



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, 2012**

February 2013
Report No. 13-019



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Overall Conclusion

With the exception of certain non-compliance disclosed 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 2012.

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 Single Audits. Those audits test compliance with federal requirements in up to 14 areas that may have a material effect on a federal program at those non-federal entities. Examples of the types of compliance areas include eligibility and reporting. The requirements for 1 of those 14 areas vary by federal program and outline special tests that auditors are required to perform, such as tests of disbursement of funds and the return of unearned Student Financial Assistance Cluster funds to the federal government. The Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than \$75,562,558 in federal funds during fiscal year 2012 and (2) other selected federal programs.

From September 1, 2011, through August 31, 2012, the State of Texas expended \$50.2 billion in federal funds for federal programs and clusters of federal programs. The State Auditor's Office audited compliance with requirements for the Student Financial Assistance Cluster of federal programs at 11 higher education institutions. Those 11 higher education institutions spent \$2,079,872,059 in federal Student Financial Assistance Cluster funds during fiscal year 2012.

Auditors identified 26 Student Financial Assistance Cluster findings at 9 of the 11 higher education institutions audited for the fiscal year ending August 31, 2012. That represented an improvement compared with the audit of the fiscal year ending August 31, 2011, when auditors identified 40 Student Financial Assistance Cluster findings. Additionally, at 2 of the 11 higher education institutions, auditors did not identify any findings related to the Student Financial Assistance Cluster. Those two higher education institutions were the University of Texas at San Antonio and West Texas A&M University.

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 the Federal Direct Student Loan Program.

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

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

Two findings auditors identified during the audit of the fiscal year ending August 31, 2012, were classified as material weaknesses and material non-compliance, one finding was classified as a material weakness and non-compliance, and 23 findings were classified as significant deficiencies and non-compliance (see text box for definitions of finding classification).

Finding Classifications

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

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

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

Key Points

Two of the 11 higher education institutions audited did not comply with requirements related to returning unearned Student Financial Assistance Cluster funds to the federal government when students withdraw. Auditors classified the findings in that area as material weaknesses.

The queries that the University of Texas at Arlington and Texas Tech University used to identify students who unofficially withdrew incorrectly excluded some students who may have unofficially withdrawn. Additionally, those higher education institutions did not always perform return calculations correctly. In addition, the University of Texas at Arlington did not determine student withdrawal dates or return funds within the required time frames.

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

The higher education institutions audited did not always comply with federal requirements for verifying students' eligibility to receive Student Financial Assistance Cluster funds. At Texas Tech University, the issues related to eligibility were considered a material weakness and material non-compliance. Specific eligibility findings were as follows:

- Five higher education institutions incorrectly calculated students' cost to attend those higher education institutions, which could result in the higher education institutions overawarding or underawarding financial assistance to students. Those higher education institutions were Texas Tech University, the University of North Texas, the University of Texas at Arlington, the University of Texas at Dallas, and the University of Texas at El Paso.
- Six higher education institutions did not correctly determine or administer policies related to identifying students who had not achieved satisfactory academic progress. As a result, students who received Student Financial Assistance Cluster funds at those higher education institutions may not have

been eligible to receive that assistance. Those higher education institutions were Texas State University - San Marcos, Texas Tech University, the University of Houston, the University of Texas at Arlington, the University of Texas at Dallas, and the University of Texas at El Paso.

- Six higher education institutions awarded Student Financial Assistance Cluster funds to students who were not eligible to receive that assistance or awarded more financial assistance than the students were eligible to receive. Those higher education institutions were Texas State University - San Marcos, Texas Tech University, the University of Houston, the University of North Texas, the University of Texas at Arlington, and the University of Texas at El Paso.

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

Six higher education institutions did not correctly verify students' financial information related to the Making Work Pay tax credit or other required verification elements. Those higher education institutions were Texas A&M University, Texas State University - San Marcos, Texas Tech University, the University of Houston, the University of Texas at Arlington, and the University of Texas at Austin.

The higher education institutions audited did not always have adequate controls over information technology systems related to the Student Financial Assistance Cluster of federal programs.

Auditors identified control weaknesses related to inappropriate access to information technology systems at three higher education institutions. Specifically, at the University of Texas at Dallas and the University of Texas at El Paso, the universities did not adequately restrict access to student financial assistance systems. The University of Texas at El Paso and the University of Texas at Austin did not have adequate segregation of duties related to change management processes.

Auditors followed up on higher education institutions' corrective action plans for 61 audit findings related to the Student Financial Assistance Cluster from prior fiscal years.

Higher education institutions fully implemented corrective action plans for 25 (41 percent) of the 61 findings and partially implemented corrective action plans for 36 (59 percent) of the 61 findings.

Summary of Management's Response

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

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 11 higher education institutions audited. As discussed above, auditors identified issues related to information technology systems at three higher education institutions.

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 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, 2011, through June 30, 2012, which is the federal financial assistance award year. The audit work included control and compliance tests at 11 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. Auditors assessed the reliability of data each higher education institution provided and determined that the data was reliable for the purpose of expressing an opinion on compliance with the provisions of laws, regulations, and contracts or grants that have a direct and material effect on the Student Financial Assistance Cluster of federal programs.

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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, 2012*



John Keel, CPA
State Auditor

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
Independent Auditor's Report

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, 2012. 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 Single Audit for the year ended August 31, 2012. 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, 2012. The State does not meet the OMB Circular A-133 requirements for a program-specific audit and the presentation of the Schedule of Federal 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 of federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that cluster.

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Higher Education Institution	Compliance Requirement	Finding Number
Texas Tech University	Eligibility	13-128
University of Texas at Arlington	Special Tests and Provisions - Return of Title IV Funds	13-156

In our opinion, except for the noncompliance described in the preceding paragraph, 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 of federal programs for the year ended August 31, 2012. 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
Texas A&M University	Special Tests and Provisions - Verification	13-122
	Special Tests and Provisions - Enrollment Reporting	13-123
	Special Tests and Provisions - Student Loan Repayments	13-124
Texas State University - San Marcos	Cash Management	13-125
	Eligibility	13-126
	Special Tests and Provisions - Verification	13-127
Texas Tech University	Special Tests and Provisions - Verification	13-129
	Special Tests and Provisions - Disbursements To or On Behalf of Students	13-130
	Special Tests and Provisions - Return of Title IV Funds	13-131
	Special Tests and Provisions - Enrollment Reporting	13-132
University of Houston	Eligibility	13-143
	Reporting	13-144
	Special Tests and Provisions - Verification	13-145
	Special Tests and Provisions - Return of Title IV Funds	13-146
	Special Tests and Provisions - Enrollment Reporting	13-147
University of North Texas	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	13-148
	Eligibility	13-150
University of Texas at Arlington	Eligibility	13-154
	Special Tests and Provisions - Institutional Eligibility	

