (University):

- The University did not have adequate segregation of duties in place at the application level for Banner, the University’s student financial assistance system. Specifically, 9 of the 11 system users in the Office of Financial Aid have the ability to create and set up budgets and budget components. These employees can also set up disbursement dates, minimum and maximum amounts for federal awards, and financial assistance packaging rules, and they have access to other high-risk configuration screens. Additionally, one user in the Bursar’s Office has access to modify structured query language. Allowing employees inappropriate or excessive access to areas in Banner that are outside of their job functions increases the risk of inappropriate changes and impedes segregation of duties. Performing periodic, documented reviews of employees’ access to Banner would help ensure the University maintains appropriate segregation of duties.
- The University did not have controls to ensure that high-profile roles are limited to appropriate personnel, and it did not maintain segregation of duties at the server and database levels. Specifically:
  - Two database administrators shared 18 high-profile user IDs for the Oracle database in which the University stores student financial assistance information. Sharing user IDs reduces accountability for changes when users access the database.
  - University database administrators perform system administrator functions while using high-profile user IDs. This lack of segregation of duties increases the risk of potential conflicts associated with permitting high-level access to databases that house student financial assistance information and high-level access to servers and systems. Compensating controls can help reduce this risk. However, this weakness, combined with the issue regarding individuals sharing high-profile user IDs, increases the risk of inappropriate access and manipulation of data that affects disbursements of student financial assistance.

- Eighteen active Oracle user IDs are inappropriately assigned the database administrator role. This increases the risk that student financial assistance production data could be modified without proper authorization.
- The University does not perform formal periodic reviews of user access to Banner, the Oracle database, the server, or its network. Allowing employees inappropriate or excessive access to areas in Banner that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.
- System patches were installed on the Banner system, but the University did not follow its change management policy when installing the patches.

Corrective Action:

Corrective action was taken.

Eligibility and Calculation of the Cost of Attendance

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal aid to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, 682.603, and 685.301).

For 2 (5 percent) of 40 students tested, the University incorrectly calculated the COA budget. Specifically, it incorrectly calculated the COA budget for two students who attended the Summer semester as a percentage of the Fall and Spring semesters combined. When the students attended only the Fall or Spring semester, and then attended the Summer semester, their COA budgets were inflated. In these instances, the COA equaled the budget for the Fall semester plus the Spring semester, rather than for only one semester (Fall or Spring, as applicable) plus the Summer semester. For these two students combined, the COA budgets were overstated by \$5,903. Although University staff assert that they use an automated overaward program on a daily basis to ensure that each student's total award does not exceed his or her need, it was unable to produce an archived copy of the report generated by that program with evidence that appropriate University personnel reviewed that report. When COA budgets are inflated for students who attend only the Fall or Spring semester (but not both) and the Summer semester, this increases the risk of overawarding financial assistance to these students. However, the COA errors auditors identified did not result in financial assistance that exceeded financial need for these two students.

Recommendations:

The University should:

- Correct COA budget calculations for students who attend only the Fall semester and the Summer semester or students who attend only the Spring semester and the Summer semester.
- Document and maintain its review of the report generated by its automated overaward program to ensure that it calculates COA correctly.

Management Response and Corrective Action Plan 2009:

*Testing of budget calculations will occur during the setup of a new academic year. Budget calculations will be tested for the following combinations; Fall and Spring, Fall only, Spring only, Fall-Summer, and Spring-Summer terms. Each will be reviewed in the Banner test system and signed off by an Information Technology Office representative, Assistant Financial Aid Director for Technology, with final signoff by Director of Financial Aid prior to moving to Banner production. Upon migration to Banner production, a final review by Assistant Director for Technology with signoff by Director of Financial Aid will occur. This process will be utilized for this summer 2010 term.*

*Beginning February 1, 2010, all financial aid exception reports will be archived in the financial aid shared drive; folder "Exception Reports".*

Management Response and Corrective Action Plan 2010:

*Financial aid reports are archived and continue to be archived since implementation date of 2/2010; responsible party is Assistant Director for Technology and Reporting.*

*Cost of education budgets for the fall and spring 2010-2011 were tested throughout months of April and May; signed off on June 14th prior to awarding for fall and spring 2010-2011 cycles. Testing of cost of education budgets for the summer 2011 year, and to comply with auditor's recommendations requires the implementation of BANNER financial aid module 8.9 released by SunGuard in September, 2010. This module is scheduled to be installed in test environment on January 8, 2011 with testing to conclude in early February and rolled into production on February 15<sup>th</sup>, 2011. Full implementation in production is scheduled for March 21<sup>st</sup>, 2011; sign off March 31<sup>st</sup>, 2011 prior to awarding for summer 2011 terms.*

*Implementation Date: March 31<sup>st</sup>, 2011*

*Responsible Person: Maria Ramos*



**Texas A&M University – Corpus Christi**

Reference No. 09-55

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

**Student Financial Assistance Cluster**

**Award year - July 1, 2007, to June 30, 2008**

**Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.038 Award Number Not Applicable**

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

Disbursement Notification Letters

If an institution credits a student’s account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student’s account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student’s right or parent’s right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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

Texas A&M University-Corpus Christi (University) has established an automated process for notifying students when their accounts have been credited with a FPL or FFELP award. However, this program was not fully functioning and, as a result, the program was not posting the date the notification was sent in each student’s file. In a sample of 50 students, 44 (88 percent) received a loan from either the FPL program or FFELP. Because of the programming error, however, auditors were not able to determine whether notifications were sent within the required timeframe to all students in the sample for the award year that received a loan.

Corrective Action:

Corrective action was taken.

**Texas Southern University**

Reference No. 09-62

**Special Tests and Provisions - Return of Title IV Funds**

(Prior Audit Issue 08-58)

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award numbers - CFDA 84.063 P063P072327, CFDA 84.007 P007A074145, CFDA 84.375 P375A072327, and CFDA 84.376 P376S072327**

**Type of finding - Material Weakness and Material Non-Compliance**

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a)(1)-(3)).

Initial Year Written: 2007  
Status: Partially Implemented

U.S. Department of Education

Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the U.S. Department of Education or the appropriate Federal Family Educational Loan Program lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

Texas Southern University (University) incorrectly calculated the amounts of Title IV aid to be returned for 46 (92 percent) of 50 students tested. The cause for the inaccurate calculations varies, including:

- The Spring semester return calculations did not take into account the days off for spring break, making the semester nine days longer for the calculation. Nineteen (38 percent) of the 50 tested were from the Spring semester
- The University's financial aid system (Banner) showed that the students' had earned a portion of their Title IV funds; however, the calculation for returning funds was based on the student not being enrolled.
- Banner system data did not match data used on the paper return of Title IV calculation which, in turn, did not match auditors' recalculation.

Questioned costs could not be determined with accuracy due to the extensive nature of the erroneous calculations.

Additionally, there is a lack of controls over the University's entire Return of Title IV calculation process.

The University did not calculate or consistently calculate the students' portion of the return and did not consistently return the student's portion. The University does not have policies and procedures for the returning of the student's portion of the return.

Recommendation:

The University should establish controls to ensure that the amount of Title IV funds to be returned is calculated correctly and returned.

Management Response and Corrective Action Plan 2008:

*The Financial Aid Accountant has recalculated all information based on the identification of the omission of the Spring Break Week in the calendar and has conducted a full scope review and corrected all calculations. The university is currently realigning the Financial Aid Accountant position to report to the Financial Aid Office. The university has increased the Financial Aid staff by 2. One new accountant will work with compliance issues, such as this finding. Additional new operating procedures will require weekly updates. The position will be directly supervised by the Director of Financial Aid. A comprehensive spreadsheet and calendars are being developed to assist with the review process.*

Management Response and Corrective Action Plan 2009:

*The auditor reviewed a sample of students that received Title IV funds and withdrew from the University. In one instance, a student withdrew and TSU calculated the refund amount correctly; however, the funds were not returned within the required timeframe. TSU implemented new procedures in 2009. Additionally, the University did a 100% recalculation of Title IV refunds for academic years 2008 and 2009. The one exception in the audit sample occurred prior to the implementation of the new procedures. Of the sample tested there were no exceptions in calculations, eligibility, and student status changes. We believe that our revised procedures adequately address the audit issue. TSU will continue to review procedures and transactions to ensure that the current procedures are working as planned.*

Management Response and Corrective Action Plan 2010:

*Effective November 15, 2010, TSU has modified the processes for performing R2T4 calculations since the recent audit. We strongly believe that these changes bring TSU into compliance by increasing the calculation accuracy and timing of return funds. The measures we have taken include (but are not limited to) the re-establishment of the R2T4 processes that were intended to become institutionalized. Currently, the manual process includes the following:*

- *Student Accounting performs the R2T4 calculations on a weekly basis. This begins with a Banner query to identify all students who have withdrawn from the term after the first day of the term through the last date of the term. A separate query is run to identify any students that have been retroactively withdrawn from a previous term.*
- *Student Accounting enters the data into an internal Master (Excel) Critical Spreadsheet, restricted to authorized financial personnel and equipped with the appropriate formulas and compares the results to the Department of Education worksheet. All financial aid information, term and withdrawal dates, and institutional costs used in the calculation are extracted from Banner. Student Accounting coordinates with the Registrar's Office and confirms the accuracy of the term dates disclosed in Banner.*
- *Student Accounting works in conjunction with the Financial Aid Accountant to ensure that all funds are adjusted from the student's account and returned as soon as possible but not later than 45 days from the date of the withdrawal. Student Accounting returns the funds for the institution's portion. Student Accounting receives verification from Financial Aid that the Direct Loans information was updated in COD for the student.*

- *Student Accounting sends the student a letter notifying them of the amount to be returned and their obligations. Copies of these letters are maintained electronically.*
- *Student Accounting keeps an RT24 Activity Log which details the following: the students withdrawn, withdraw date, calculated return amount, student account adjustment date (date that the account was adjusted), funds return date (the date the funds were returned), and where the funds were returned.*

*The optimal internal control of which the University intends to place reliance upon full implementation is the automation of the RT24 calculation in the Banner application. As of calendar Q4 2010, this process is in progress and being tested in conjunction with the Banner 8 Upgrade Project which is planned for go live in late December 2010. Subsequent to the upgrade, Student Accounting will parallel the manual process with the automated Banner process and validate/reconcile for a period of three (3) to six (6) months to confirm the validity, accuracy and completeness of the automated process- in production post Banner 8 upgrade. (Upon six consecutive parallels of manual-to-automated validation, the manual process may be decommissioned upon concurrence of the Student Accounting and Financial Aid functions).*

*Implementation Completion Date: January 31, 2011*

*Responsible Person: Beverly Ruffin*

**Texas State Technical College – West Texas**

Reference No. 08-65

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

**Student Financial Assistance Cluster**

**Award year - July 1, 2006 to June 30, 2007**

**Award number - CFDA 84.032 Award Number Not Applicable**

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

Disbursement Notification Letters

If an institution credits a student’s account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student’s account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student’s right or parent’s right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2007 Status: Partially Implemented  U.S. Department of Education
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Texas State Technical College - West Texas (College) could not provide documentation indicating that it sent disbursement notification letters to 9 (21 percent) of 43 students tested.

The College does not participate in the FPL program.

Corrective Action:

Corrective action was taken.

Access to the Student Information System

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

The College does not have appropriate controls over access to its Student Information System (System). The College’s financial aid staff has inappropriate access to the System, which gives them the ability to post disbursement transactions and process refunds.

Recommendations:

- The College should restrict access to the System based on job duties and responsibilities.

Management Response and Corrective Action Plan 2007:

Access to the Student Information System (Colleague)

*Colleague access for every financial aid staff member will be individually reviewed and any access that is not required during the performance of their assigned duties will be submitted to the Director of*

*Administrative Technology for deletion of such access. Additionally, any future requests for Colleague access for financial aid staff will be reviewed by the Financial Aid Director or designee prior to the addition of such access.*

*Management Response and Corrective Action Plan 2008:  
Access to the Student Information System (Colleague)*

*Access to the Student Information System (Colleague) was reviewed and revised according to the recommendations of the auditors. Colleague access for each financial aid staff member was reviewed and adjusted to ensure that no one had the ability to post disbursement transactions and process refunds. This evaluation of access was completed prior to March 15, 2008.*

*Management Response and Corrective Action Plan 2009:  
Access to the Student Information System (Colleague)*

*Access to the Student Information System (Colleague) was reviewed and revised according to the recommendations of the auditors. Colleague access for each financial aid staff member was reviewed and adjusted to ensure that no one had the ability to award aid (AIDE) and process refunds (RFND). This evaluation of access will be finalized prior to February 10, 2010.*

*2010 Update:*

During the 2010 follow-up test work, auditors determined that the College ensured that its financial aid staff had appropriate access to the Student Information System. However, auditors also determined that employees outside of the financial aid staff had inappropriate access to the Student Information System. Therefore, this finding will remain outstanding. It should be noted that student financial aid funds are awarded and disbursed by different departments.

*Management Response and Corrective Action Plan 2010:*

*We will identify all financial aid related system entitlements, and limit them to either financial aid staff or appropriate people within the business office. Additionally, we will ask other departmental managers to review current access of their employees and make adjustments that may be needed.*

*Implementation Date: March 2011*

*Responsible Person: Connie Chance*

**Texas State University – San Marcos**

Reference No. 10-70

**Eligibility**

**Activities Allowed or Unallowed**

**Cash Management**

**Period of Availability of Federal Funds**

**Special Tests and Provisions - Separate Funds**

**Special Tests and Provisions - Verification**

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

**Special Tests and Provisions - Student Status Changes**

(Prior Audit Issue - 09-65)

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.375 P375A080387, CFDA 84.007 P007A084122, CFDA 84.033 P033A084122, CFDA 84.038 P038A044122, CFDA 84.063 P063P080387, CFDA 84.268 P268K090387, CFDA 84.376 P376S080387, and CFDA 84.379 P379T090387**

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

General Controls

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

Initial Year Written: 2008  
Status: Partially Implemented

U.S. Department of Education

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAMS) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009, that it has removed these three user IDs from having "ALL" access and that the users have been notified to log in with their University-assigned user IDs.

Academic Competitiveness Grant

The Academic Competitiveness Grant (ACG) program provides grants to eligible, full-time regular undergraduate students enrolled in their first or second academic years in an ACG-eligible program at a two- or four-year degree-granting institution. Grants are up to \$750 for first-year students and up to \$1,300 for second year students (Title 34, Code of Federal Regulations, Sections 691.6 and 691.62).

Based on a review of the full population of student financial assistance recipients, the University awarded one student \$650 in ACG funds when the student was not in the first or second academic year and, therefore, not eligible to receive the grant. The student met eligibility requirements at the end of the Spring 2008 semester but attended a Summer semester at a different institution. Upon completion of the Summer 2008 semester, the student was ineligible for the ACG award based on academic year requirements.

Activities Allowed or Unallowed, Cash Management, Period of Availability of Federal Funds, Special Tests and Provisions - Separate Funds, Special Tests and Provisions - Verification, Special Tests and Provisions - Disbursements To or On Behalf of Students, and Special Tests and Provisions - Student Status Changes

Although the general control weaknesses described above apply to activities allowed or unallowed, cash management, period of availability of federal funds, special tests and provisions - separate funds, special tests and provisions - verification, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - student status changes, auditors identified no compliance issues regarding these compliance requirements.

Corrective Action:

This finding was reissued as current year reference number: 11-129.

Reference No. 10-71

**Reporting**

(Prior Audit Issue - 09-66)

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.063 P063P080387, CFDA 84.007 P007A084122, CFDA 84.038 P038A044122, CFDA 84.268 P268K090387, CFDA 84.033 P033A084122, CFDA 84.375 P375A080387, CFDA 84.376 P376S080387, and CFDA 84.379 P379T090387**

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

General Controls

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

Initial Year Written: 2008  
Status: Partially Implemented

U.S. Department of Education

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAMS) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.



In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009 that it has removed these three user IDs from having “ALL” access and that the users have been notified to log in with their University-assigned user IDs.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education’s Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e, page 5-3-18). The disbursement amount and date in the COD System should match the disbursement date and amount in students’ accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3, page 5-3-29).

For 45 (63 percent) of 72 Pell disbursements made to 40 students tested at the University, the disbursement date the University reported to the COD System did not match disbursement date in the University’s financial aid system. However, the University did report the correct disbursement amount to the COD System for all Pell disbursements tested. The University commonly reports anticipated disbursements 30 days in advance of the actual expected date of disbursement. The batch process that reports disbursements to COD captures the anticipated disbursement date instead of the actual disbursement date. As a result, the date reported to the COD System may differ from the actual disbursement date if the disbursement occurred on a different date than anticipated.

Corrective Action:

This finding was reissued as current year reference number: 11-130.

Reference No. 10-72

**Special Tests and Provisions - Return of Title IV Funds**

(Prior Audit Issue - 09-68)

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.268 P268K090387, CFDA 84.063 P063P080387, CFDA 84.007 P007A084122, CFDA 84.038 P038A044122, CFDA 84.033 P033A084122, CFDA 84.375 P375A080387, CFDA 84.376 P376S080387, and CFDA 84.379 P379T090387**

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

General Controls

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

Initial Year Written: 2008 Status: Partially Implemented  U.S. Department of Education
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Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAM) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009, that it has removed these three user IDs from having "ALL" access and that the users have been notified to log in with their University-assigned user IDs.

#### Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a)(3)-(4)).

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

For 1 (2.5 percent) of 40 students tested, the University did not return Title IV funds within the required 45-day time frame after the University determined the student withdrew. The University's process for initiating a return of Title IV funds is contingent on the Student Financial Aid Office receiving an official withdrawal form from the Registrar's Office. The Student Financial Aid Office was notified on October 15, 2008, through email that the student had died on October 13, 2008. However, the Student Financial Aid Office did not receive the official withdrawal form until August 4, 2009. The University returned the funds on August 17, 2009.

#### Corrective Action:

This finding was reissued as current year reference number: 11-131.

Reference No. 10-73

**Special Tests and Provisions - Student Loan Repayments**

(Prior Audit Issue - 09-69)

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.038 P038A044122**

**Type of finding - Material Weakness and Material Non-Compliance**

General Controls

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

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

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAMS) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual’s job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009 that it has removed these three user IDs from having “ALL” access and that the users have been notified to log in with their University-assigned user IDs.

Student Loan Repayments

Under the federal Perkins Loan Program, institutions are required to make contact with the borrower during the initial and post-deferment grace periods. For loans with a nine-month initial grace period, the institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations, Section 674.42(c)(2)).

Under the federal Perkins Loan Program, institutions are required to send borrowers a written notice and a statement of account at least 30 days before their first payment is due (Title 34, Code of Federal Regulations, Section 674.43 (a)(2)(i)).

The institution is required to send a first overdue notice to a borrower within 15 days after the payment due date if the institution has not received payment or a request for deferment, postponement, or cancellation. The institution must send a second overdue notice within 30 days after the first overdue notice is sent, and it must send a final demand letter within 15 days after the second overdue notice is sent (Title 34, Code of Federal Regulations, Section 674.43(b) and (c)).

The University did not consistently contact defaulted borrowers at required intervals. Specifically:

- For all eight defaulted students tested, the University did not make the three required grace period contacts within the required time frames. The University incorrectly calculated the initial grace period start date to be the first day of the following month after the borrower dropped below half-time enrollment, instead of the day after the borrower dropped below half-time enrollment. Additionally, the first grace period notice to the borrowers did not include the amount of principal and interest due on loan or the projected life of the loan.
- For all eight defaulted students tested, the University did not provide evidence that billing statements were sent to the students.
- For 5 (45 percent) of 11 defaulted loans tested, the University did not send the first overdue notices within 15 days. For an additional 2 (18 percent) of the 11 defaulted loans tested, the University did not provide evidence that it sent the first overdue notice.
- For 2 (33 percent) of 6 defaulted loans tested, the University did not send second overdue notices within 30 days after the first overdue notice. For an additional 1 (17 percent) of the 6 defaulted loans, the University did not provide evidence that it sent the second overdue notice.
- For 2 (50 percent) of 4 defaulted loan tested, the University did not send final demand letters within 15 days after second overdue notices. For an additional 1 (25 percent) of the 4 defaulted loans, the University did not provide evidence that it sent the final demand letter.
- For 2 (67 percent) of 3 defaulted loans tested, the University did not provide evidence that it attempted to contact the borrower twice after the final demand letter.
- For all three defaulted loans for which the University was required to contact credit bureaus, the University did not provide evidence that it made the required contacts. The University also did not provide evidence that it made the first effort to collect, initiate litigation, or make a second effort to collect on these loans.
- For two loans in default for more than one year, the University did not conduct a yearly attempt to collect.

University personnel use a monthly aging report to identify students to contact regarding Perkins billing. University personnel then manually create notices and contact students who are in default based on the aging reports. The above issues resulted from a breakdown in manual processes.

Corrective Action:

This finding was reissued as current year reference number: 11-133.

Reference No. 10-74

**Special Tests and Provisions - Borrower Data Transmission and Reconciliation**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.268 P268K090387**

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

General Controls

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

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

Texas State University - San Marcos (University) did not maintain appropriate user access for the financial aid module (FAMS) of its financial system. Specifically, an unknown number of computer operators used a generic user ID with system administrator privileges. This does not allow for appropriate segregation of duties and prevents user accountability.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual’s job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, five programmers/developers and the special assistant to the vice president of information technology had the ability to move program code changes into the production environment.

In addition, the University does not perform formal periodic reviews of user access to production data and system administrator privileges on Virtual Memory System (VMS). Allowing employees inappropriate or excessive access to areas in VMS that are outside of the job functions increases the risk of inappropriate changes and does not allow for segregations of duties. Three users have two user IDs with privileged access to VMS. Users with privileged access should only have one user ID with this type of access. The University indicated on December 3, 2009 that it has removed these three user IDs from having “ALL” access and that the users have been notified to log in with their University-assigned user IDs.

Borrower Data Transmission and Reconciliation

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) System within 30 days of disbursement (Office of Management and Budget No. 1845-0021). Each month, the COD System provides institutions with a School Account Statement (SAS) data file that consists of a cash summary, cash detail, and (optional at the request of the school) loan detail records. The institution is required to reconcile these files to the institution’s financial records. Up to three Direct Loan program years may be open at any given time; therefore, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 685.303).

For 2 (5 percent) of 40 students tested (or 2 of 194 disbursements), the University did not report disbursement records to the DLSS within 30 days of disbursement. The University was late in reporting to the DLSS in October 2008, which was the reporting period for both of these disbursements. As a result, the University submitted these disbursements 32 days and 39 days after disbursement.

Corrective Action:

Corrective action was taken.

**Texas Tech University**

Reference No. 09-72

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award number - CFDA 84.032 Award Number Not Applicable**

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

An institution may participate under an U.S. Department of Education-approved Quality Assurance Program (QAP) that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. An institution not participating under an U.S. Department of Education-approved QAP is required to establish written policies and procedures that incorporate the provisions of Title 34, Code of Federal Regulations, Sections 668.51 through 668.61, for verifying applicant information. Such an institution shall require each applicant whose application is selected by the central processor, based on edits specified by the U.S. Department of Education, to verify the information specified in Title 34, Code of Federal Regulations, Section 668.56. Policies and procedures for verification must include: (1) the time period within which an applicant shall provide the documentation, (2) the consequences of an applicant's failure to provide required documentation within the specified time period, (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's Expected Family Contribution (EFC) changes and results in a change in the applicant's award or loan, (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error, (5) the procedures for making referrals under Title 43, Code of Federal Regulations, Section 668.16. The procedures must provide that it shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of application information, including the deadlines for completing any actions required under this subpart and the consequences of failing to complete any required action (Title 34, Code of Federal Regulations, Section 668.53).

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

Texas Tech University's (University) verification policy did not contain the following provisions:

- A time period in which an applicant shall provide the documentation.
- A method by which the institution notifies an applicant of the results of verification if, as a result of verification the applicant's EFC changes and results in a change in the applicant's award or loan.
- Procedures for making referrals under Title 34, Code of Federal Regulations, Section 668.16.
- The applicant's responsibilities with respect to the verification of application information, including the deadlines for completing any actions required under the subpart and the consequences of failing to complete any required action.

In addition, for 1 (2 percent) of 50 verification cases tested, the University did not correctly update its records and the Institutional Student Information Report (ISIR) to reflect the information on the student's U.S. income tax return.

Corrective Action:

This finding was reissued as current year reference number: 11-136.

Reference No. 09-74

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award numbers - CFDA 84.007 P007A074151, CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P072328**

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

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

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

Scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (Title 34, Code of Federal Regulations, Section 668.22(f)(2)(i)). Where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the return calculation. The first Saturday, the day after the last class, is the first day of the break. The following Sunday, the day before classes resume, is the last day of the break (2007-2008 *Student Financial Aid Handbook*, Volume 5, Chapter 2, page 5-72).

Institutional charges are used in calculating the amount for the institution and the student to each return. “Institutional charges” are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution (Title 34, Code of Federal Regulations, Section 668.22(g)(2)).

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution’s determination that the student withdrew (Title 34, Code of Federal Regulations, Section 668.22(e)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the payment period or period of enrollment (Title 34, Code of Federal Regulations, Section 668.22(j)(2)).

Texas Tech University (University) did not use the correct semester end date for the fall 2007 semester. The University's Title IV return calculations were based on a semester end date of December 5, 2007, when the actual semester end date was December 6, 2007.

In addition, the University did not correctly account for Spring Break in its Title IV return calculations for students withdrawing during the Spring 2008 semester. The return calculations did not account for this break, and the University should have excluded nine days from the length of the semester. Students who withdrew in the Spring 2008 semester after spring break also needed to have nine days excluded from their length of attendance.

To determine institutional charges, the University used an average yearly tuition instead of using the actual semester tuition, fees, and room and board. This affected the Title IV return allocations between the University and the student for most of the students in our sample.

Auditors identified the following errors:

- The University incorrectly calculated for 22 (28 percent) of 80 withdrawals tested either the amount of Title IV assistance earned or the amount to be returned.
- The University used an incorrect payment period for 44 (55 percent) of 80 withdrawals tested.
- The University returned the incorrect amount for 35 (70 percent) of 50 withdrawals tested.
- The student returned the incorrect amount for 28 (93 percent) of 30 withdrawals tested.

When testing whether the University returned Title IV funds within the required timeframe, auditors also determined that 1 (2 percent) of 49 withdrawals was done incorrectly. The University had not returned funds as of the end of audit testing because it was waiting to hear from one of the student's professors regarding the student's last date of attendance.

For the Fall 2007 semester (which ended December 6, 2007), the University's Financial Aid Office received notification of students receiving all F grades on December 21, 2007, but it did not determine which students were unofficial withdrawals until February 19, 2008. For 12 (44 percent) of withdrawals tested, the University did not determine the withdrawal date within 30 days of the end of the semester.

In the sample tested, the University returned more Title IV assistance than was necessary. Therefore, there are no questioned costs.

Corrective Action:

This finding was reissued as current year reference number: 11-138.

Reference No. 09-75

**Special Tests and Provisions - Student Status Changes**

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award number - CFDA 84.032 Award Number Not Applicable**

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

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or

Initial Year Written:	2008
Status:	Partially Implemented

U.S. Department of Education



lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

Texas Tech University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (NSLDS Enrollment Reporting Guide, Chapter 3.1.1.3).

Fourteen (29 percent) of 48 student status changes tested at the University were not reported to NSLDS in a timely and accurate manner. Specifically:

- Seven of 48 student status changes tested were not reported to NSLDS within the required 60-day timeframe.
- Ten of 48 student status changes did not agree to the student status change that appeared in student records (3 of these exceptions overlapped with the finding noted above).

Thirteen (93 percent) of 14 student status changes tested at the University that were not reported to NSLDS timely and accurately also were not reported to the lender/guarantor timely and accurately. Specifically:

- Nine of 13 student status changes were not reported to the lender/guarantor within the required 30-day time frame.
- Nine of 13 student status changes did not agree to the student status change that appeared in the student records (6 of these exceptions overlapped with the finding noted above).

Corrective Action:

This finding was reissued as current year reference number: 11-139.

**University of Houston**

Reference No. 10-94

**Reporting**

**Activities Allowed or Unallowed**

**Cash Management**

**Eligibility**

**Period of Availability of Federal Funds**

**Special Tests and Provisions - Separate Funds**

(Prior Audit Issue - 9-83)

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333**

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

General Controls

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

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

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

### Pell Payment Data Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 18 (45 percent) of 40 students tested, the University did not report disbursement records to the COD System within 30 calendar days of the disbursement date. Specifically:

- For 14 of 18 students, their disbursement records were reported one day late due to a lack of understanding of the new student financial aid system. During the Fall 2008 semester, the student financial aid system was still in the process of being modified to prevent non-timely reporting of disbursement records, in response to the prior year audit issue.
- For 8 of 18 students, their disbursement records were reported late because the University did not recognize that the outgoing files did not contain the disbursement records from the financial aid system (4 of these were among the 14 discussed above that the University reported 1 day late). The University was unable to provide support or evidence to indicate why the outgoing files did not include these disbursement records. The University is developing controls to verify the completeness of files it creates from its financial aid system and then submits to the COD System.

The University does not have procedures to reconcile the data it submits to the COD System with the data in its financial aid system. This prevents the University from recognizing disbursement records that it does not submit to the COD System in a timely manner.

### Activities Allowed or Unallowed, Cash Management, Eligibility, and Period of Availability of Federal Funds, and Special Tests and Provisions - Separate Funds

Although the general control weaknesses described above apply to activities allowed or unallowed, cash management, eligibility, period of availability of federal funds, and special tests and provisions - separate funds, auditors identified no compliance issues regarding these compliance requirements.

### Corrective Action:

This finding was reissued as current year reference number: 11-151.