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Verification	13-155
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	13-157
University of Texas at Austin	Special Tests and Provisions - Verification	13-158
	Activities Allowed or Unallowed	
	Cash Management	
	Eligibility	
	Period of Availability of Federal Funds	
	Reporting	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
	Special Tests and Provisions - Return of Title IV Funds	
	Special Tests and Provisions - Enrollment Reporting	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Student Loan Repayments	13-159
University of Texas at Dallas	Eligibility	13-163
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
University of Texas at El Paso	Eligibility	13-164
	Special Tests and Provisions - Disbursements To or On Behalf of Students	

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 of federal programs. 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 of federal programs 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 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 consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 Costs to be material weaknesses:

Higher Education Institution	Compliance Requirement	Finding Number
Texas Tech University	Eligibility	13-128
	Special Tests and Provisions - Return of Title IV Funds	13-131
University of Texas at Arlington	Special Tests and Provisions - Return of Title IV Funds	13-156

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

Higher Education Institution	Compliance Requirement	Finding Number
Texas A&M University	Special Tests and Provisions - Verification	13-122
	Special Tests and Provisions - Enrollment Reporting	13-123
	Special Tests and Provisions - Student Loan Repayments	13-124
Texas State University - San Marcos	Cash Management	13-125
	Eligibility	13-126
	Special Tests and Provisions - Verification	13-127
Texas Tech University	Special Tests and Provisions - Verification	13-129
	Special Tests and Provisions - Disbursements To or On Behalf of Students	13-130

Higher Education Institution	Compliance Requirement	Finding Number
University of Houston	Special Tests and Provisions - Enrollment Reporting	13-132
	Eligibility	13-143
	Reporting	13-144
	Special Tests and Provisions - Verification	13-145
	Special Tests and Provisions - Return of Title IV Funds	13-146
	Special Tests and Provisions - Enrollment Reporting	13-147
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	13-148
University of North Texas	Eligibility	13-150
University of Texas at Arlington	Eligibility	13-154
	Special Tests and Provisions - Institutional Eligibility	
	Special Tests and Provisions - Verification	13-155
University of Texas at Austin	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	13-157
	Special Tests and Provisions - Verification	13-158
	Activities Allowed or Unallowed	
	Cash Management	
	Eligibility	
	Period of Availability of Federal Funds	
	Reporting	
	Special Tests and Provisions - Separate Funds	
	Special Tests and Provisions - Disbursements To or On Behalf of Students	
	Special Tests and Provisions - Return of Title IV Funds	
University of Texas at Dallas	Special Tests and Provisions - Enrollment Reporting	
	Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)	
	Special Tests and Provisions - Student Loan Repayments	13-159
	Eligibility	13-163
	Special Tests and Provisions - Disbursements To or On Behalf of Students	

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at El Paso	Eligibility Special Tests and Provisions - Disbursements To or On Behalf of Students	13-164

Schedule of Federal Program Expenditures

The accompanying Schedule of Federal Program Expenditures for the Student Financial Assistance Cluster of the State for the year ended August 31, 2012, 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, 2012*.

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 21, 2013

Schedule of Federal Program Expenditures for
The Student Financial Assistance Cluster
For the State of Texas
For the Year Ended August 31, 2012

Schedule of Federal Program Expenditures	
Higher Education Institution Audited	Federal Program Direct Expenditures
Texas A&M University	\$202,827,148
Texas State University - San Marcos	225,294,364
Texas Tech University	190,485,745
University of Houston	210,795,924
University of North Texas	228,219,059
The University of Texas at Arlington	210,017,767
The University of Texas at Austin	325,650,215
The University of Texas at Dallas	89,474,238
The University of Texas at El Paso	146,445,010
The University of Texas at San Antonio	200,950,356
West Texas A&M University	49,712,233
Total Audited Student Financial Assistance Federal Program Expenditures	\$2,079,872,059
<p>Note 1: This schedule of federal program expenditures is presented for informational purposes only. For the State's complete Schedule of Expenditures of Federal Awards, see the <i>State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2012</i>.</p> <p>Note 2: Federal expenditures for the Student Financial Assistance Cluster at state entities not included in the scope of this audit totaled \$1,933,346,485 for the year ended August 31, 2012. Of that amount, \$152,049 was American Recovery and Reinvestment Act expenditures.</p> <p>Note 3: The Student Financial Assistance Cluster of federal funds includes the following federal programs listed by the Catalog of Federal Domestic Assistance (CFDA) Number.</p> <p>The following programs are administered by the U. S. Department of Education:</p> <ul style="list-style-type: none"> • CFDA 84.007, Federal Supplemental Educational Opportunity Grants (FSEOG). • CFDA 84.032, Federal Family Education Loans (FFEL). • CFDA 84.033, Federal Work-Study Program (FWS). • CFDA 84.037, Perkins Loan Cancellations. • CFDA 84.038, Federal Perkins Loan (FPL) - Federal Capital Contributions. • CFDA 84.063, Federal Pell Grant Program (Pell). • CFDA 84.268, Federal Direct Student Loans (Direct Loan). • CFDA 84.375, Academic Competitiveness Grants (ACG). • CFDA 84.376, National Science And Mathematics Access to Retain Talent (SMART) Grants (SMART Grants). • CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants (TEACH Grants). • CFDA 84.408, Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grants (IASG)). <p>The following programs are administered by the U. S. Department of Health and Human Services:</p> <ul style="list-style-type: none"> • CFDA 93.264, Nurse Faculty Loan Program (NFLP). • CFDA 93.342, Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students (HPSL/PCL/LDS). • CFDA 93.364, Nursing Student Loans (NSL). • CFDA 93.407, ARRA - Scholarships For Disadvantaged Students (ARRA-SDS). • CFDA 93.408, ARRA - Nurse Faculty Loan Program (ARRA-NFLP). • CFDA 93.925, Scholarships for Disadvantaged Students (SDS). 	

Schedule of Findings and Questioned Costs

*State of Texas Compliance with
Federal Requirements for the Student
Financial Assistance Cluster of Federal
Programs for the Fiscal Year Ended
August 31, 2012*

Summary of Auditor's Results

Financial Statements

Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2012*.

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:

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

Dollar threshold used to distinguish between type A and type B programs: \$75,562,558

Auditee qualified as low-risk auditee? No

Section 2:

Financial Statement Findings

Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2012*.

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).