Reference No. 10-95

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333**

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

General Controls

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

Initial Year Written: 2009 Status: Partially Implemented  U.S. Department of Education
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The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Usage of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid System. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Verification Policy

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application, the Free Application for Federal Student Aid (FAFSA), in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.53. The CFR defines several elements the written policies and procedures must include.

The University's verification policies and procedures do not contain all of the elements required by the CFR. Specifically, the University's policies and procedures do not contain:

- The time period within which an applicant shall provide the documentation.

- The method the University uses to notify students of verification results, if, as a result of verification, the applicant’s expected family contribution changes and results in a change in the applicant’s award or loan.
- Procedures stating the University shall furnish, in a timely manner to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirement and (2) the applicant’s responsibilities with regard to the verification of application information.

Verification of Applicants

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, CFR, Section 668.56).

The University did not verify all required information on selected FAFSAs in accordance with federal regulations. For 1 (3 percent) of 40 verification cases tested, the University did not correctly update its records and the *Institutional Student Information Report (ISIR)* to reflect information on the student’s household size. For 1 (3 percent) of 40 verification cases tested, the University did not correctly update its records and the ISIR to reflect information on the student’s household members enrolled at least half-time in college. In each case, the student’s eligibility was not affected by the error.

Corrective Action:

This finding was reissued as current year reference number: 11-152.

Reference No. 10-96

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

(Prior Audit Issue - 09-85)

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333**

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

General Controls

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

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

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function.
- Twenty-two users had excessive access to the disburse aid with override function.

- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

#### Disbursement Notifications

If an institution credits a student's account at the institution with Direct Loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

For 44 (50 percent) of 88 Perkins and Federal Family Education Loan Program (FFELP) disbursements to students tested, the University did not have documentation that it sent the required disbursement notifications within the required time frame. Prior to the Spring 2009 semester, the University did not track disbursement notifications in its financial aid system. As a result, for Fall 2008 disbursements, the University was unable to provide evidence that it sent the required notifications. For disbursements the University made in the Spring 2009 and Summer 2009 semesters, the University was able to provide evidence that it sent the notifications in a timely manner. Not receiving these notifications promptly could impair students' and parents' ability to cancel their loans.

#### Corrective Action:

Corrective action was taken.

Reference No. 10-97

### Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue - 09-86)

#### Student Financial Assistance Cluster

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

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

Type of finding - Material Weakness and Material Non-Compliance

#### General Controls

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

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

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment of the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

#### Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a)(3)-(4)).

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

The University did not consistently return Title IV funds in a timely manner. Specifically:

- For 15 (38 percent) of 40 students tested, the University had not completed return of Title IV funds calculations as of auditors' first day of onsite work. Most of the students were unofficial withdrawals. The University subsequently provided its calculations to auditors for testing.
- For 13 (54 percent) of 24 unofficial withdrawals tested, the University did not determine the withdrawal date within 30 days of the end of enrollment period as required.
- For 25 (83 percent) of 30 students tested for whom the University was required to return Title IV funds, the funds were not returned within 45 days after the date the University determined that the students withdrew.

Additionally, for 6 (15 percent) of 40 students tested, the University did not return the correct amount of Title IV funds. Specifically:

- For four of these six students, the University incorrectly omitted room and board charges from the return calculation.
- For one of these six students, the University used seven days instead of eight days for Spring break in the computation of enrollment period. The University also incorrectly omitted room and board charges from the return calculation, but this did not affect the return amount.
- For one of these six students, due to special circumstances, the University did not process a return of funds, even though all funds are required to be returned.

Questioned costs associated with these 6 errors totaled \$5,873. However, total questioned costs could not be determined because auditors could not estimate the number of unofficial withdrawals that still needed a return calculation. In addition, the Spring break calculation error affected all students with an official withdrawal that required a return of funds in Spring 2009. In addition, the error in institutional charges appears to affect all on-campus students because the University omitted room and board charges from all calculations that auditors tested. While this last issue does not affect the total funds to be returned, it resulted in an overestimation of the funds to be returned by the students and an underestimation of the funds to be returned by the University.

The University also did not make a post-withdrawal disbursement of \$1,183 to one student who required this disbursement.

None of the students tested was identified as not having begun attendance. The University's system is currently unable to differentiate among students who never began attending, received all "F" grades, or dropped all of their classes (unofficial withdrawals). This may result in the University's failure to notify lenders of students who do not attend classes.



Corrective Action:

This finding was reissued as current year reference number: 11-153.

Reference No. 10-98

**Special Tests and Provisions - Students Status Changes**

(Prior Audit Issues - 09-87, 08-74, and 07-58)

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

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

General Controls

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

Initial Year Written: 2006
Status: Partially Implemented
U.S. Department of Education

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Usage of generic user ids and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Student Status Changes

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that

institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The University uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.3.1.1).

The University did not report student status changes to NSLDS accurately and in a timely manner. Specifically, for the 40 student status changes tested:

- The University did not report one student status change to NSLDS. The student withdrew, and the University did not report this to NSLDS.
- The University did not report five student status changes within the required time frame.
- The University did not report six student status changes to the lender/guarantor within the required time frame.
- The University reported the incorrect change type to NSLDS for two student status changes.
- The date of the student status change in the University's system did not match the date reported to NSLDS for four student status changes.

These errors were the result of manual data entry errors and delays in reporting. The University periodically reviews a judgmental sample of students and determines whether student status changes were accurately reported. However, this review process did not help to ensure the accurate and timely reporting of all the student status changes tested.

The University's policies and procedures do not specify time frames for updating student status for Federal Family Education Loan Program (FFELP) and Direct Loan Program recipients. Without a process to ensure accurate and timely reporting, the University is not able to detect non-compliance and take appropriate and timely action to address issues.

Corrective Action:

This finding was reissued as current year reference number: 11-154.

## University of Houston – Clear Lake

Reference No. 10-99

### Eligibility

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

#### Student Financial Assistance Cluster

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

Award numbers - CFDA 84.268 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 PO63P20083465, CFDA 84.033 PO33A084160, CFDA 84.379 P379T093465, CFDA 84.007 PO07A084160, and CFDA 84.376 P376S083465

Type of finding - Significant Deficiency and Non-Compliance

#### General Controls

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

Initial Year Written: 2009  
Status: Implemented

U.S. Department of Education

Nineteen users initially had the capability to migrate code objects (such as COBOL programs, SQL statements, pages, and forms) into the production environment of the financial aid application (PeopleSoft). Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

#### Eligibility

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

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

For the federal Pell Grant program, the payment and disbursement schedules provided each year by the U.S. Department of Education are used for determining award amounts (Title 34, Code of Federal Regulations, Section 690.62). These schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students. Additionally, a student's eligibility for a Pell Grant must first be determined and considered before a student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, Code of Federal Regulations, Section 685.200).

The University calculated financial need incorrectly for two students. As a result, the University:

- Overawarded Direct Subsidized loans to 1 (2.5 percent) of 40 students tested. The student registered full-time but attended half-time. The University adjusted the student's COA after the student's enrollment status changed, but it did not adjust the financial assistance award accordingly. The University awarded the student \$8,458 more in need-based awards than his COA and EFC allowed. The University did not have sufficient controls in place to ensure that it awarded the student the correct amount.
- Underawarded a federal Pell Grant award to 1 (8.3 percent) of 12 students tested. The University awarded the student \$841 in Pell Grant funds when the student was eligible to receive \$1,261. The student originally provided information to the University that specified that the student intended to graduate at the end of the Fall 2008 semester; therefore, the University reduced the student's 2008-2009 assistance package to include Fall 2008 semester attendance only. However, the student did not graduate at the end of the Fall 2008 semester and enrolled half-time for the Spring 2009 semester. The University then manually increased the student's assistance package to include Spring 2009 semester assistance. However, the University did not award this student Pell Grant funds for the Spring 2009 semester and awarded only federal Direct Subsidized and Unsubsidized loans to this student. The University corrected the federal Pell Grant award to this student on June 18, 2009.

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

Although the general control weaknesses described above apply to disbursements to or on behalf of students, auditors identified no compliance issues regarding disbursements of student financial assistance.

Corrective Action:

Corrective action was taken.

## University of Houston – Downtown

Reference No. 07-60

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

#### Student Financial Assistance Cluster

Award year - July 1, 2005 to June 30, 2006

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Material Weakness Control and Material Non-Compliance

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be made in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Education

The University of Houston - Downtown (University) did not consistently send out the required notifications to FFELP loan recipients in fiscal year 2006. Of the 22 FFELP loan recipients sampled, 11 students (50 percent) did not receive any notification, and 7 students (32 percent) received notifications in the fall semester but not in the spring semester.

The University's current notification process is primarily manual and depends on employees to (1) accurately review the *Texas Guaranteed Student Loan Corporation Disbursement Report*, (2) enter the appropriate comment in the student financial aid management system, and (3) mail the notification. When the University does not distribute the required notifications, this reduces the opportunity for loan recipients to cancel the awards if they choose to do so.

#### Corrective Action:

Corrective action was taken.

**University of Houston - Victoria**

Reference No. 08-75

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

**Student Financial Assistance Cluster**

**Award year - July 1, 2006 - June 30, 2007**

**Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 Award Number P063P063632**

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

Pell Payment Reporting

All institutions submit payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System. Origination records can be sent well in advance of any disbursement, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget Circular A-133 Compliance Supplement, Part 5, Section L.1.e) and the Secretary of the U.S. Department of Education accepts a student's payment data that is submitted in accordance with procedures established through publication in the *Federal Register*, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution (Title 34, Code of Federal Regulations, Section 690.83(a)(2)).

Initial Year Written: 2007  
Status: Implemented

U.S. Department of Education

In a sample of 50 students tested at the University of Houston - Victoria (University), 14 students received Pell Grant awards. However, the University did not report the correct date of disbursement of Pell Grant awards to the COD System for any of those 14 students.

The University did not record the actual disbursement dates; instead, it set the disbursement dates as 10 days prior to the semester start date and when disbursements were processed (in 6 cases, this was more than 30 days after disbursement). When the University does not accurately report disbursement dates, this increases the risk of over awards being made to students. In addition, the Secretary of the U.S. Department of Education could impose a fine on the institution if the institution fails to comply with the requirement (Title 34, Code of Federal Regulations, Section 690.83(c)).

Disbursement Notifications

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement, and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be made in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

The University did not consistently send the required notifications to FFELP loan recipients in fiscal year 2007. In the sample of 50 students, 47 were FFELP loan recipients. Three of these 47 students (6.38 percent) did not receive a notification, and one of these 47 students (2.13 percent) did not receive a notification in a timely manner. In addition, the notification letters the University sent for the Fall 2006 and Spring 2007 semesters did not include information regarding the required right to cancel or the procedure and time by which the student or parent must notify the institution. The notification letters the University sent for the Summer 2007 semester were correct.

When the University does not send the required notifications or the notifications do not include required information on the right to cancel and cancellation procedures, the opportunity for loan recipients to cancel their awards is reduced.

#### Transfer Student Monitoring

If a student transfers from one institution to another institution during the same award year, the institution to which the student transfers must request from the Secretary of the U.S. Department of Education, through the National Student Loan Data System (NSLDS), updated information about that student so it can make the following determinations: (1) whether the student is in default on any title IV, HEA program loan; (2) whether the student owes an overpayment on any Title IV, Higher Education Assistance (HEA) program grant or Federal Perkins Loan; (3) for the award year for which a Federal Pell Grant is requested, the student's scheduled Federal Pell Grant and the amount of Federal Pell Grant funds disbursed to the student; and (4) the outstanding principal balance of loans is made to the student under each of the Title IV, HEA loan programs. The institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS, and the information it receives allows it to make that disbursement (Title 34, Code of Federal Regulations, Section 668.19).

The University did not follow the transfer student monitoring criteria for 5 of 14 (35.7 percent) transfer students included in a sample of 50 students. Specifically:

- Auditors were unable to locate documentation with the date of the file transfer to NSLDS for 4 of 14 transfer students.
- The University made a disbursement to 1 of the 14 transfer students one day after requesting information from NSLDS.

The University's financial aid counselors are not following and/or documenting their completion of the procedures in the *Financial Aid Manual*, Section 17, which requires a review of the student loan history, default status, overpayment status, and aggregate limits on NSLDS prior to disbursement of awards to transfer students.

When the University does not request information from NSLDS, does not wait the required seven days to disburse funds, or does not document that it has accessed NSLDS to verify student status, the University risks awarding or overawarding assistance to a student who may not be eligible.

#### Corrective Action:

Corrective action was taken.

**University of North Texas**

Reference No. 10-100

**Cash Management**

**Activities Allowed or Unallowed**

**Period of Availability of Federal Funds**

**Reporting**

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

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084085, CFDA84.033 P033A074085 and P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S072293, and P376S082293**

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

General Controls

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

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

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic user IDs that, according to the University, senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Cash Management

The U.S. Department of Education (ED) provides financial aid funds to institutions under the advance, just-in-time, reimbursement, or cash monitoring payment methods. The advance payment method permits institutions to draw down financial aid funds prior to disbursing funds to eligible students and parents. The institution's request for funds must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either student financial assistance funds or its own funds. The institution must make the disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the U.S. Department of Education. If an institution maintains excess cash for more than seven calendar days, the Secretary of the U.S. Department of Education may take actions such as requiring the institution to reimburse the Secretary for the costs incurred, or providing funds to the institution under the reimbursement payment method or the cash monitoring payment method described in Title 34, Code of Federal Regulations, Sections 668.163(d) and (e), respectively.

For 3 (7.5 percent) of 40 cash draws tested, the University of North Texas's (University) request exceeded the amount it immediately needed to disburse funds to students or parents. According to staff, on March 23, 2009, the University repeated a draw by drawing \$131,583.83 against expenditures that the University had previously drawn against on February 19, 2009. The repeated draw caused the excess in the three requests



described above. The University's expenditures exceeded cumulative draws for more than 7 days. The interest on the funds held did not exceed \$250; therefore, the questioned cost was zero.

Activities Allowed or Unallowed, Period of Availability of Federal Funds, Reporting, and Special Tests and Provisions - Disbursements To or On Behalf of Students

Although the general control weaknesses described above apply to activities allowed or unallowed, period of availability of federal funds, reporting, and disbursements to or on behalf of students, auditors identified no compliance issues regarding these compliance requirements.

Corrective Action:

Corrective action was taken.

Reference No. 10-101

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084085, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S082293**

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

General Controls

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

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

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic user IDs that, according to the University, senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Federal Supplemental Educational Opportunity Grant Awards

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10(a)).

Based on a review of the full population of student financial aid recipients, the University awarded FSEOG to one student who did not initially receive a Pell Grant. During the manual awarding of FSEOG, the University used the wrong EFC and cost of attendance for this student. As a result, the University

determined the student's Pell eligibility incorrectly and erroneously awarded \$500 in FSEOG to this student.

National SMART Awards

For each award year, the Secretary of the U.S. Department of Education establishes and announces the National Science and Mathematics Access to Retain Talent (SMART) Grant scheduled awards depending on the availability of funds for all students who are eligible for a grant. The maximum National SMART Grant scheduled award for an eligible student may be up to \$4,000 for each of the third and fourth academic years of the student's eligible program (Title 34, Code of Federal Regulations, Section 691.62).

Based on a review of the full population of student financial aid recipients, the University awarded one student SMART grant funds in excess of the annual amount allowed. The student exhausted the \$4,000 maximum during the Fall and Spring semesters. The student enrolled for the Summer semester, and the University erroneously awarded \$2,000 of additional SMART funds to the student, thus exceeding the \$4,000 maximum.

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's Satisfactory Academic Progress (SAP) policy should include a quantitative component that consists of a maximum time frame within which a student must complete his or her education (Title 34, Code of Federal Regulations, Section 668.16(e)). An eligible institution offering graduate programs must develop, disseminate, and consistently apply a policy defining the maximum time frame graduate students have to complete their programs (U.S. Department of Education, *Student Financial Aid Handbook*, Volume 2, page 2-126).

The University's SAP policy did not include a maximum time frame of attempted hours within which graduate students must complete their programs. The University's policy regarding the maximum time frame in which a student is expected to complete a program of study pertained only to undergraduate students.

Corrective Action:

Corrective action was taken.

Reference No. 10-102

**Special Tests and Provisions - Verification****Student Financial Assistance Cluster****Award year - July 1, 2008 to June 30, 2009****Award numbers - CFDA 84.007 P007A084085, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S082293****Type of finding - Significant Deficiency and Non-Compliance**General Controls

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

Initial Year Written: 2009

Status: Implemented

U.S. Department of Education

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic user IDs, which according to the University, the senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Verification Policy

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application, the Free Application for Federal Student Aid (FAFSA), in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.53. The CFR defines several elements the written policies and procedures must include.

The University's verification policies and procedures do not contain all of the elements required by the CFR. Specifically, the University's policies and procedures do not contain:

- The consequences of an applicant's failure to provide required documentation within the specified time period.
- The method the University uses to notify an applicant of verification results if, as a result of verification, the applicant's expected family contribution changes and results in a change in the applicant's award or loan.
- The procedures the University requires an applicant to follow to correct application information determined to be in error.
- The procedures for making referrals under Title 34, CFR, Section 668.16.
- Procedures stating that the University shall furnish, in a timely manner to each applicant selected for verification a clear explanation of: (1) the documentation needed to satisfy the verification requirement and (2) the applicant's responsibilities in regard to the verification of application information.

As a result, the University may not:

- Ensure that it complies with all federal requirements when conducting student verification.
- Have the capability to identify and report instances of false or fraudulent information to the Office of the Inspector General of the U.S. Department of Education for investigation.

Verification of Applicants

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, CFR, Section 668.56).

The University did not verify all required information on selected applications in accordance with federal regulations. For 1 (2.5 percent) of 40 verification cases tested, the University did not correctly update its records and the *Institutional Student Information Report* (ISIR) to reflect the student's/parent's untaxed income and benefits reported on the 2007 U.S. income tax return. Specifically, the individual retirement account deduction amount was not reported. Due to the student's high estimated family contribution, the student's eligibility was not affected by the error.

Corrective Action:

Corrective action was taken.

Reference No. 10-103

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084085, CFDA84.033 P033A074085 and P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S072293 and P376S082293**

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

General Controls

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

Initial Year Written: 2009 Status: Partially Implemented  U.S. Department of Education
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The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic user IDs that, according to the University, senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). When a recipient does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return or if it has to notify the lender or the Secretary of the U.S. Department of Education to issue a final demand letter. For remaining amounts of Federal Family Educational Loan and Direct Loan funds disbursed directly to the student for the payment period or period of enrollment, the institution must immediately notify the lender or the Secretary of the U.S. Department of Education, as appropriate, when it becomes aware that the student will not or has not begun attendance, so that the lender or the Secretary of the U.S. Department of Education will issue a final demand letter to the borrower (Title 34, Code of Federal Regulations, Sections 668.21(a)(1) and(2)). The institution must return those Title IV funds as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (Title 34, Code of Federal Regulations, Section 668.21(b)).

In 2 (5 percent) of 40 cases tested, the University did not return the correct amount of Title IV funds. The University regarded the two students as unofficial withdrawals, even though the students did not begin attendance. As a result, the University calculated the amount to be returned as 50 percent of the \$12,489 disbursed to the students. However, the return calculations should have resulted in 100 percent of the funds disbursed to these students being returned. Questioned costs of \$3,714 represent the amount of Title IV funds the University is still required to return. Additionally, for these two students, the University did not notify the lender or the Secretary of the U.S. Department of Education of the students' withdrawal. Furthermore, based on a review of the full population of students, the University appears to have treated an additional 18 students in the same manner. The University did not have a process for informing the lender or the Secretary of the U.S. Department of Education. As a result, the lenders were placed at risk of not being able to collect the debt in a timely manner.

Corrective Action:

This finding was reissued as current year reference number: 11-164.

Reference No. 10-104

**Special Tests and Provisions - Student Status Changes****Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084085, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S082293**

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

General Controls

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

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

The University of North Texas (University) did not maintain appropriate user access to the Enterprise Information System (EIS), its financial aid application. Auditors identified two generic users IDs that, according to the University, senior counselors, management, and the financial aid technical staff shared. These user IDs had modify/update capabilities to all the setup tables in the financial aid module in EIS. Allowing employees inappropriate or excessive access to areas in EIS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing user IDs and passwords also does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

#### Student Status Changes

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The University uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.3.1.1).

The NSLDS states that for an institution to be in compliance, a correct reporting of a "G" for graduated status rather than a "W" for withdrawn status assists the government in identifying an individual student's completion of programs of study.

One of 40 (2.5 percent) student status changes tested at the University was not accurately reported to NSLDS. The student was reported as withdrawn when the student had actually graduated. The final file upload of graduated students to the NSC occurred prior to the date on which the student's degree was posted. Therefore, the student was not included in the final degree file of Fall 2008 graduated students provided to the NSC. As a result, graduated students whose degrees are posted after the final degree file upload to the NSC may not be reported accurately.

#### Corrective Action:

Corrective action was taken.

Reference No. 10-105

**Special Tests and Provisions - Institutional Eligibility****Student Financial Assistance Cluster**

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

Award numbers - CFDA 84.007 P007A084085, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084085, CFDA 84.063 P063P072293 and P063P082293, CFDA 84.375 P375A072293 and P375A082293, and CFDA 84.376 P376S082293

Type of finding - Significant Deficiency and Non-Compliance

Each institution's most recent *Eligibility and Certification Approval Report* (ECAR) lists the institution's main campus and any additional approved locations. For any other locations at which an institution offers 50 percent or more of an eligible program, the institution must either submit an application for approval of that location or notify the U.S. Department of Education of that location (Title 34, Code of Federal Regulations, Sections 600.20(c) and 600.21(a)(3)).

Initial Year Written:	2009
Status:	Implemented

U.S. Department of Education

The University of North Texas (University) met all but one of the applicable institutional eligibility requirements. For award year 2008-2009, the University disbursed a total of \$182,173 in Title IV funds to students taking classes at three unreported additional locations at which the University offered 50 percent or more of an eligible program. The University has been providing funding for the past nine years at unreported locations at which it offered 50 percent or more of an eligible program. The University expended a total of \$181,574,501 in student financial assistance funds for the fiscal year ended August 31, 2009.

As part of the process for reporting additional locations, the University's Office for Institutional Research and Effectiveness (IRE) is responsible for providing adequate notice to the University's Office of Student Financial Aid and Scholarships (SFAS) that a program will meet the 50 percent threshold at a new location. IRE did not provide timely notice to SFAS, which led to the University not reporting the additional locations.

Corrective Action:

Corrective action was taken.

**University of North Texas Health Science Center at Fort Worth**

Reference No. 09-88

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

**Student Financial Assistance Cluster**

**Award year - July 1, 2007, to June 30, 2008**

**Award numbers - CFDA 84.032 Award Number Not Applicable; CFDA 84.038 Award Number Not Applicable**

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

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2008  
Status: Implemented

U.S. Department of Education

The University of North Texas Health Science at Fort Worth (Health Science Center) emailed right-to-cancel notifications to students and then archived the emails. However, the archiving process in the email application failed to archive all of the emails. As a result, the Health Science Center could not provide evidence that it had sent the notifications within the required time frames. For 39 of 39 (100 percent) students tested, there was no evidence that the student received one or both of the notifications for the fall and spring semesters. For 18 of those 39 (46 percent) students, the Health Science Center provided evidence for the fall notification, but not for the spring notification. This affected a total of 77 disbursements. The notifications contained the required information.

Corrective Action:

*Corrective action was taken.*



## University of Texas at Arlington

Reference No. 10-108

### Eligibility

#### Student Financial Assistance Cluster

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

Award numbers - CFDA 84.376 P375A082335 and P376S082335, CFDA 84.007 P007A084172, and CFDA 84.032

Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

### Financial Need

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 108711).

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's *Institutional Student Information Report* (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal aid to ensure that total aid is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6 and 682.603).

The University of Texas at Arlington (University) incorrectly calculated the COA for 3 (8 percent) of 40 students tested, resulting in one overaward. Specifically:

- For one of these three students, the University incorrectly used non-resident status to calculate the student's COA, resulting in an overaward of \$2,005.76.
- For the other two students, the University understated the students' COA by not factoring the students' majors into the calculation. The University subsequently adjusted the students' COA, which did not result in any changes to their awards.

The University used an incorrect EFC to calculate financial need for 2 (5 percent) of 40 students tested, resulting in two overawards. Specifically:

- For one student, the University incorrectly used the difference between the student's 12-month EFC and the student's 3-month EFC to perform the student financial need calculation, instead of using the 9-month EFC. As a result, the student's need was overstated by \$4,185. Upon notification that the student would not enroll in the Summer 2008 term, the University failed to comply with its policy to recalculate the EFC.
- For the other student, the University incorrectly used the student's 3-month EFC instead of the 4-month EFC in the student's Spring 2009 financial need calculation due to a data entry error. As a result, the student's need was overstated by \$2,519.

Questioned costs for the three overaward situations were \$5,985 and were associated with FFEL subsidized loans.

Recommendations:

The University should:

- Adjust its COA and EFC calculations for the five students associated with errors identified during audit testing and correct the resulting three overawards.
- Implement controls to ensure that its financial aid system disburses awards to students within the parameters defined for each financial aid program.

Management Response and Corrective Action Plan 2009:

1. *The COA and EFC corrections have been made, and the awards adjusted as appropriate. Funds were returned as required.*
2. *We have created a report to identify ineligible students in the future, and any necessary adjustments have been made for 2009-2010.*

Management Response and Corrective Action Plan 2010:

*The COA and EFC corrections have been made, and the awards adjusted as appropriate. Funds were returned as required. We will continue to monitor and make necessary corrections as appropriate. The exception reports that were created are working to identify cost of attendance and EFC errors.*

Management's Response to Follow-Up Audit 2010:

*In the initial audit, there were four bullet point findings related to COA and EFC errors that were pointed out by the audit. We are pleased that in the SAO follow-up audit, there were no similar errors noted for the first, third, and fourth bullet points stated in the initial findings.*

*The COA and EFC calculation errors for the five students that resulted in three over awards which was reported in the initial audit were corrected as appropriate prior to the follow-up audit conducted by the SAO. Additionally, controls such as implementing an exception report were also put in place prior to the SAO audit follow-up. In the follow-up testing for accurate calculations of the COA and EFC, it is our understanding that an instance of one error would result in the initial reported item being re-issued and not cleared. This is the case with this follow-up testing. We will continue to closely review the exception reports to ensure that the future COA and EFC calculations are calculated accurately based on the parameters defined for each financial aid program. The three cost of attendance errors did not result in reduced financial aid awards for the three students, and additional testing of the automated COA budget assignment process is now in place. One finding was a result of a student's change of major after the COA budget was built. Based on our current policy, we do not routinely update COA budgets based on a change of major.*

*Implementation Date: October 2010*

*Responsible Person: Karen Krause*

FSEOG Awards

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest EFC who will also receive federal Pell Grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest EFC who will not receive federal Pell Grants (Title 34, Code of Federal Regulations, Section 676.10(a)). An institution may award an FSEOG grant for an academic year in an amount it determines a student needs to continue his or her studies; however, an FSEOG award may not be awarded for a full academic year that is less than \$100 or more than \$4,000 (Title 34, Code of Federal Regulations, Section 676.20(a)).

One (2.5 percent) of 40 students tested received an FSEOG award of \$3,010 even though the student's EFC did not qualify him as a student with the lowest EFC. Although the University received the student's ISIR early in the award cycle, the auditor identified another Pell recipient in the sample with an EFC of \$0 and a similar ISIR date who did not receive an FSEOG award.

Based on a review of the full population of student financial aid recipients, the University awarded FSEOG to 163 students who did not receive Pell Grants. Specifically:

- The University awarded 120 students FSEOG because their EFC range fell within the University's automated packaging parameters, which incorrectly included all students in the \$4,001-5,000 EFC range. Only students with an EFC up to \$4,041 were eligible for Pell Grants in the award year. As a result, students with an EFC in the \$4,042-\$5,000 range were incorrectly awarded FSEOG, even though they were not eligible for and did not receive Pell Grants.
- The University awarded 42 students FSEOG as part of manual awards that it made to meet matching requirement for TEXAS Grants, a State of Texas financial aid program. These students also were not eligible for and did not receive Pell Grants.
- The University manually awarded one student FSEOG through a change in grant type when the student was no longer eligible for the grant the student had previously received.

These 163 awards represented questioned costs of \$426,116.

Based on a review of the full population of student financial aid recipients, the University also awarded 13 students FSEOG awards below the \$100 minimum for the program. This was the result of an error in the University's financial aid system, PeopleSoft, which allowed disbursements below the minimum threshold for the grant. The University canceled all 13 awards on September 25, 2009 to ensure compliance. These awards totaled \$668.

Corrective Action:

Corrective action was taken.

National SMART Awards

Under the National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) program, a student who meets certain eligibility requirements is also eligible to receive an a National Smart Grant if the student is receiving a federal Pell Grant disbursement in the same award year (Title 34, Code of Federal Regulations, Section 691.15(a)).

Based on a review of the full population of student financial aid recipients, the University awarded one student a National SMART Grant for \$2,000, even though her Pell Grant had been canceled subsequent to

the receipt of a corrected ISIR. The University canceled the National SMART Grant on September 9, 2009, after auditors identified the issue and brought it to the University's attention.

Corrective Action:

Corrective action was taken.

Reference No. 10-109

**Reporting**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.063 P063P082335, CFDA 84.007 P007A084172, CFDA 84.033 P033A084172, and CFDA 84.038 Award Number Not Applicable**

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

Pell Payment Data Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e, page 5-3-18). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3, page 5-3-29).