Texas A&M University

Reference No. 13-122

Special Tests and Provisions – Verification

(Prior Audit Issue 12-124)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P115286; CFDA 84.038, Federal Perkins Loan, Award Number Not Applicable; CFDA 84.268, Federal Direct Student Loans, P268K125286; CFDA 84.007, Federal Supplemental Education Opportunity Grants, P007A114136; CFDA 84.033, Federal Work-Study Program, P033A114136; CFDA 84.379, Teacher Education Assistance For College and Higher Education Grants, P379T125286; and CFDA 84.408, Postsecondary Education Scholarships for Veteran’s Dependents, P408A115286

Type of finding – Significant Deficiency and Non-Compliance

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, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student’s eligibility results in a total difference of more than \$400 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student’s new information to determine whether an adjustment to Title IV assistance is required (Title 34, CFR, Section 668.59).

Questioned Cost: \$ 0

U.S. Department of Education

Texas A&M University (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop 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 (2011-2012 *Application and Verification Guide*, page AVG-80). As a part of quality improvement for the verification process, the University’s policy requires verifying wages, income exclusions, and all of the items required by Title 34, CFR, Section 668.56.

For 3 (5 percent) of 60 students tested, the University did not accurately verify all required items on the FAFSA, and it subsequently did not update University records and request updated Institutional Student Information Records (ISIR) when required. Specifically:

- For 1 (2 percent) of 60 students tested, the University incorrectly identified the number of household members enrolled at least half-time in college as 2 when the supporting documentation indicated that only 1 household member was enrolled at least half-time. Because the University did not accurately verify the information, it did not request an updated ISIR or adjust the student’s assistance as required. Based on information the University provided, this resulted in a \$6,978 overaward of subsidized Direct Loans. After auditors brought this matter to the University’s attention, the University provided evidence that it corrected this overaward; therefore, there were no questioned costs associated with this error.

- For 1 (2 percent) of 52 students tested for whom the University was required to verify parent income taxes paid, the University incorrectly verified the parent income taxes paid as \$0 when the supporting documentation indicated that amount was \$1,258. Because the University did not accurately verify the information, it did not request an updated ISIR or adjust the student's assistance as required. However, based on information the University provided, this error did not result in an underaward or overaward because it did not affect the student's estimated family contribution.
- For 1 (2 percent) of 58 students tested who received untaxed income, the University incorrectly verified the student's Making Work Pay tax credit as \$0 when supporting documentation indicated that amount was \$78. However, because that amount was less than \$400, the University was not required to request an updated ISIR.

The above errors occurred when University personnel manually verified student verification information. 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 not updating its records, not requesting updated ISIRs when required, and overawarding or underawarding financial assistance.

Recommendation:

The University should implement controls to verify FASFA information, correctly update its records, request updated ISIRs, and adjust financial assistance when required.

Management Response and Corrective Action Plan:

Texas A&M University acknowledges and agrees with the finding. Manual review and entry of data for the verification process allows for human error, thus we have implemented a quality assurance review of all completed verification. In addition, we are in the process of hiring an additional individual whose primary function is verification. We have divided the verification process into steps among two representatives that will ensure each student selected for verification is reviewed by at least 2 personnel, thus providing a quality check that should eliminate discrepant information.

At present we have retrained staff and emphasized the need to carefully review their work using the verification worksheets that are provided to assist with verification completion. We have implemented the quality assurance review as of October 2012. We have submitted a request for information to work with an outside company to perform verification of our files; we will then focus our verification person(s) on quality check of the outside companies work, this will provide continued timely processing of files along with a quality assurance review.

Implementation Date: October 2012

Responsible Person: Delisa Falks

Reference No. 13-123

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K125286

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that

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

institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 685.309(b)).

Texas A&M University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The University does not have an adequate process to report status changes to NSLDS for students who withdraw. The University inadvertently excluded students who withdrew from the automated process it used to report status changes to NSC during the 2011-2012 award year, and it was unaware of this issue until auditors brought it to management's attention. As a result, the University was dependent on NSC to identify students who the University previously reported on roster files but did not report on its current roster file. (When a student withdrew and the University no longer reported the student's enrollment information to NSC, NSC notified the University of that issue through an error report.) To resolve the discrepancies on the error report, the University manually resolved the issues and reported the withdrawal status and date to NSC. However, relying on NSC's error report to identify students who withdraw increases the risk that the University may not report all withdrawn students.

Additionally, for 1 (2 percent) of 61 student status changes tested, the University did not report the change to NSLDS accurately. The student officially withdrew from the University on March 21, 2012, and the University processed the withdrawal on March 23, 2012. When the University manually reported the student's withdrawal date (after receiving an error report from NSC) it incorrectly entered the date on which it processed the withdrawal, rather than the effective withdrawal date.

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

Recommendations:

The University should:

- Update its automated process to report status changes for students who withdraw.
- Report student withdrawal dates based on the effective dates of the withdrawals.

Management Response and Corrective Action Plan:

Texas A&M University acknowledges and agrees with the finding. We have corrected the National Student Clearinghouse automated transmission process that reports status changes for students who withdraw so it will pick up students who have withdrawn, as well as the withdrawal effective date, and report the status changes accurately to the Clearinghouse for update with the NSLDS and student Lenders, Servicers, and Guarantors.

We have begun reporting the withdrawal EFFECTIVE date on error reports received from the Clearinghouse, rather than the withdrawal PROCESS date

Implementation Date: September 2012

Responsible Person: Venesa Heidick

Reference No. 13-124

Special Tests and Provisions – Student Loan Repayments

(Prior Audit Issues 12-126, 11-124, 10-56, and 09-53)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

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

Type of finding – Significant Deficiency and Non-Compliance

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. The institution shall inform the borrower about the total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan (Title 34, Code of Federal Regulations, Section 674.42(c)).

Questioned Cost: \$ 0

U.S. Department of Education

If the institution, or the firm it engages, pursues collection activity for up to 12 months and does not succeed in converting the account to regular repayment status, or the borrower does not qualify for deferment, postponement, or cancellation of the loan, the institution shall either litigate or make a second effort to collect. If the institution first attempted to collect using its own personnel, it shall refer the account to a collection firm (Title 34, Code of Federal Regulations, Sections 674.45(c)).

Texas A&M University (University) did not perform all required contact and collection procedures for defaulted borrowers in a consistent and timely manner. Specifically:

- For 2 (6 percent) of 33 defaulted borrowers tested, the University did not send the required third grace period notice. The University uses the third grace period notice as its 30-day billing notice; as a result, those two students also did not receive the required billing notice. Those errors resulted from a timing error in the University's query to identify students who require grace period notices, and they occurred because the students entered repayment status on the same date on which the University ran its query. Borrowers who do not receive grace period notices may not understand the requirements and obligations for the funds they received. Borrowers who do not receive billing notices may be unaware of payment requirements.
- For 1 (3 percent) of 31 defaulted borrowers tested, the University did not make a second attempt in a timely manner to collect 12 months after the student missed a payment. The University's collection staff is responsible for tracking accounts from the point when they are more than 60 days past due through the date that the University turned over the accounts to an external collection agency. The University asserted that its collection staff did not monitor this account because of staffing issues related to its tracking process. Not turning over accounts to collections in a timely manner delays the effort to establish an acceptable repayment plan with the borrower.