Initial Year Written: 2009 Status: Partially Implemented  U.S. Department of Education
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The University of Texas at Arlington (University) complied with the reporting requirements for Pell payment data, with the following exceptions:

- For one (3 percent) of 40 students tested, the Summer 2008 disbursement date of July 1, 2008, the University reported to the COD System did not match the actual disbursement date of May 19, 2008, in the student's account. The University indicated that it could not report disbursements for students enrolled in Summer 2008 until the start of the federal financial aid year on July 1, 2008. As a result, the University also did not report the disbursement record within 30 days of disbursement.
- For 7 (18 percent) of 40 students tested, the University did not successfully report disbursement records to the COD System within 30 days of disbursement. In six instances, the University made multiple attempts to transmit the students' disbursement information to the COD System in a timely manner. However, the University's financial aid system, PeopleSoft, produced error messages stating that the disbursements had not been made to the students' accounts yet, even though partial disbursements had already been credited to the students' accounts. The other instance was due to the issue noted above.
- For 4 (10 percent) of 40 students tested, the University reported the incorrect enrollment date to the COD System for the Spring 2009 semester. The University reported the enrollment date as December 15, 2008, even though the Spring semester began on January 20, 2009. This occurred because the University's Spring 2009 semester included a Winter inter-session that began on

December 15, 2008. To correctly capture and report students who attend the Winter inter-session, the University recorded the Spring 2009 session start date as December 15, 2008, in PeopleSoft. This issue affected all students who began attendance in the Spring 2009 semester.

#### Fiscal Operations Report and Application to Participate (FISAP)

To apply for and receive funds for the campus-based federal student aid programs (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant), institutions must complete and submit a *Fiscal Operations Report and Application to Participate* (FISAP) by October 1 of each year. The U.S. Department of Education uses the information institutions provide in the FISAP to determine the amount of funds they will receive for each campus-based program. The institution must provide accurate data and must retain accurate and verifiable records for program review and audit purposes (Title 34, Code of Federal Regulations, Section 673.3).

The FISAP the University submitted on October 1, 2009 reported on the University's campus-based program participation for the 2008–2009 award year. Through this FISAP, the University also applied for campus-based program funding for the 2010 - 2011 award year. However, due to insufficient review procedures prior to submission, the FISAP the University submitted on October 1, 2009 contained the following errors:

- The \$10,715,947 amount the University reported for the Federal Perkins Loan program loan principal collected as of June 30, 2009, (Part III Section A Field 5) was incorrect. The correct amount was \$10,755,946. This error occurred because of a transposition error for the prior year FISAP amount used in the calculation.
- The \$549,317 amount the University reported for the loan principal canceled for all other authorized pre-K or K-12 teaching service (Part III Section A Field 9) was incorrect. The correct amount was \$554,748. This error occurred because of an incorrect calculation. This error and the error described above resulted in an understatement of the amount reported for cash on hand as of June 30, 2009 (Part III Section A Field 1.1) by a net amount of \$45,430 and an overstatement by the same amount of the principal amount outstanding of borrowers not in repayment status reported on Part III Section C Field 3.
- The numbers of borrowers the University reported under Part III, Section A Fields 4, 8, 9, and 26 were incorrect because of calculation errors, incorrect transposition of prior year FISAP numbers, or the inclusion of duplicate recipients in current year number. These errors also affected the calculated field in Part III Section C Field 1.1(b).
- The \$101,508 amount the University reported for institutional expenditures for the federal Work Study Job Location and Development Program (Part V, Section E, Field 21) was incorrect and did not agree with amounts in the University's accounting records. The correct amount was \$104,697. This error occurred because of the omission of an allowable expense. Total expenditures on Part V, Section E, Field 20 should have been \$154,697.

The University submitted a revised FISAP correcting these errors on December 2, 2009.

#### Recommendations:

The University should:

- Identify and resolve issues in its financial aid system to ensure that it reports disbursement records to the COD System in a timely manner or request a waiver from the U.S. Department of Education.

- Implement procedures to ensure that all elements it reports on its FISAP are accurate, and implement a formal review to reconcile amounts reported on its FISAP to supporting documentation.

Management Response and Corrective Action Plan 2009:

1. We have put processes in place to resolve disbursement records that do not transmit properly within the 30 day time frame and will continue to monitor for records not meeting the 30-day window.
2. As noted in the findings, the errors in the FISAP report were corrected by submitting a revised FISAP report on December 2, 2009. To ensure that all elements in future FISAP reports are accurate, a process has been put in place to have a second person review the report and reconcile amounts reported to the supporting documentation.

Management Response and Corrective Action Plan 2010:

1. We have trained 2 staff members to monitor the exception reports for records that do not properly transmit. We regularly review the exception reports and make the necessary corrections to allow the records to transmit within the 30 day period.

Management's Response to Follow-Up Audit 2010:

In the initial audit, there were three bullet point findings related to Pell Payment Data Reporting and four bullet point findings related to FISAP. For the second bullet point concerning reporting Pell disbursements within 30 days of the disbursement date, we are pleased that in the follow-up audit conducted there was only one spring 2010 second scheduled Federal Pell Grant award which was reported on day 31. We continue to monitor reporting for the second scheduled award to report payments in a timely manner. We are also pleased that for the other six bullet points, there was no corresponding finding noted in the follow up audit.

2. To ensure that all elements in future FISAP reports are accurate, a process has been put in place to have a second person review the report and reconcile amounts reported to the supporting documentation. Data provided by Campus Partners will be used to complete the FISAP report in the future. The UT Arlington Accounting Data is reconciled to Campus Partners on a monthly basis.

Management's Response to Follow-Up Audit 2010:

As allowable by regulation, the updated FISAP report was submitted on Nov. 9 well before the Dec. 15 deadline to update Federal Perkins Loan cash on hand, updated Federal Pell Grant expenditures and to make any corrections to the report. One other item, total tuition and fees for undergraduate students was also updated on the submission on Nov. 9, 2010. One additional staff member will review the report in the future to ensure that any typographical errors will be corrected prior to the initial submission of the FISAP.

Implementation Date:     Bullet point 1 - January 2011  
                                  Bullet point 2 - June 2010

Responsible Person:     Bullet point 1 Karen Krause  
                                  Bullet point 2 Sandy Crater

Reference No. 10-110

**Special Tests and Provisions - Verification****Student Financial Assistance Cluster**

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

Award numbers - CFDA 84.007 P007A084172, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084172, CFDA 84.063 P063P082335, CFDA 84.375 P375A082335, CFDA 84.376 P376S082335, and CFDA 84.038 Award Number Not Applicable

**Type of finding - Non-Compliance**

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application, the Free Application for Federal Student Aid (FAFSA), in accordance with Title 34, Code of Federal Regulations (CFR), Section 668.53. The CFR defines several elements the written policies and procedures must include.

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

The University of Texas at Arlington's (University) verification policies and procedures do not contain all of the elements required by the CFR. Specifically, the University's policies and procedures do not contain:

- The time period within which an applicant shall provide the documentation.
- The consequences of an applicant's failure to provide required documentation within the specified time period.
- The method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's expected family contribution (EFC) changes and results in a change in the applicant's award or loan.
- The procedures the institution requires an applicant to follow to correct application information determined to be in error.
- The procedures for making referrals under Title 34, CFR, Section 668.16.
- Procedures stating that the University shall furnish in a timely manner to each applicant selected for verification a clear explanation of the applicant's responsibilities with regard to the verification of application information and the consequences of failing to complete any required action.

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

Corrective Action:

Corrective action was taken.

Reference No. 10-111

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

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084172, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084172, CFDA 84.063 P063P082335, CFDA 84.375 P375A082335, CFDA 84.376 P376S082335, and CFDA 84.038 Award Number Not Applicable**

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

Early Disbursement of Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of class for a payment period (Title 34, Code of Federal Regulations, Section 668.164 (f)(1)).

Initial Year Written: 2009 Status: Partially Implemented  U.S. Department of Education
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In the Fall 2008 semester, the University disbursed funds more than 10 days before the first day of class for 18 (45 percent) of 40 students tested. In each case, the University disbursed the funds 11 days before the start of class, instead of the required 10 days before the start of class. According to University management, at the time these disbursements occurred, the University was manually disbursing funds to student accounts. The University disbursed these funds late in the evening 11 days before the start of classes, believing that the disbursement process would not be completed until after midnight and the funds would be correctly disbursed 10 days before the start of classes. However, the disbursement process completed early, resulting in the errors.

Corrective Action:

Corrective action was taken.

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. (Title 34, Code of Federal Regulations, Section 668.165(a)(2)(3)).

The University could not provide evidence that it sent disbursement notification letters to 37 (100 percent) of 37 students tested. Additionally, the University provided a sample disbursement notification letter, but the notification letter did not include three required elements: (1) the date and amount of the disbursement, (2) a clause informing the student or parent of his or her right to cancel a portion of that loan and to have the loan proceeds returned to the holder of that loan, and (3) the time by which the student must notify the school that he or she wishes to cancel the loan or disbursement.

Recommendations:

The University should:

- Include all required information in disbursement notification letters.



- Retain documentation indicating that it sent all disbursement notification letters to all loan recipients within the required time frame.

Management Response and Corrective Action Plan 2009:

- *General notifications were being sent to students; however, the process has been revised so that the notifications now include all required elements.*
- *Correct notifications are now being sent routinely and the information is now being retained in the office.*

Management Response and Corrective Action Plan 2010:

- *Loan notification has been corrected beginning with the fall, 2009 (prior to the audit), and we continue to meet the requirement. The required information is included in the disbursement notification letters.*

*Management's Response to Follow-Up Audit 2010:*

*A comparison will be made between the disbursement roster and the e-mail notification roster to ensure that notification is sent for each disbursement.*

- *Documentation of the information sent to students and who received the information is retained.*

*Implementation Date:*      *Bullet point 1 – June 20, 2009*  
    *Bullet point 2 – December 2010*

*Responsible Person:*      *Bullet point 1 Karen Krause*  
    *Bullet point 2 Lea Anne Sikora*

Reference No. 10-112

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084172, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084172, CFDA 84.063 P063P082335, CFDA 84.375 P375A082335, CFDA 84.376 P376S082335, and CFDA 84.038 Award Number Not Applicable**

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

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a)(3)-(4)).

Initial Year Written: 2009  
 Status: Partially Implemented

U.S. Department of Education

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

Scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (Title 34, Code of Federal Regulations, Section 668.22(f)(2)(i)). When classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the return calculation. The first Saturday, the day after the last class, is the first day of the break. The following Sunday, the day before classes resume, is the last day of the break (Title 34, Code of Federal Regulations, Section 668.22(f)(2)(i)).

For 12 (29 percent) of 42 students tested, the University of Texas at Arlington (University) incorrectly calculated the percentage of enrollment period completed, resulting in incorrect return calculations for 11 students. The University used 116 days for the length of the Spring 2009 semester instead of 108 days because the University's automated return calculation worksheet did not account for the scheduled Spring break days. The University's annual review of its worksheet calculations did not identify that the holiday schedule was incorrectly configured, and annual test calculations were only performed for the Fall 2008 semester. As a result of this error, the University returned \$426.65 in excess funds for 10 of 42 students tested. Six students tested also returned \$166.40 in excess funds. For 1 student, the incorrect calculation resulted in the University and the student not returning any funds, even though a return of \$3,764.18 was required. This issue affected a total of 109 students who withdrew during the Spring 2009 semester.

In addition, for 1 (33 percent) of 3 students tested who never began attendance and for whom \$6,187.50 in funds were required to be returned to the lender, the University did not capture tuition funds from the loans and return them to the lender. Instead, the University notified the lender that the student failed to attend any classes and that the lender should collect the disbursed funds immediately from the student.

Further, for 1 (3 percent) of 40 students tested for eligibility requirements, the University canceled the entire Spring 2009 semester Pell award, even though the return calculation reflected that the student earned a portion of the award. The student completed 6.5 percent of the enrollment period and earned \$45.83. When auditors brought this to the University's attention, the University credited the student's account \$42.30. The difference between these two amounts, \$3.53, is included as a questioned cost.

Recommendations:

The University should:

- Correct its return worksheet issue to ensure that the amount of Title IV funds to be returned is calculated correctly by accounting for breaks of at least five consecutive days in return calculations.
- Enhance its monitoring controls by running test calculations of the percentage of enrollment period completed and the amount of funds to be returned for all semesters.
- Returns funds to lenders in a timely manner for students who never began attendance.

Management Response and Corrective Action Plan 2009:

- Awards were calculated and necessary adjustments have been made. The Office of Financial Aid has established the spring schedule with the Office of Records and Registration, and will remove the 8 days of spring break from the total number of days in the term for future spring R2T4 (Return to Title IV) calculations. A file with the calendar information will be maintained in the Office of Financial Aid.
- Test calculations will be run on all terms of enrollment in the future.
- The staff will continue to monitor the drop reports to calculate the correct dollar value that should be returned to the lender when the student never begins attendance. Written procedures are on file.

Management Response and Corrective Action Plan 2010:

- This issue was unique to the spring term due to our Spring Break. The spring 2010 schedule was reviewed and tested prior to the beginning of the term.

Management's Response to Follow-Up Audit 2010:

An additional review of the calendar will be completed by the Executive Director to ensure compliance.

- We have developed and will maintain a calendar to ensure compliance and will test each relevant term as we begin our annual aid year set up.
- Staff will continue to monitor the drop reports to calculate the correct dollar value that should be returned to the lender when the student never begins attendance at UT Arlington.

Implementation Date: October 2010

Responsible Person: Lea Anne Sikora and Karen Krause

Reference No. 10-113

**Special Tests and Provisions - Student Status Changes****Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

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

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to

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

or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The University of Texas at Arlington (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.3.1.1).

For 7 (39 percent) of 18 students tested who graduated after the end of the Spring 2009 semester, the University did not notify the guaranty agency or lender within 30 days that the students had graduated. For these students, the University notified the guaranty agency or lender between 37 and 95 days late. Without timely reporting to guarantors, lenders, and servicers of student loans, the determination of a student's in-school status, deferment, grace period and repayment schedule, as well as the federal government's payment of interest subsidies, is inaccurate.

In addition, for 16 (40 percent) of 40 students tested, the status change type in the University's automated system, PeopleSoft, did not match the change type reported to NSLDS or the lender. All 16 students graduated from the University, but the NSLDS enrollment detail report showed the students as withdrawn. The NSLDS specifies that, for an institution to be in compliance, a correct reporting of a "G" for graduated status, rather than a "W" for withdrawn status, assists the government in identifying an individual student's completion of programs of study.

Further, for 17 (42 percent) of 40 students tested, the date of the enrollment change in the University's automated system did not match the date reported to NSLDS or the lender. For these students, the dates differed by between 1 and 40 days. Without reporting the correct date of an enrollment change to NSLDS, guarantors, lenders, and servicers of student loans, the determination of a student's in-school status, deferment, grace period, and repayment schedule, as well as the federal government's payment of interest subsidies, is inaccurate.

The University had not established policies and procedures for reporting and monitoring student status changes to ensure that the University notifies NSLDS, guaranty agencies, or lenders, of changes in student status in a timely and accurate manner. Without a process to ensure accurate and timely reporting, the University is not able to detect non-compliance and take appropriate and timely action to address issues.

Corrective Action:

Corrective action was taken.

## University of Texas at Austin

Reference No. 10-114

### Reporting

Activities Allowed or Unallowed

Cash Management

Eligibility

Period of Availability of Federal Funds

Program Income

Special Tests and Provisions - Separate Funds

Special Tests and Provisions - Verification

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

Special Tests and Provisions - Student Status Changes

### Student Financial Assistance Cluster

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

Award numbers - CFDA 84.007 P007A084173, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084173, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P082336, CFDA 84.375 P375A082336, and CFDA 84.376 P376S082336

Type of finding - Significant Deficiency and Non-Compliance

### General Controls

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

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

The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting and Office of Student Financial Services use. Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel making programming changes and migrating those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial aid.

### Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 1 (2.5 percent) of 40 students tested (1 of 76 disbursements), the University did not report student disbursement data to the COD System within 30 days of the disbursement. The University reported this information to the COD System 103 days after the disbursement date. According to the University, this was due to a manual oversight.

Fiscal Operations Report and Application to Participate (FISAP)

To apply for and receive funds for campus-based federal student assistance programs (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant), institutions must have completed and submitted a Fiscal Operations Report and Application to Participate (FISAP) by October 1, 2009 (Title 74, Code of Federal Regulations, Chapter 11362).

The FISAP that was due on October 1, 2009, reported on the University's campus-based program participation for the 2008 – 2009 award year and applied for campus-based program funding for the 2010 – 2011 award year. That FISAP contained the following error: The amounts the University reported for Pell, Academic Competitiveness Grants (ACG), and Science and Mathematics to Retain Talent (SMART) grants were \$29,438,031, \$1,820,277, and \$1,539,261, respectively. The correct amounts were \$28,625,788, \$1,593,053, and \$1,190,843, respectively. For these funds, the University erroneously reported the amount awarded instead of the amount disbursed.

The University reviewed the FISAP prior to submission; however, that review was not adequate to identify all errors on the FISAP prior to report submission. The University corrected all errors identified prior to the December 15 deadline.

Other Compliance Requirements

Although the general control weaknesses described above apply to activities allowed or unallowed, cash management, eligibility, period of availability of federal funds, program income, special tests and provisions - separate funds, special tests and provisions - verification, special tests and provisions - disbursements to or on behalf of students, and special tests and provisions - student status changes, auditors identified no compliance issues regarding these compliance requirements.

Corrective Action:

Corrective action was taken.

Reference No. 10-115

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.063 P063P082336, CFDA 84.007 P007A084173, CFDA 84.033 P033A084173, CFDA 84.375 P375A082336, CFDA 84.376 P376S082336, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable**

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

General Controls

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

Initial Year Written: 2009 Status: Implemented  U.S. Department of Education
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The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting and Office of Student Financial Services use. Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel making programming changes and migrating those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial assistance programs.

#### Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations (CFR), Sections 668.22(a)(3)-(4)).

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, CFR, Section 668.173(b)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (Title 34, CFR, Section 668.22(j)).

For 10 (53 percent) of 19 students tested who unofficially withdrew, the University did not determine the students' withdrawal date within 30 days of the end of the semester. This occurred because the University misinterpreted the regulations as allowing 30 days to mark a student as having a possible unofficial withdrawal and then 45 additional days to determine the withdrawal date and return the funds. The University agreed that it had not always determined the withdrawal date within 30 days of the end of the semester, but it returned the funds within 45 days of the date that it made the determination that a student had unofficially withdrawn.

#### Corrective Action:

Corrective action was taken.

Reference No. 10-116

**Special Tests and Provisions - Student Loan Repayments**

(Prior Audit Issue - 09-91)

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.038 Award Number Not Applicable**

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

General Controls

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

Initial Year Written: 2008 Status: Partially Implemented  U.S. Department of Education
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The University of Texas at Austin (University) does not have sufficient change management controls for the information systems its Office of Accounting and Office of Student Financial Services use. Specifically, the Office of Accounting and Office of Student Financial Services have not segregated duties for personnel making programming changes and migrating those changes to the production environment. This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial assistance programs.

Defaulted Borrowers

Under the Federal Perkins Loan Program, institutions are required to make contact with the borrower during the initial and post-deferment grace periods. For loans with a nine-month initial grace period, the institution is required to contact the borrower three times within the initial grace period. The institution is required to contact the borrower for the first time 90 days after the beginning of the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations, Section 674.42(c)(2)).

The institution is required to send a first overdue notice to a borrower within 15 days after the payment due date if the institution has not received payment or a request for deferment, postponement, or cancellation. The institution must send a second overdue notice within 30 days after the first overdue notice is sent, and it must send a final demand letter within 15 days after the second overdue notice is sent (Title 34, Code of Federal Regulations, Section 674.43(b) and (c)).

An institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must ensure that exit counseling is conducted shortly before the borrower ceases at least half-time study at the institution. As an alternative, in the case of a borrower enrolled in a correspondence program or a study-abroad program that the institution approves for credit, the borrower may be provided with written counseling material by mail within 30 days after the borrower completes the program. If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required (Title 34, Code of Federal Regulations, Section 674.42 (b)(1)).



The University did not consistently conduct exit interviews or make all required contacts with defaulted borrowers, potentially delaying the University's efforts to collect loan repayment funds. Specifically:

- For 3 (7.5 percent) of 40 defaulted loans tested, the University did not conduct an exit interview or provide written counseling material to the borrower. This involved a manual process that the Office of Student Financial Services did not perform for these three students. Failure to consistently conduct exit interviews increases the risk that borrowers will be uninformed about their obligations and miss scheduled loan repayments.
- For all 29 defaulted loans with 9-month grace periods tested, the University did not make a second contact within 150 days of the start of the grace period. In addition to the loans tested, prior to March 2009, this issue affected all defaulted loans for students whose loans had 9-month grace periods. The University was unaware of the requirement to send the notification within this time frame. The University corrected this issue as of March 1, 2009. Not sending this required communication within the required time frame increases the risk that borrowers will be unprepared to begin making scheduled payments once the billing period begins.
- For all 40 defaulted loans tested, the University did not send the final demand letter within 15 days of the second overdue notice. The University currently sends final demand letters after a loan is five months overdue because it did not know the required time frame. Delays in sending the final demand letter could lead to increases in the amount of time required to collect overdue loans because borrowers may be unaware of the implications of a missed payment.

#### Loan Deferments and Cancellations

Title 34, Code of Federal Regulations, Section 674.34, outlines the requirements for deferments of repayments of federal loans. Deferments must be classified in a certain category and contain sufficient supporting documentation.

For 1 (2.5 percent) of 40 deferments and cancellations tested, the University incorrectly listed the borrower as receiving an economic hardship deferment in its accounting system. However, the supporting documentation showed that the deferment was expired. The University subsequently provided documentation showing that the student should have had an in-school deferment because the student re-enrolled in school. The miscoding was caused by a programming error that did not properly update the student's status. Errors in status coding increase the risk that the University could experience a delay in contacting borrowers and collecting on loans.

#### Corrective Action:

This finding was reissued as current year reference number: 11-167.

University of Texas at Dallas

Reference No. 09-96

**Eligibility**

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award numbers - CFDA 84.032 P063P073234, P375A073234, P376S073234, P033A074174, and P007A074174**

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

Access to the Student Information System

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

Initial Year Written: 2008

Status: Partially Implemented

U.S. Department of Education

The University of Texas at Dallas (University) did not maintain appropriate access to its Student Information System (SIS). Employees in the financial aid office had excessive access, with the capability of registering, dropping, and adding students; deleting and modifying student identification numbers; modifying the disbursement schedule and fund budget tables; and modifying the students' accounts screen. In addition, employees in the bursar's office had excessive access, with the capability of issuing refunds and modifying students' personal records (such as physical mailing addresses). Three individuals who were no longer employed in the bursar's office still had active access to SIS.

Recommendations:

The University should:

- Restrict access to SIS screens based on employees' job duties and responsibilities, and periodically review employee access levels to ensure that appropriate access is granted and that separation of duties exists.
- Remove SIS access for the three individuals who are no longer employed in the bursar's office.

Management Response and Corrective Action Plan 2008:

*One of the employees with excessive access was a former employee of the Registrar's Office. His access has now been modified to remove his ability to perform Registrar type functions. The other employee with excessive access is no longer an employee of the university.*

*To ensure redundancy due to the conversion to PeopleSoft, we have Admin Team members who are out working on the project. Having additional admin team members with full access to the student system is important in order for our students to be served in a timely manner. Once the conversion to PeopleSoft is complete, access to the student system will be modified.*

Management Response and Corrective Action Plan 2009:

- 1) *The Student Information System (SIS) access for the Financial Aid staff was limited to Financial Aid access an view access to other areas if needed for job duties (e.g. view admissions status, registration*

status, or Bursar account status.) The access approved was monitored for current employees and new hires to make sure this standard was maintained. The PeopleSoft (PS) access for Financial Aid staff will be limited to only the access required to their job functions. This will be closely evaluated (as part of the initial conversion to PeopleSoft set-up) and monitored.

- 2) The training regarding assigning the proper Cost of Attendance (COA) to each student was conducted and will continue. The Financial Aid staff had a process defined to enter and monitor each student's COA for accuracy in SIS. In SIS, the initial COA is based on a combination of an automatic pull from the information submitted on the FAFSA and a manual adjustment based on the student's tuition level and intent for enrollment. Adjustments are then made at a later point if the student's enrollment should change.

In PS, the initial COA is based on a combination of an automatic pull from the information submitted on FAFSA, the student's tuition level (which will be automatic pulled from PS but also manually audited for accuracy), and intent for enrollment. Adjustments are then made at a later point if the student's enrollment should change. We will develop queries to ensure this accuracy is maintained in the COA and run on a weekly schedule.

#### Management Response and Corrective Action Plan 2010:

##### *Access to the Student Information System (SIS)*

- 1) The last Financial Aid awarding done in our legacy system (SIS) was the summer 2009 term. We began awarding and disbursing Financial Aid in PeopleSoft for the first time for the fall 2009 semester. The Student Information System (SIS) access for Financial Aid staff was limited to Financial Aid access and view access to other areas if needed for job duties. The Financial Aid access which currently remains is for employees with need for archival information. We are no longer granting Financial Aid access to the legacy system for new users. A quarterly audit of all existing Financial Aid SIS roles is reviewed quarterly. This audit will continue as long as access to the legacy system exists.

In PeopleSoft, user-defined roles by job function have been created for the Financial Aid Officers to ensure the separation of duties. PeopleSoft also delivers an audit trail of awarding and disbursing transactions as a delivered product. During the initial conversion to PeopleSoft, Financial Aid security was reviewed on an on-going basis. We will now review the Financial Aid security access in PeopleSoft on a quarterly basis.

##### *Cost of Attendance:*

- 2) We are no longer operating in our legacy system for COA. In PeopleSoft, the COA is assigned based on information as reported on the FAFSA, tuition level, and enrollment. We created an automatic software process that runs every morning to ensure that the COA for the current term matches enrollment before any disbursements can be made. We have also created additional queries to run weekly during periods of awarding and add/drop activity to ensure that the proper COA has been assigned and that any adjustments can be made if needed.

*Implementation Date: July 30, 2011*

*Responsible Party: M. Beth Tolan*

**University of Texas Health Science Center at Houston**

Reference No. 10-121

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.038 Award Number Not Applicable, CFDA 93.364 Award Number Not Applicable, CFDA 93.342 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A085159, and CFDA 84.063 P063P082584**

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

General Controls

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

Initial Year Written: 2009  
Status: Partially Implemented

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

The University of Texas Health Science Center at Houston (Health Science Center) did not maintain appropriate access to SAMS, its financial aid software. Specifically:

- Four users had access to disburse funds manually.
- One developer had full access to modify and delete data elements.

Allowing users and developers inappropriate or excessive access to areas in SAMS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

Additionally, the Health Science Center has not reviewed user access to the server on which SAMS resides or to the SAMS database. Not performing a review of user access could result in inappropriate access still being active. Three developers have access to the administrator user ID and password for the SAMS database. Only the database administrator should have access to that administrator user ID and password. Excessive access could lead to unauthorized modifications to the database.

Corrective Action:

Corrective action was taken.

Cost of Attendance

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 10871l).

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

among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6 and 682.603).

The Health Science Center did not use the correct EFC when calculating financial need for students who were enrolled for more than nine months during the award year. SAMS used the nine-month EFC for students enrolled for more than nine months during the award year, instead of the correct EFC. As a result, for 2 (5 percent) of 40 students tested, the Health Science Center used an incorrect EFC amount when calculating the students' financial need. However, the Health Science Center did not overaward funds as a result of this error.

Recommendations:

- The Health Science Center should ensure that the EFC it uses to calculate financial need matches the information from the electronic Institutional Student Information Record (ISIR) and is based on the number of months students are enrolled.

Management Response and Corrective Action Plan 2009:

*Student Aid Management System has been corrected to ensure the correct EFC is used for dependent students who were enrolled more than nine months during the award year.*

Management Response and Corrective Action Plan 2010:

*Student Aid Management System has been corrected to ensure the correct EFC is used for dependent students who were enrolled more than nine months during the award year.*

*Implementation Date: January 31, 2010*

*Responsible Person: Wanda Williams*

Reference No. 10-122

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

**Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.038 Award Number Not Applicable, CFDA 93.364 Award Number Not Applicable, CFDA 93.342 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A085159, and CFDA 84.063 P063P082584**

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

General Controls

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

Initial Year Written: 2009 Status: Partially Implemented  U.S. Department of Education U.S. Department of Health and Human Services
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The University of Texas Health Science Center at Houston (Health

Science Center) did not maintain appropriate access to SAMS, its financial aid software. Specifically:

- Four users had access to disburse funds manually.
- One developer had full access to modify and delete data elements.

Allowing users and developers inappropriate or excessive access to areas in SAMS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

Additionally, the Health Science Center has not reviewed user access to the server on which SAMS resides or to the SAMS database. Not performing a review of user access could result in inappropriate access still being active. Three developers have access to the administrator user ID and password for the SAMS database. Only the database administrator should have access to that administrator user ID and password. Excessive access could lead to unauthorized modifications to the database.

Corrective Action:

Corrective action was taken.

Early Disbursement of Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period (Title 34, Code of Federal Regulations, Section 668.164 (f)(1)).

The Health Science Center manually tracks disbursement dates and then runs an automated disbursement job in its student information system. That job uses the system date to date the transactions. However, Health Science Center personnel submitted that job early, causing disbursement to occur two days early. The Health Science Center does not have a compensating control in place, such as a review of disbursement reports, to ensure that it does not disburse funds earlier than 10 days before the start of each semester.

The Health Science Center disbursed funds more than 10 days in advance of the first day of classes for 2 (1 percent) of 152 disbursements tested (representing 2 of 40 students) for the 2009 Spring semester. Due to the holidays involved at the end of December and beginning of January, the Health Science Center disbursed Perkins loan funds and Nursing Student loan funds at the same time as other institutional funds, which resulted in these funds being disbursed 12 days in advance of the first day of classes. This issue also affected an additional 38 students who received Perkins loans and an additional 5 students who received Nursing Student Loans in the Spring semester.