Recommendations:

The University should:

- Configure software parameters and settings so that they do not conflict with internal processes to send required grace period notices.
- Strengthen collection procedures to help ensure that it turns over accounts to external collection agencies in a consistent and timely manner.

Management Response and Corrective Action Plan:

The parameter in our loan system (Campus Loan Manager) that automatically changes the loan status from Grace to Repayment has been re-configured to ensure that the final grace period notification is generated before the status of the loan is changed to Repayment. This parameter was re-configured in July of 2012.

The University has changed its procedure for internal collection to ensure loans are assigned to external collection agencies both in a consistent and timely manner and in accordance with program requirements. The responsibility for managing collection queues has been assigned to one individual. This individual is responsible for organizing and managing collection efforts for all collection staff, which provides better management and oversight of the process. Prior to this change, loans were placed with various internal collectors with each collector responsible for assigning their loans to an outside collection agency. Staff turn-over and/or inconsistent workloads could result in delays in moving loans through the collection process. This change was implemented in September of 2012.

Implementation Date: September 2012

Responsible Person: Bob Piwonka

Texas State University – San Marcos

Reference No. 13-125

Cash Management

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loan Program, P268K120387

Type of finding – Significant Deficiency and Non-Compliance

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. The institution must make the disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds (Title 34, Code of Federal Regulations (CFR), Section 668.162). 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 (Title 34, CFR, Section 668.164). 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 (Title 34, CFR, Section 668.166).

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

For the Direct Loan program, in August 2011 Texas State University– San Marcos (University) based its draw amounts on an inaccurate financial aid disbursement report. The University created that report after it implemented its new student financial aid system, Banner. The report was inaccurate because it included duplicate disbursement transactions; as a result, the University initially overdraw a total of \$20,906,236 in Direct Loan funds on the draws that occurred during August 2011.

The University identified this issue at the end of August 2011 when it verified the cumulative disbursements amount against its general ledger expenditures, and it immediately returned the excess funds to the U.S. Department of Education. On December 12, 2011, the University also calculated and remitted to the U.S. Department of Education \$3,772 in interest earned.

In September 2011, the University implemented a new Direct Loan draw calculation process and began basing its Direct Loan draw amount on a new student financial aid activity report that it reconciles to a general ledger transaction summary report before completing a draw. Auditors tested Direct Loan cash draws that the University made after it implemented the new process and did not identify any compliance issues with those Direct Loan cash draws tested.

Recommendation:

The University should strengthen its cash draw review and approval controls to ensure that it can detect and correct draw calculation errors in a timely manner.

Management Response and Corrective Action Plan:

The University implemented a new Direct Loan draw calculation process in September 2011 and began basing its Direct Loan draw amount on a new student financial aid activity report. The new process requires the new activity report to be reconciled to a general ledger transaction summary report and reviewed and approved by the appropriate supervisor before the university completes a draw.

Implementation Date: September 2011

Responsible Person: Cindy Kruckemeyer

Reference No. 13-126

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P110387; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114122; CFDA 84.033, Federal Work-Study Program, P033A114122; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T120387; CFDA 84.268, Federal Direct Student Loans, P268K120387; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22580

Type of finding – Significant Deficiency and Non-Compliance

Post-baccalaureate Students Receiving Federal 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 (CFR), Section 690.1). In selecting 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, CFR, 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, CFR, Section 690.75(a)(2)).

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

Based on a review of the full population of federal student financial assistance recipients, Texas State University – San Marcos (University) awarded \$47,786 in Pell Grant funds to 13 post-baccalaureate students who were not eligible for that assistance. That occurred because the University’s financial aid system relied on self-reported information from the students’ Institutional Student Information Records (ISIRs), which incorrectly indicated that the students had not yet received a bachelor’s degree. Additionally, the University did not have a control to identify students who had received a baccalaureate degree and a Pell Grant.

After auditors brought this matter to the University’s attention, the University provided evidence that it corrected the above Pell awards.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) program assistance if the student maintains satisfactory progress in his or her course of study according to the institution’s published standards of satisfactory progress that meet the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress when the student is enrolled in a program of study of more than two academic years and, therefore, is eligible to receive Title IV, HEA program assistance after the second year, 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(a)).

According to the University’s satisfactory academic progress (SAP) policy, its Financial Aid and Scholarships Department will review the progress of each financial aid recipient for SAP at the end of each academic year. A student who does not meet the SAP guidelines and who is not already on financial aid probation will be placed on financial aid probation. Students on financial aid probation are eligible to continue receiving financial aid and will be evaluated at the end of the next academic year of attendance. Students can receive one financial aid probationary period during their undergraduate- or certification-seeking career; after that period, their financial aid will be suspended until they meet SAP guidelines or the University grants an appeal exemption.

For 1 (2 percent) of 60 students tested, the University did not evaluate whether the student was making satisfactory academic progress to receive financial aid. The student did not meet the University's SAP guidelines and should have been placed on financial aid probation as required by the University's policy. Although the University did not place the student on financial aid probation as required, the student was still eligible for assistance. The error occurred prior to the University's transition to a new student financial aid system; as a result, the University was unable to determine the cause of the error.

Not evaluating students' satisfactory academic progress increases the risk of awarding financial assistance to ineligible students.

Recommendations:

The University should:

- Award Pell Grant funds only to students eligible to receive those funds.
- Evaluate all students' academic progress prior to awarding financial aid.

Management Response and Corrective Action Plan:

With respect to post-baccalaureate students receiving a Pell Grant, the University purchased and implemented a new Student Information System with a financial aid module designed to properly identify, award and disburse Pell Grant funds to only eligible students. A flaw was detected in the vendor's product during the first year of implementation that allowed a small number of second baccalaureate students to be awarded a Pell Grant. During the same academic year in which this issue was identified, those instances of improper awarding were corrected and the institution implemented additional system code to ensure Pell Grant funds are not disbursed to ineligible second baccalaureate students.

Implementation Date: August 2012

Responsible Person: Dr. Christopher Murr

Regarding the issue of satisfactory academic progress (SAP), the issue was addressed by developing SAP assessment rules in the university's new Student Information System. To ensure a more proactive approach, the rules are now assessed against all students, as opposed to just those submitting a Free Application for Federal Student Aid. This measure will help ensure that all students (regardless of when or whether they apply for financial aid) have been assessed against the satisfactory academic progress requirements for aid eligibility.