Recommendations:

The Health Science Center should ensure that it does not disburse funds more than 10 days in advance of the first day of classes.

Management Response and Corrective Action Plan 2009:

*The Health Science Center miscalculated the number of calendar days before running the auto disbursement job. Procedures have been implemented to ensure funds are not disbursed earlier than 10 days before the first day of classes.*

*Management Response and Corrective Action Plan 2010:*

*The Health Science Center miscalculated the number of calendar days before running the auto disbursement job. Procedures have been implemented to ensure funds are not disbursed earlier than 10 days before the first day of classes.*

*Implementation Date: January 31, 2010*

*Responsible Person: Wanda Williams*

University of Texas Health Science Center at San Antonio

Reference No. 09-104

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

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award number - CFDA 84.032 Award Number Not Applicable**

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

Disbursement Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

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

The University of Texas Health Science Center at San Antonio (Health Science Center) could not provide documentation indicating it sent disbursement notification letters to 39 (100 percent) of 39 students tested.

Corrective Action:

Corrective action was taken.



## University of Texas Medical Branch at Galveston

Reference No. 09-105

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

#### Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P070485

Type of finding - Significant Deficiency and Non-Compliance

#### Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2008, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-27)).

Initial Year Written: 2008

Status: Partially Implemented

U.S. Department of Education

For 40 of 40 students (73 of 73 disbursements) (100 percent) tested at the Medical Branch for the Fall 2007 and/or Spring 2008 semesters, the date of Pell and Direct Loan disbursement did not match the disbursement date in the COD System. For 1 of these 40 students (3 percent) (1 of 73 disbursements), the disbursement amount was not reported correctly.

#### Recommendations:

The Medical Branch should:

- Ensure that it includes all required information in the disbursement notification letters.
- Develop a control process to ensure that it reports the appropriate dates and amounts to the COD System.

#### Management Response and Corrective Action Plan 2008:

*In response to this finding, corrective action has been taken to develop a notification procedure to the students via email and maintain copies of the correspondence. Additionally, a process will be developed to ensure all amounts and dates are appropriately reported in the COD System.*

#### Management Response and Corrective Action Plan 2009:

*Due to the impact of Hurricane Ike, the process for maintaining notification documentation electronically was not placed into production until 2/17/2009, with additional testing and automation occurring prior to the FY09/10 award year.*

*We provided additional training to staff about the importance of reporting accurately the dates and amounts in COD, and random checks of the reported disbursements since February 2009 have been accurate. For the 2009-2010 academic year, disbursements and reporting to COD are being handled through a single system, the Regent Financial Aid system. Since this disbursement period will be the first using the new reporting process to COD, we established an additional review process to ensure accurate reporting.*

*Management Response and Corrective Action Plan 2010:*

*We maintain electronic copies of the disbursement notification sent to students each time a disbursement is processed and perform random checks of these notifications to ensure that they are produced correctly and accurately. Additionally, we perform random checks in COD to ensure that the disbursement dates are reported accurately. Although, the auditors identified an error related to reported date during their follow-up testing of our corrective actions taken, we've noted significant improvement in this area since the prior audit testing and enhancement of our controls. We will continue our current process to ensure that disbursements are reported correctly and that disbursement notifications are sent to students timely. Additionally, we are implementing a new student system in the Fall 2011 (Oracle Campus Solutions) which should greatly enhance our reporting capabilities.*

*Implementation Date: September 1, 2010*

*Responsible Person: Carol Cromie*

## University of Texas – Pan American

Reference No. 10-132

### Eligibility

#### Student Financial Assistance Cluster

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

Award numbers - CFDA 84.007 P007A084091, 84.268 P268K092296, 84.033 P033A84091, 84.038 Award Number Not Applicable, 84.063 P063P082296, 84.375 P375A082296, and 84.376 P376S082296

Type of finding - Material Weakness and Non-Compliance

### General Controls

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

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

The University of Texas - Pan American (University) does not have controls to ensure that high profile system access is limited to appropriate personnel at the application, database, and server levels. Segregation of duties conflicts exist for users at the application level. The University's financial aid technical team and financial aid business users share the same super user role. Application permissions are not properly defined for the super user, director, and assistant director roles. All three roles can (1) create, set up, and modify disbursement dates and minimum and maximum amounts for federal awards; (2) enter start and end dates for each term; and (3) set up packaging rules for federal funds. There are no major differences in the permissions for these three roles. In addition, one user is no longer employed by the University but still has access to the financial aid application.

At the database level, all five database administrators, including the database manager, share the database super user ID to conduct database maintenance and perform job duties. The production control team, which includes four users who are responsible for promoting code changes from the development environment to the production environment, also uses that same user ID. In addition, all database administrators, including the manager and the members of the production control team, use six other generic user IDs (instead of their own unique user IDs) to access the database and perform their job duties.

At the server level, segregation of duties conflicts exists because high profile user IDs, such as the root user ID, are shared by the system administrators and the director of the computer center.

The University also does not have controls to ensure that it periodically reviews active users and user access rights to identify and remove inappropriate system access and to help ensure that segregation of duties conflicts do not exist.

Allowing employees inappropriate or excessive system access that is outside of their job functions increases the risk of inappropriate changes and does not allow for proper segregation of duties. Additionally, when users share user IDs and passwords, this reduces personal accountability and corrupts the audit trail for transactions.

Auditors also reviewed the University's program implementation process for its new student financial assistance system and determined that the University:

- Formally documented its procedures for testing and application deployment. However, the test plan within those procedures did not contain several key items such as a formal test methodology, elements of testing, types of tests, and performance testing. The test plan also did not outline the final results of

user testing. Therefore, auditors could not determine whether the new student financial assistance system was fully tested prior to its implementation. For example, auditors could not select a test case to determine the test criteria that outlined the details for the end-user testing, and auditors could not determine the result of each test action.

- Could not provide evidence of formal signature approval by the financial aid team lead or by the project manager to authorize the final implementation of the new student financial assistance system after all end-user testing was performed.
- Could not provide evidence that it had written procedures regarding data migration and conversion. Additionally, the University could not provide total record count information to ensure that the data that was completely extracted, converted, and migrated from the previous system to the new student financial assistance system. As a result, auditors were unable to determine whether data was completely and accurately migrated into the new system. Although, the University retained copies of record counts in e-mails for the data that was migrated into the pre-production environment of the new system, auditors could not verify whether all data was converted and then migrated into the production version of the new system.

#### Academic Competitiveness Grant (ACG) Awarded to Ineligible Students

The ACG program provides grants to eligible, full-time, regular, undergraduate students enrolled in their first and second academic years in an ACG-eligible program at a two-year or four-year degree-granting institution. Grants are for up to \$750 for first-year students and up to \$1,300 for second-year students (Title 34, Code of Federal Regulations, Sections 691.2(d), 691.6, 691.15, and 691.62).

The University awarded a total of \$8,450 in ACG grants to eight students who were not enrolled in their first or second academic years. These awards were the result of a programming error that allowed third-year and fourth-year students to receive ACG awards. The University identified and corrected the programming error before this audit began. However, it had not determined that these eight students erroneously received ACG grants. After auditors identified these errors, the University corrected the errors and returned the funds to the ACG account.

#### Corrective Action:

Corrective action was taken.

Reference No. 10-133

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

#### **Student Financial Assistance Cluster**

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

**Award numbers - CFDA 84.007 P007A084091, 84.268 P268K092296, 84.033 P033A84091, 84.038 Award Number Not Applicable, 84.063 P063P082296, 84.375 P375A082296, and 84.376 P376S082296**

**Type of finding - Material Weakness and Non-Compliance**

#### General Controls

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

Initial Year Written: 2009  
Status: Partially Implemented

U.S. Department of Education

The University of Texas - Pan American (University) does not have controls to ensure that high profile system access is limited to appropriate personnel at the application, database, and server levels. Segregation of duties conflicts exist for users at the application level. The University's financial aid technical team and financial aid business users share the same super user role. Application permissions are not properly defined for the super user, director, and assistant director roles. All three roles can (1) create, set up, and modify disbursement dates and minimum and maximum amounts for federal awards; (2) enter start and end dates for each term; and (3) set up packaging rules for federal funds. There are no major differences in the permissions for these three roles. In addition, one user is no longer employed by the University but still has access to the financial aid application.

At the database level, all five database administrators, including the database manager, share the database super user ID to conduct database maintenance and perform job duties. The production control team, which includes four users who are responsible for promoting code changes from the development environment to the production environment, also uses that same user ID. In addition, all database administrators, including the manager and the members of the production control team, use six other generic user IDs (instead of their own unique user IDs) to access the database and perform their job duties.

At the server level, segregation of duties conflicts exists because high profile user IDs, such as the root user ID, are shared by the system administrators and the director of the computer center.

The University also does not have controls to ensure that it periodically reviews active users and user access rights to identify and remove inappropriate system access and to help ensure that segregation of duties conflicts do not exist.

Allowing employees inappropriate or excessive system access that is outside of their job functions increases the risk of inappropriate changes and does not allow for proper segregation of duties. Additionally, when users share user IDs and passwords, this reduces personal accountability and corrupts the audit trail for transactions.

Auditors also reviewed the University's program implementation process for its new student financial assistance system and determined that the University:

- Formally documented its procedures for testing and application deployment. However, the test plan within those procedures did not contain several key items such as a formal test methodology, elements of testing, types of tests, and performance testing. The test plan also did not outline the final results of user testing. Therefore, auditors could not determine whether the new student financial assistance system was fully tested prior to its implementation. For example, auditors could not select a test case to determine the test criteria that outlined the details for the end user testing, and auditors could not determine the result of each test action.
- Could not provide evidence of formal signature approval by the financial aid team lead or by the project manager to authorize the final implementation of the new student financial assistance system after all end user testing was performed.
- Could not provide evidence that it had written procedures regarding data migration and conversion. Additionally, the University could not provide total record count information to ensure that the data that was completely extracted, converted, and migrated from the previous system to the new student financial assistance system. As a result, auditors were unable to determine whether data was completely and accurately migrated into the new system. Although, the University retained copies of record counts in e-mails for the data that was migrated into the pre-production environment of the new system, auditors could not verify whether all data was converted and then migrated into the production version of the new system.

Corrective Action:

Corrective action was taken.

Disbursement Notification Letters

If an institution credits a student's account at the institution with Direct Loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

For 1 (5 percent) of 21 students tested who received Direct Loans, the University sent disbursement notifications 33 days after the disbursement date, instead of within the required 30 days, for one semester disbursement. The University sent the disbursement notifications late because a verbal request for a computer report that identifies students' loan disbursements was not made in time to generate the notifications within the required 30 days. Not receiving these notifications promptly could impair the students' or parents' ability to cancel their loans.

In addition, manual overrides to the process that records the date that the University sent disbursement notification letters in the student financial aid system allow staff to manipulate the recorded date to reflect a date other than the actual date that the University sent the notification letters. Manually changing the date could result in the system reflecting a date that is within the 30-day requirement, even though the notification may have been sent outside of the 30-day requirement.

Recommendations:

The University should:

- Maintain controls to ensure that it sends disbursement notification letters within 30 days before or after crediting a student's account with a Direct Loan.
- Develop and implement controls to ensure that the disbursement notification letter sent date recorded in the student financial aid system reflects the actual date on which the University sent the letter.

Management Response and Corrective Action Plan 2009:

Recommendation:

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

Management Response and Corrective Action Plan:

*FY 2009 was the first year in the Banner student information system. The aggressive implementation deadline did not allow time to fully automate all processes. We are now in the process of converting those processes that were semi-automated into fully automated processes. In June 2009, the disbursement notification process started running bi-weekly instead of once per month. Beginning March 1, 2010, the disbursement letter process will be an automated process. It will become part of the weekly packaging process to ensure compliance with the federal 30-day timeline requirement.*

Recommendation:

*Develop and implement controls to ensure that the disbursement notification letter sent date recorded in the student financial aid system reflects the actual date on which the University sent the letter.*

Management Response and Corrective Action Plan:

*Beginning April 1, 2010, instead of utilizing a mail merge process to print disbursement letters, we will utilize the letter generation process delivered by Banner. This allows us to automatically post to our student system/RUAMAIL, the actual date the letter was processed.*

Management Response and Corrective Action Plan 2010:

*As of March 1, 2010, the disbursement letter process became a fully automated process that is part of the weekly packaging process thus ensuring compliance with the federal 30 day rule.*

*As of April 1, 2010, a letter generation process was implemented allowing automatic posting to the student system, thus recording the actual date the letter was sent. The process automatically sets the date the letter was sent. In October 2010 it was discovered that a student had not received a disbursement letter due to a programming date timing issue. The program was updated to make sure this isolated case does not happen in the future. The programmers identified the programming logic that was allowing a student to be skipped and re-wrote the logic so regardless of when a student is updated in Banner or when we the disbursement letters are printed, a student would never be skipped. The automated process continues to run eliminating the need for manual intervention for disbursement notification letters.*

*Implementation Date: April 2010. Programming error corrected October 2010*

*Responsible Person: Elaine L. Rivera*

**University of Texas of the Permian Basin**

Reference No. 09-106

**Eligibility**

(Prior Audit Issue - 07-74)

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award number - CFDA 84.063 PO63PO63265**

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

Financial Need and Total Awards Should Not Exceed Need

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Education Opportunity Grant, Title 34, Code of Federal Regulations (CFR), Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, CFR, Section 682.603).

Initial Year Written:	2006
Status:	Partially Implemented
U.S. Department of Education	

COA refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, subchapter IV, Section 108711).

For the federal Pell Grant program, the payment and disbursement schedules provided each year by the U.S. Department of Education are used for determining award amounts. These schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter time, half-time, and less-than-half-time students, as well as students with low-assessed tuition. All of the schedules, however, are based on the COA of a full-time student for a full academic year.

For 1 (2 percent) of 50 students tested, the University of Texas of the Permian Basin (University) awarded total assistance that exceeded the student's calculated financial need by \$1,089. In October 2008, the University returned the over award plus interest to the lender.

In addition, for 3 (6 percent) of 50 students tested, the University calculated the COA budgets incorrectly, and the budgets did not match the student financial aid budget schedule. As a result, COA was overstated for two students and understated for one student. Specifically:

The University did not adjust two students' spring 2008 COA calculations to reflect that they were enrolled half-time instead of full-time. As a result, these students were over awarded Pell grants by \$480 and \$540, respectively. The University returned an amount equal to the overpayment to the U.S. Department of Education in July 2008.

The University did not adjust another student's COA calculation to reflect the student's actual living status. As a result, this student was under awarded a Pell grant by \$345.



Recommendations:

The University should improve its process for reviewing cost of attendance calculations and awards based on financial need to ensure that the information in the system is correct and that assistance is awarded appropriately.