Implementation Date: May 2012

Responsible Person: Dr. Christopher Murr

Reference No. 13-127

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114122; CFDA 84.063, Federal Pell Grant Program, P063P110387; CFDA 84.033, Federal Work Study Program, P033A114122; CFDA 84.268, Federal Direct Student Loans, P268K120387; 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T120387; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22580

Type of finding – Significant Deficiency and Non-Compliance

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; 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, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student’s eligibility results in a total difference of more than \$400 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student’s new information to determine whether an adjustment to Title IV assistance is required (34 CFR Section 668.59).

Questioned Cost: \$ 463
U.S. Department of Education

Additionally, on March 31, 2012, the U.S. Department of Education clarified in the *2011-2012 Application and Verification Guide* section of its *Federal Student Aid Handbook*, that the Making Work Pay tax credit should be included in verification as a component of other untaxed income (*2011-2012 Application and Verification Guide*, page AVG-19).

For 25 (47 percent) of 53 students tested who received untaxed income, Texas State University – San Marcos (University) did not verify the Making Work Pay tax credit when it verified the information on the students’ FAFSAs. Of those 25 students, 12 students had errors on their FAFSAs that exceeded \$400; as a result, the University should have requested a new Institutional Student Information Record (ISIR) for those students. For all of those 12 students, the University did not verify the \$800 Making Work Pay tax credit that had been reported on the students’ or parents’ income tax returns. Those errors occurred because the University did not adequately communicate the clarified requirement to its personnel in charge of verification; as a result, it took several months for the University to consistently apply that guidance. Additionally, the University’s policies and procedures did not specifically address the inclusion and verification of the Making Work Pay tax credit as part of untaxed income. Based on information the University provided, these errors resulted in a total overaward of \$463 in Pell funds associated with award P063P110387.

For 1 of the 12 students discussed above, the University also incorrectly verified the student’s unemployment compensation, resulting in an underaward for that student. That occurred because the University incorrectly included unemployment compensation of \$6,899 as other untaxed income when that amount had already been reported as taxable income. Based on information the University provided, this error resulted in an underaward of \$475 in Pell funds associated with P063P110387.

Not correctly verifying all required income components and not requesting and receiving a new ISIR for students who have changes exceeding \$400 resulting from verification could result in the University awarding incorrect amounts of Title IV assistance to students.

Recommendation:

The University should implement additional controls to verify FAFSA information, correctly update its records, and request an updated ISIR when required.

Management Response and Corrective Action Plan:

In terms of verification, there was a definite issue with the proper communication to and understanding by processing staff regarding the proper data entry of the Making Work Pay tax credit. During the same academic year in which this issue was identified, a full re-review of verified student files was undertaken. All students whose relevant tax credit was not correctly considered were remedied and awards adjusted, accordingly. Also, a new assistant director with extensive verification experience was hired to oversee the processing area, and this individual conducted a full review of the overall verification process and implemented new quality controls to ensure compliance.

Implementation Date: August 2012

Responsible Person: Dr. Christopher Murr

Texas Tech University

Reference No. 13-128

Eligibility

(Prior Audit Issues 12-134 and 11-134)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A114151; CFDA 84.033, Federal Work-Study Program, P033A114151; CFDA 84.063, Federal Pell Grant Program, P063P112328; CFDA 84.268, Federal Direct Student Loans, P268K122328; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122328; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Material Weakness and Material Non-Compliance

Cost of Attendance

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

Questioned Cost: \$ 44,518
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 (CFR), Sections 668.2 and 673.5).

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

Texas Tech University (University) has established full-time budgets in its financial aid system, and it prorates those budgets for students enrolled less than full-time. Specifically, the University prorates the tuition and fees expenses and books and supplies expenses to 75 percent of the full-time amount for students with three-quarter-time enrollment and to 50 percent of the full-time amount for students with half-time enrollment. For students enrolled less than half-time, the University prorates those COA components to 25 percent of the full-time amount and removes miscellaneous personal expenses.

For 12 (20 percent) of 60 students tested, the University inconsistently or incorrectly calculated COA. Those errors occurred as a result of (1) the manner in which the University prorated COA for students enrolled less than full-time or (2) manual errors the University made when adjusting COA. One of those students received assistance that exceeded the student’s cost of attendance, resulting in an overaward of \$307 in Direct Loans associated with award P268K122328. Incorrectly or inconsistently calculating COA increases the risk that students may be overawarded or underawarded assistance, or may not be awarded assistance consistently when compared to other students with a similar enrollment status.

In addition, for 1 (2 percent) of 60 students tested, the University did not adjust the award amount for the student after it appropriately adjusted the student’s COA. The University prorated that student’s COA to reflect

the student's enrollment status as required by its policy; however, when it made that adjustment, the University did not adjust the student's award. This resulted in an overaward of \$1,257 in Direct Loans associated with award P268K122328.

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (2011-2012 *Federal Student Aid Handbook*, Volume 3, Chapter 3). Additionally, a student's eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200).

For 2 (6 percent) of 35 students who received Pell Grants tested, the University awarded the students an amount that was less than the amount the students were eligible to receive. Specifically:

- For one student, the University underawarded the student \$1,387 in Pell Grant assistance because it did not update its records to include hours that the student enrolled in through a consortium agreement.
- For the other student, the University underawarded the student \$50 in Pell Grant assistance because it did not adjust the student's Pell Grant award using the correct EFC after it verified the student's Free Application for Federal Student Aid (FAFSA).

Post-baccalaureate and Graduate Students Receiving Pell Grants

In selecting 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, CFR, Section 690.6(a)). For each payment period, an institution may award a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75(a)).

An otherwise eligible student who has a baccalaureate degree and is enrolled in a post-baccalaureate program is eligible to receive a federal Pell Grant for the period of time necessary to complete the program if (1) the post-baccalaureate program consists of courses that are required by a state for the student to receive a professional certification or licensing credential that is required for employment as a teacher in an elementary or secondary school in that state; (2) the post-baccalaureate program does not lead to a graduate degree; (3) the institution offering the post-baccalaureate program does not also offer a baccalaureate degree in education; (4) the student is enrolled as at least a half-time student; and (5) the student is pursuing an initial teacher certification or licensing credential within a state (Title 34, CFR, Section 690.6(c)). In addition, an institution must treat a student who receives a federal Pell Grant under Title 34, CFR, Section 690.6(c), as an undergraduate student enrolled in an undergraduate program for Title IV purposes (Title 34, CFR, Section 690.6(d)).