Management Response and Corrective Action Plan 2008:

*The University should:*

*Improve its process for reviewing cost of attendance calculations and awards based on financial need to ensure that the information in the system is correct and that assistance is awarded appropriately.*

*The Office of Student Financial Aid implemented functional responsibilities of OSFA staff to improve packaging and awarding processes. The three Financial Aid Officers were assigned a specific group of students (approximately 700 students each). Each Officer is responsible for packaging and awarding students within the assigned group. It is the responsibility of each Officer to review all aspects of processing awards. This strategy serves as a primary review of each student's eligibility before actual disbursement of financial aid. The Assistant Director has been assigned overseeing the disbursement phase of the process. Prior to disbursement the Assistant Director reviews the awards of the Officers and informs the Officers of any necessary corrections. After the Assistant Director validates the accuracy of the awards then the disbursement phase is initiated.*

Management Response and Corrective Action Plan 2009:

*Since implementation, the processing and review have improved the determination of the federal student assistance award amount based on financial need. To continue improvement, the Assistant Director began reviewing all student files in January 2010, which should address the failures in awarding appropriately.*

Management Response and Corrective Action Plan 2010:

*A new automated procedure will be implemented which will identify students who have added or dropped classes to an extent that requires their COA Budget to be changed. This procedure will be done after the census date and again at the end of the semester. This will be combined with the continuation of the current staff auditing of FA files should address the failures in awarding appropriately.*

*Implementation Date: May 2011*

*Responsible Person: Joe Sanders*

Reference No. 09-107

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

(Prior Year Issue 07-75)

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Material Weakness and Material Non-Compliance**

Notification Letters

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written:	2006
Status:	Partially Implemented
U.S. Department of Education	

The University did not send the required disbursement notifications to FFELP loan recipients during the 2007-2008 award year within the 30-day requirement for the Fall Semester and did not retain documentation that notification letters were sent for the Spring Semester. The University does not participate in the FPL program.

Pell Payment Reporting

Institutions submit payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System. Origination records can be sent in advance of any disbursement, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data 1) within 30 calendar days after they make a payment or 2) when they become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget Circular A-133 Compliance Supplement, Part 5, Section L.1.e) and the Secretary of the U.S. Department of Education accepts a student's payment data that is submitted in accordance with procedures established through publication in the Federal Register, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution (Title 34, Code of Federal Regulations, Section 690.83.(a)(2)).

In a sample of 33 students tested at the University, 33 students (100 percent) received Pell Grant awards. However, the University did not report the date of at least one disbursement of Pell Grant awards to the COD System for any of those 33 students.

Returning Funds to a Lender

When an institution receives FFELP funds from the lender by electronic funds transfer (EFT) or master check, it usually must disburse the funds within three business days. If a student is temporarily not eligible for a disbursement but the institution expects the student to become eligible for disbursement in the immediate future, the institution has an additional 10 business days to disburse the funds. An institution must return FFELP funds that it does not disburse by the end of the initial or conditional period, as

applicable, promptly but no later than 10 business days from the last day allowed for disbursement (Title 34, Code of Federal Regulations, Section 668.167).

For 1 (8 percent) of 13 students tested, the University held student loan funds for significantly more than three business days and did not return funds to the lender within the required 10-day time frame.

Recommendations:

The University should:

- Send disbursement notifications to FFELP loan recipients within the required time periods and retain documentation.
- Report disbursement dates for all Pell Grant awards to the COD System as required.
- Not hold funds for more than the maximum allowed number of days before returning them to the lender.

Management Response and Corrective Action Plan 2008:

*The OSFA implemented notification letters through a merge file, which is maintained on the Department's assigned drive.*

*The Director manages the Pell reporting through EDexpress and the date entered was in error during the time of the audit. The Director has made the necessary changes to ensure that the correct disbursement date is sent to COD.*

*The OSFA has received a POISE module that should ensure that loan funds be returned as required. Testing is beginning spring 2009.*

Management Response and Corrective Action Plan 2009:

*Because the implemented functional changes did not fully address the verification of all required information from NSLDS and the OSFA again did not meet requirements, another change in functional duties was implemented in January 2010. To address this finding, one staff has been assigned all aspects for loan processing. The staff person is responsible for ensuring all Notification letters are sent within the required time periods and documentation is retained. The Assistant Director has been assigned to perform an audit on all files to ensure processing is meeting requirements.*

*Reporting to COD as required was implemented, but again the auditors found errors. Because of the repeat finding, the Assistant Director began COD reporting in Fall 2009. A review of COD reporting in December 2009 revealed that the reporting was not satisfactory. Beginning with the January 2010 Pell disbursement, a staff member has been assigned disbursement processing. The Assistant Director will perform a review of the processes to ensure reporting is correct before sending to COD.*

*The POISE module was tested in spring 2009 and implemented August 2009. The test in spring appeared to work, but during processing in August 2009 it failed. Beginning January 2010, the disbursement officer and the loan officer will manually process disbursements within the required time frames.*

Management Response and Corrective Action Plan 2010:

*An automated procedure will be implemented that will allow for the printing of disbursement letters when the loan is disbursed, as well as fill a tracking date into the student system for better monitoring of letters.*

*Copies of all letters will be scanned into the student file so that a permanent record of the letter will be kept.*

*Implementation date: May 2011*

*Responsible Person: Joe Sanders*

*A Pell Grant reporting module was obtained so that Pell awards could be accurately reported within the required time frame. There was an error in the program itself so that it only reported the date that the program was run, rather than the date the funds were disbursed. The vendor was contacted and the error was corrected.*

*Implementation date: February 2011*

*Responsible Person: Joe Sanders*

*Now that the university receives all funds from the Department of Education based on a reimbursement system, the issue of disbursing the funds to the students within 3 days should be resolved. With this change, a new software module is scheduled to be implemented. The new module is designed to make the processing between POISE and EDE more efficient so that funds that need to be returned can be identified.*

*Implementation date: May 2011*

*Responsible Person: Joe Sanders*

**University of Texas at San Antonio**

Reference No. 09-108

**Eligibility**

**Student Financial Assistance Cluster**

**Award year - July 1, 2007 to June 30, 2008**

**Award number - CFDA 84.007 P007A074169**

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

Access to the Financial Aid Software

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

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

The University does not maintain appropriate access to Banner, its financial aid software. Sixteen users in the Financial Aid area had excessive modify access to the satisfactory academic progress (SAP) rules tables, which gives them capabilities to modify and change SAP policy rules in Banner.

Corrective Action:

Corrective action was taken.

University of Texas at Tyler

Reference No. 10-134

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

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

General Controls

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

Initial Year Written: 2009  
Status: Partially Implemented

U.S. Department of Education

The University of Texas at Tyler (University) did not have controls to ensure adequate segregation of duties within its financial aid system. The University should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, two University programmers had access to move code into the production environment. In addition, the information technology users and the financial aid staff had similar access profiles to the financial aid system. A lack of segregation of duties may result in inappropriate changes to production code or inappropriate or excessive access to University systems.

The student financial aid system in use during the award year did not provide staff with the capability of operating in a test environment. The limited capabilities of that system, combined with the small information technology staff at the University, resulted in these segregation of duties issues. The University has since implemented a new student financial aid system. The new system has increased capabilities and will allow the University to improve controls over segregation of duties.

Cost of Attendance

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, and 682.603).

The University of Texas at Tyler (University) incorrectly calculated the COA for 1 (2.5 percent) of 40 students tested. This occurred because the University calculated the COA based on undergraduate student status; however, the student was a graduate student. As a result of this error, the amount of financial

assistance the student was offered was less than the amount of financial assistance for which the student was eligible. The difference between the University's COA budget for a graduate student and undergraduate student of the same status (half-time, residing off-campus, and a Texas resident) is \$396.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities.
- Restrict access to migrate code into production to the appropriate personnel.
- Improve its review of information in student records, such as undergraduate or graduate status, that affects COA calculations.

Management Response and Corrective Action Plan 2009:

*The student information system referenced in the above recommendation (POISE) is no longer in use by The University. The new system (PeopleSoft) appropriately restricts access based on job responsibilities. Appropriate segregation of duties for migrating production code changes has been implemented in the PeopleSoft system.*

*In our student information system for 2008-2009 (POISE), determination of graduate or undergraduate COA budgets was done by the counselor setting a flag. If no flag was set, the process budgeted for undergrad and if a flag was set it budgeted for graduate.*

*With our new system (PeopleSoft), determination of graduate or undergraduate COA is made by the student's active career in the system. Two careers exist in our system, undergrad and grad, and Student Records activates the appropriate career. This keeps our counselors from having the opportunity for oversight (human error) in setting up COA budgets.*

Management Response and Corrective Action Plan 2010:

*Corrective Action Plan as originally described was implemented during the Spring semester of 2010. Fall 2010 semester will be first full semester after corrective action was taken.*

*Above recommendation will be fully implemented as of the original implementation date of 9/1/2010*

*Implementation Date: September 2010*

*Responsible Person: Candice Lindsey*

Reference No. 10-135

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

**Student Financial Assistance Cluster**

**Award Year - July 1, 2008 to June 30, 2009**

**Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P083426**

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

General Controls

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

Initial Year Written: 2009  
Status: Partially Implemented

U.S. Department of Education

The University of Texas at Tyler (University) did not have controls to ensure adequate segregation of duties within its financial aid system. The University should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, two University programmers had access to move code into the production environment. In addition, the information technology users and the financial aid staff had similar access profiles to the financial aid system. A lack of segregation of duties may result in inappropriate changes to production code or inappropriate or excessive access to University systems.

The student financial aid system in use during the award year did not provide staff with the capability of operating in a test environment. The limited capabilities of that system, combined with the small information technology staff at the University, resulted in these segregation of duties issues. The University has since implemented a new student financial aid system. The new system has increased capabilities and will allow the University to improve controls over segregation of duties.

Disbursement Notices

If an institution credits a student's account at the institution with Federal Family Education Loan Program (FFELP) Loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

To help ensure compliance with federal disbursement notification requirements, when the University of Texas at Tyler (University) runs its loan disbursement program, it sends an email informing students or parents of the details of the disbursement and their right to cancel the loan. The email includes the student's or parent's right to cancel all or a portion of a loan or loan disbursement and have the loan proceeds returned to the holder of the loan, the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement, and the amount of the loan or loan disbursement. However, the e-mails for all 50 FFELP loans tested did not include or reference the date of the loan or loan disbursement as required. University personnel stated that the omission of this required information was an oversight.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual



disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 18 (94.7 percent) of 19 Pell Grant disbursements tested at the University, the actual date of the disbursement did not match the disbursement date the University reported to the COD System. The University explained that, on a monthly basis, a file is generated from POISE, the University's Financial Aid Application, for submission to the COD System through the Department of Education's (DOE) EDExpress and EDConnect software programs. Although the POISE process generating the file picks up the actual dollar amount disbursed for each student, it does not have the capability to pick up the corresponding disbursement date. This requires that the University enter a generic date that is used on all disbursement records in the file. The University stated that it generally uses a disbursement date that is in the range of the month prior to the submission.

The University's total Pell Grant expenditures for the 2008-2009 school year were \$5,136,617.79.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities.
- Restrict access to migrate code into production to the appropriate personnel.
- Ensure that it includes all required loan disbursement information in all disbursement notifications sent to students and parents.
- Improve controls to ensure that it reports actual disbursement dates to the COD System in accordance with federal requirements.

Management Response and Corrective Action Plan 2009:

*The student information system referenced in the above recommendation (POISE) is no longer in use by the University. The new system (PeopleSoft) appropriately restricts access based on job responsibilities. Appropriate segregation of duties for migrating production code changes has been implemented in the PeopleSoft system.*

*With the implementation of the PeopleSoft student information system and the William D. Ford Federal Direct Loan Program, the above recommendations will be completed.*

*Our loan disbursement information is sent by email and includes a date, student's name, how the disbursement is credited and refunded, instructions for viewing the disbursement information from the student access screen in PeopleSoft, and instructions for cancellation.*

*The Pell Grant expenditure records are generated from PeopleSoft and include the date of disbursement from the system. No generic or default dates are required, as they were previously required in our old student information system.*

Management Response and Corrective Action Plan 2010:

Corrective Action Plan as originally described was implemented during the Spring semester of 2010. Fall 2010 semester will be first full semester after corrective action was taken.

Above recommendation will be fully implemented as of the original implementation date of 9/1/2010

Implementation Date: September 2010

Responsible Person: Candice Lindsey

## West Texas A&M University

Reference No. 09-117

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

#### Student Financial Assistance Cluster

**Award years - July 1, 2007 to June 30, 2008**

**Award number - CFDA 84.032 Award Number Not Applicable**

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

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or the parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the proceeds and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2008

Status: Implemented

U.S. Department of Education

West Texas A&M University (University) has a manual process for maintaining documentation of when it sends disbursement notification letters. However, it did not consistently use this manual process, and it had no compensating controls for identifying when it sent disbursement notification letters. The University could not provide documentation indicating that it sent disbursement notification letters to 3 of 33 (9 percent) students tested. In addition, for 21 of 33 (64 percent) students tested, the University could not provide documentation showing that it sent the spring 2008 FFELP disbursement notification letters within 30 days of crediting the students' accounts. Documentation showed that the University sent these students notification letters for the fall 2007 semester.

#### Corrective Action:

Corrective action was taken.

# Appendix

## Objectives, Scope, and Methodology

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### Objectives

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

### Scope

The audit scope covered federal funds that the State spent for the Student Financial Assistance cluster of federal programs from July 1, 2009, through June 30, 2010, which is the federal financial assistance award year. The audit work included control and compliance tests at 17 higher education institutions across the State.

### Methodology

The audit methodology included developing an understanding of controls over each compliance area that was material to the Student Financial Assistance cluster of federal programs at each higher education institution audited. Auditors conducted tests of compliance and of the controls identified for each compliance area and performed analytical procedures when appropriate.

Information collected and reviewed included the following:

- Higher education institution financial assistance, eligibility, disbursement, reporting, student enrollment information, and loan repayment data.
- Federal award letter notifications.
- Student cost of attendance budgets.
- National Student Loan Data System records.
- Common Origination and Disbursement System data.
- Transactional support related to expenditures and revenues.
- Policies and procedures related to student financial assistance.
- Higher education institution-generated reports and data used to support reports, revenues, and other compliance areas.

- Information system support for higher education institution assertions related to general controls over information systems that support the control structure related to federal compliance.

Procedures and tests conducted included the following:

- Analytical procedures of expenditure data to identify instances of non-compliance.
- Compliance testing for samples of transactions for each direct and material compliance area.
- Tests of design and effectiveness of key controls and tests of design of controls to assess the sufficiency of each higher education institution's control structure.
- Tests of design and effectiveness of general controls over information systems that support the control structure related to federal compliance.

Criteria used included the following:

- The Code of Federal Regulations.
- Office of Management and Budget Circular A-133.
- The American Recovery and Reinvestment Act.
- Higher education institution policies and procedures.
- *Federal Student Aid Handbook*.

## **Project Information**

Audit fieldwork was conducted from June 2010 through January 2011. Except as discussed above in the *Independent Auditor's Report*, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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