The University awarded five post-baccalaureate students \$16,625 in Pell grants associated with award P063P112328 for which they were not eligible because they had already received the first baccalaureate degree. That occurred because the University's financial aid system relied on self-reported information from the students' ISIRs, which indicated that the students had not yet received a bachelor's degree. Those students graduated after submitting their FAFSAs but prior to the disbursement of aid for the Fall or Spring terms; however, the University did not have a control to identify students who had received a baccalaureate degree and a Pell Grant.

Additionally, the University's policy is to award Pell Grants to students who are classified as special graduates and who are enrolled in the University's teacher certification program, which the University considers to be an eligible post-baccalaureate program under the provisions discussed above. During the 2011-2012 award year, the University awarded 63 students who had earned their baccalaureate degree and were pursuing a teacher certification a total of \$199,003 in Pell Grants. Thirteen of those students were also seeking a graduate degree or graduate certification and may not have been strictly enrolled in teacher certification courses during the terms for which they received Pell Grants. Additionally, the University awarded 1 of those 13 students \$14,770 in Direct Loans, which exceeded the maximum amount available to an undergraduate student (the University is required to treat those students as undergraduate students for the purposes of awarding Title IV

assistance). The University's process is to classify those students as special graduates (regardless of whether they are also enrolled in a graduate program not related to teacher certification requirements). However, the University has not established adequate controls to ensure that those students do not receive Pell grants for terms in which they are not strictly pursuing a teacher certification.

As a result of the issues described above, the University may have awarded Pell Grants to students who were not eligible for that assistance.

Federal Supplemental Educational Opportunity Grant

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

The University awarded \$17,128 in FSEOG assistance to 10 students who did not receive a Pell Grant during the 2011-2012 award year; it also did not award FSEOG assistance to all other Pell Grant recipients before awarding FSEOG assistance to non-Pell Grant recipients. The University initially determined that those 10 students were eligible for Pell Grants. However, those students became ineligible for Pell Grants after the University verified their FAFSAs prior to disbursing Fall 2011 assistance. The University's financial aid system removed the Pell Grant assistance from those students' awards as a result of the verification, but the University did not manually remove the FSEOG awards at that time. As a result, at the time the University disbursed FSEOG assistance to those students they were not eligible for that assistance.

Satisfactory Academic Progress

Institutions must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive Title IV assistance (Title 34, CFR, Section 668.34(a)). A student is eligible to receive Title IV, Higher Education Act (HEA) program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that meet the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress when the student is enrolled in a program of study of more than two academic years and, therefore, is eligible to receive Title IV, HEA program assistance after the second year, 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(a)).

The University's policy is to evaluate satisfactory academic progress (SAP) for all students at the end of each period of enrollment. The University's policy is to place students in a warning status for one term when they do not comply with its SAP policy. If the student does not comply with the SAP policy for a second term, the student should be placed in a suspension status and is ineligible to receive Title IV assistance until the student submits an appeal and the University approves the appeal, or until the student regains eligibility by complying with the University's SAP policy. However, in practice, it's the University's process to place the student in a warning status for two terms prior to suspending the student's eligibility for Title IV assistance. The University's process is not consistent with its policy for determining compliance with its established SAP standards, which increases the risk that the University could allow students to receive assistance for one term longer than specified by its policy.

Based on the process the University used to calculate SAP during the 2011-2012 award year, for 26 (43 percent) of 60 students tested, the University did not determine the student's compliance with its SAP standards for one or more terms or made errors in determining compliance. Specifically:

- For eight students, the University assigned an inappropriate SAP status. For those students, the University either did not send SAP warnings or sent warnings after the students met SAP. That occurred because of errors in the automated processes the University used to determine compliance with its SAP standards. For example, that process did not correctly determine compliance for prior terms based on the completion requirements that were in effect for those terms.

- For 16 students, the University did not determine SAP status for one or more terms in the award year. The University asserted that errors in its automated SAP determination process caused that issue.
- For two students enrolled in the University's law program, the University did not determine compliance with its SAP policy during the 2011-2012 award year. That occurred because the University did not determine SAP compliance for students enrolled in its law program during the award year. During the 2011-2012 award year, the University disbursed Title IV assistance to 487 students enrolled in its law program.

As a result of the SAP issues discussed above, the University awarded financial assistance to one student who was not eligible for that assistance. That student received \$9,201 in Direct Loans associated with award P268K122328 when the student should have been suspended from receiving that assistance. Not correctly assigning SAP status increases the risk that the University could award Title IV assistance to students who are not eligible for that assistance.

Recommendations:

The University should:

- Correct its process for assigning COAs to students enrolled less than full-time so that it accurately calculates budgets according to the University's policy.
- Award students the correct Pell Grant amounts according to their EFCs and enrollment status.
- Award Pell Grant and FSEOG assistance only to eligible students.
- Seek guidance from the U.S. Department of Education regarding its process for awarding Pell Grants to post-baccalaureate students enrolled in its teacher certification program.
- Develop and implement controls to identify students whose Pell Grant eligibility is affected by verification results, graduation status, and course enrollment.
- Correctly evaluate and assign SAP statuses to students in accordance with its SAP policy.
- Ensure that its SAP determination process is consistent with its SAP policy.

Management Response and Corrective Action Plan:

- *The process for assigning cost of attendance (COA) to students enrolled less than full-time was corrected during the 2011-12 award year when the inaccuracy was discovered.*
- *We will monitor aid year set up to ensure Pell is paying on Estimated Family Contribution calculated on the Financial Aid Management System by reviewing a sample of students prior to budgeting, packaging and awarding for each semester.*
- *Enrollment Planning and Information Systems (EPIS) updated the disbursement rule for TTU fund, Federal Supplemental Educational Opportunity Grant (TSEOG) on approximately 09-15-12 that automatically deposits any TSEOG award if no Pell is awarded for the same term.*
 - *Created an ad hoc report to identify any student with a SEOG award with no Pell award paid for the same term. The object of the report is to identify any student who had previously been Pell eligible and received a SEOG award but after verification was no longer eligible for Pell or SEOG. Report is scheduled and is delivered each Monday. Report began running 08-30-12.*
- *For students pursuing Teacher Certification, procedures were updated to remove Pell awards and manage students as graduate students for budgeting, packaging and awarding. Created an ad hoc report identifying any student pursuing a second degree with a Pell award paid. Report is scheduled and is delivered each Monday. Report began running 08-30-12.*
- *EPIS is developing a series of control reports monitoring Satisfactory Academic Progress (SAP) codes and subsequent packaging and disbursement.*

- *Scheduled completion of these control reports is December 21, 2012.*
- *These reports will be monitored manually by a Student Financial Aid SAP Advisor and if any disbursements or packaging occurs without the appropriate SAP code, Student Financial Aid will report this to EPIS for research and resolution.*
- *EPIS and Student Financial Aid (SFA) adopted the following processes:*
 - *We are assigning all enrolled students with SAP calculated on their academic history.*
 - *We are assigning all historical students with a single SAP code that would change if they enrolled.*
 - *All population selection rules were updated to look for SAP codes before disbursing.*
- *We are now running SAP for all students, including law students, each term. Enrolled students are assessed on the SAP rules and their performances in the term. Historical students are getting a standard SAP code.*
- *We are now performing periodic internal reviews for continued compliance in the area of eligibility.*

Implementation Date: August 2012 – December 2012

Responsible Persons: James Anderson, Paul Blake, Connie Brown, and Shannon Followill

Reference No. 13-129

Special Tests and Provisions - Verification

(Prior Audit Issues 12-136, 11-136, and 09-72)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Education Opportunity Grants, P007A114151; CFDA 84.033, Federal Work-Study Program, P033A114151; CFDA 84.063, Federal Pell Grant Program, P063P112328; CFDA 84.268, Federal Direct Student Loans, P268K122328; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122328

Type of finding – Significant Deficiency and Non-Compliance

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, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student’s eligibility results in a total difference of more than \$400 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student’s new information to determine whether an adjustment to Title IV assistance is required (Title 34, CFR, Section 668.59).

Questioned Cost: \$ 1,870
U.S. Department of Education

Additionally, on March 31, 2011, the U.S. Department of Education clarified in the *2011-2012 Application and Verification Guide* section of its *Federal Student Aid Handbook*, that the Making Work Pay tax credit should be included in verification as a component of other untaxed income (*2011-2012 Application and Verification Guide*, page AVG-19).

For 6 (10 percent) of 60 student verifications tested, Texas Tech University (University) did not retain supporting documentation for all verified amounts. Additionally, the University did not accurately verify all required items on the Institutional Student Information Records (ISIR). Specifically:

- For two student verifications, the University made manual errors to AGI or tax paid amounts in its financial aid system. For those two students, the University also did not accurately verify other untaxed income (see the issue involving the Making Work Pay tax credit discussed below). Based on information the University provided, those errors resulted in an overaward of \$1,125 in Pell grants associated with award P063P112328.
- For four student verifications, the University could not provide evidence of supporting documentation for all verified amounts, including AGI, taxes paid, and untaxed income. For those students, the University obtained the wrong year tax return, did not retain all pages of the tax return that it used for verification, or could not support that it had obtained a tax return. When auditors brought this issue to management's attention, it subsequently obtained support for all four student verifications. Based on information the University provided, these errors did not result in adjustments to the students' ISIRs or awards.

The above errors occurred because of manual errors the University made in verification. Additionally, the University did not perform supervisory or peer review of completed verifications to help ensure the accuracy of those verifications.

In addition, for 51 (88 percent) of 58 students who received untaxed income, the University did not accurately verify the Making Work Pay tax credit when it verified the information on the students' FAFSAs. Of those 51 students, 26 had errors on their FAFSAs that exceeded \$400; as a result, the University should have requested new ISIRs for those students. According to the University, those errors occurred because it did not become aware of the requirement to include the Making Work Pay credit as untaxed income until November 2011. The exclusion of untaxed income from the ISIRs could affect the students' expected family contribution and increases the risk that students could be overawarded Title IV assistance. Additionally, for 1 of those 26 students, the University incorrectly excluded \$2,024 in retirement deferrals from untaxed income. Based on information the University provided, the student's errors related to untaxed income resulted in an overaward of \$745 in Pell grants associated with award P063P112328.

Recommendations:

The University should:

- Accurately update its records and students' ISIRs based on the results of its verification process.
- Retain all support for its verification calculations.
- Verify all components of untaxed income and benefits as required by the *Application and Verification Guide* section of its *Federal Student Aid Handbook*.
- Consider implementing a required supervisory or peer review of completed verifications to help ensure the accuracy of those verifications.

Management Response and Corrective Action Plan:

- *We educated staff on importance of accurately updated verification records and students' Institutional Student Information Report (ISIR) based on the results of verification process.*
- *Educated staff on untaxed income benefits (e.g., Making Work Pay).*
 - *The Making Work Pay was a one-year program. SFA did an internal review of students sampled in terms of tolerance and the effect of awards, if any, and submitted the results to SAO on September 14, 2012. The total of all students' Pell adjustments was \$4,040, and these funds have been returned.*
- *Beginning with the 2012-13 award year, training was provided to all student financial aid staff in regards to the verification components required for students.*

- We educated our staff on the importance of retaining and filing documentation for all special circumstances, budget changes and to support decisions based on professional judgment.
- We have implemented an internal review by student financial aid management of completed verification to ensure the corresponding verification documents are retained in compliance with record keeping and electronic storage requirements. The first internal review will be December 10, 2012, and will continue on a monthly basis.
- Periodic internal review for continued compliance will be administered for areas of verification.

Implementation Date: July 2012 and December 10, 2012 for first internal review.

Responsible Person: Shannon Followill

Reference No. 13-130

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

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.268, Federal Direct Student Loans, P268K122328; CFDA 84.063, Federal Pell Grant Program, P063P112328; and CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114151

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 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: \$2,081

U.S. Department of Education

For 4 (7 percent) of 55 students tested who received 6 disbursements of Direct Loans, Texas Tech University (University) did not send required disbursement notifications within 30 days of disbursement during the Summer 2012 term. The University sent those disbursement notifications between 37 and 58 days after crediting the students' accounts. Those errors occurred because of an error in the query the University used to identify students who received a disbursement during Summer 2012. As a result, students who received a disbursement for Summer 2012 Direct Loans prior to July 26, 2012 did not receive a notification until auditors brought this issue to the University's attention during this audit. Not receiving disbursement notifications promptly could impair students' and parents' ability to cancel their loans.

Accounting for Post-withdrawal Disbursements

If the total amount of Title IV assistance earned by a student is less than the amount than was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, Code of Federal Regulations, Sections 668.22(a)(4)).

For 7 (10 percent) of 67 students tested who withdrew during a semester, the University recorded an additional disbursement to the students for the period of enrollment in which the students withdrew. The

additional disbursements occurred after the University had determined that the students withdrew and after it had completed the return of Title IV funds process for those students. Those errors were related to the manner in which the University recorded the disbursements it made to those students in its financial aid system. Specifically:

- For three students, the University's student financial aid system incorrectly reflected Fall 2011 disbursements when the students had withdrawn during that semester. Those disbursements should have been recorded as Spring 2012 disbursements, during which time the students were enrolled. This occurred because the University did not manually override the default aid packaging in its student financial aid system as Spring-only disbursements. As a result, \$9,587 in Direct Loans funds and \$388 in Federal Supplemental Educational Opportunity Grant funds were incorrectly recorded in the financial aid system as Fall 2011 disbursements instead of Spring 2012 disbursements.
- The University recorded financial aid in the wrong semester for three students who had withdrawn from the University in a prior term, and it disbursed excess aid to two of those students. That occurred because the University incorrectly set up the Summer Pell grant calculation in its student financial aid system. The University identified this issue in early Summer 2012, and it asserted that it reviewed and updated Summer Pell awards based on remaining eligibility. However, the University's review did not detect that, for one student, a \$347 Pell disbursement was incorrectly recorded in the financial aid system for Spring 2012 instead of for Summer 2012. In addition, the University's review did not detect that, for the other two students, disbursements of \$2,775 and \$694 were incorrectly recorded in the financial aid system for Fall 2011 and Spring 2012, respectively, instead of for Summer 2012. For those two students, this error also resulted in a total Pell grant overaward of \$2,081 associated with award P063P112328 (\$1,387 and \$694, respectively).
- For one student, the University incorrectly recorded a disbursement of Direct Loan funds to the student's Spring 2012 law program assistance when the student had withdrawn from that program. The student withdrew from the law program in Spring 2012 and re-enrolled in a graduate program that same semester. However, the student's assistance was incorrectly recorded as a Spring 2012 disbursement in the law program budget group. The University asserted that its student financial aid system does not allow for two different aid periods and budget groups in the same year, and that it could not change the aid period and budget group to the graduate program for Spring 2012. However, the University did not make a manual adjustment to the student's disbursement to correct that error.

Recommendations:

The University should:

- Implement controls to help ensure that it initiates and sends disbursement notifications within required time frames.
- Implement additional controls to help ensure that it correctly records in its student financial aid system disbursements it makes for students who have withdrawn from the University in a previous semester.

Management Response and Corrective Action Plan:

- *We added Teacher Education Assistance for College and Higher Education Grant (TEACH) verbiage in the "right to cancel" notifications to students beginning July 26, 2012.*
- *We updated population selection for summer terms including new account detail codes for processing and reconciliation purposes. Beginning on July 26, 2012, this runs daily for the "right to cancel" letter administration.*
 - *The population selection for summer terms will be reviewed each semester to ensure correct detail codes are included for "right-to-cancel" notifications.*
- *We will monitor aid year set up to ensure Pell is paying on Estimated Family Contribution calculated by the Financial Aid Management System by reviewing a sample of students prior to budgeting, packaging and awarding for each semester.*

- *Periodic internal review for continued compliance will be administered in the areas of disbursements to or on behalf of students.*

Implementation Date: July 2012 while SAO was on-site

Responsible Person: Paul Blake

Reference No. 13-131

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 12-137, 11-138, and 09-74)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112328; CFDA 84.268, Federal Direct Student Loans, P268K122328; CFDA 84.007, Federal Supplement Educational Opportunity Grants, P007A114151; CFDA 84.038, Federal Perkins Loans, Award Number Not Available; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122328

Type of finding – Material Weakness 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, Section 668.22(a)).

Questioned Cost: \$9,881

U.S. Department of Education

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student’s withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of more than 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours (Title 34, Code of Federal Regulations, Section 668.22(e)(2)). Otherwise, the percentage earned by the student is equal to the percentage (60 percent or less) of the payment period or period of enrollment that was completed as of the student’s withdrawal date (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’s (University’s) query to identify students who unofficially withdrew from the University incorrectly excluded some students who may have unofficially withdrawn during the 2011-2012 award year. That occurred because the query included students who received grades of only “F”; as a result, the query excluded students with other combinations of grades that could indicate that they unofficially withdrew. For example, the University’s query did not identify students who dropped some courses and received “Fs” in other courses. Based on information the University provided, the University did not determine whether it needed to return funds for 349 potential withdrawals associated with 335 students. Those students received a total of \$1,995,238 in Title IV assistance for the semesters in which they potentially withdrew during the 2011-2012 award year. Because the University did not request information or calculate returns, auditors could not determine whether the University was required to return Title IV funds for those students.

In addition, the University did not always document or correctly perform return calculations when required. For 9 (16 percent) of 55 students tested who required a Return of Title IV funds calculation, the University either did not document its calculations or did not perform the calculation correctly. Specifically:

- For two students who withdrew from the University's law program, the University did not adjust the students' period of enrollment in its return calculations for those students. Instead, the University incorrectly applied the period of enrollment for students enrolled in its non-law programs. As a result, for one of those students, the University returned \$212 in excess Direct Loan funds. For the other student, the University should have returned (but did not return) \$137 in Direct Loan funds associated with award P268K122328.
- For two students who unofficially withdrew, the University did not calculate whether a return was necessary because it did not request any documentation to determine the students' last date of attendance. As a result of that error, the University also did not determine the students' withdrawal dates within 30 days of the end of the period of enrollment. For one student, the University identified the student in its unofficial withdrawals query, but it did not notify the student of the requirement to provide evidence of the student's last date of attendance as specified in its policies and procedures. That student received \$694 in Pell grants associated with award P063P112328 and \$2,737 in Direct Loan funds associated with award P268K122328. For the other student, the University did not request documentation because the student was excluded from the University's unofficial withdrawal report. That student was excluded from the unofficial withdrawal report because the University had not yet disbursed Title IV assistance to the student when it ran its Fall semester unofficial withdrawal report. The University later disbursed Direct Loan funds to the student, but it never requested any documentation of attendance from the student. The University disbursed a total of \$2,775 in Pell funds associated with award P063P112328 and \$3,538 in Direct Loan funds associated with award P268K122328 to that student.
- For five students who unofficially withdrew, the University correctly determined that the students had completed more than 60 percent of the enrollment period; as a result, the University did not need to return funds for those students. However, the University did not document its return calculation using the U.S. Department of Education's calculation worksheet, as required by its internal procedures.

Recommendations:

The University should:

- Correct its automated unofficial withdrawal report and strengthen its monitoring controls to help ensure that it accurately identifies all unofficial withdrawals and that it determines unofficial withdrawal dates within 30 days of the end of the period.
- Strengthen its controls to help ensure that it accurately determines the payment or enrollment period for all students enrolled in its programs.
- Collect information to determine each student's withdrawal date, and consistently complete return calculations as required by its internal procedures.

Management Response and Corrective Action Plan:

- *We have corrected the automated unofficial withdrawal report to include the following grade codes: 'F', 'DP', 'X', 'W', 'DG', 'DW', 'DX', 'NC', 'NP', 'PR', 'WF'. This correction was completed on August 22, 2012 for immediate utilization for Summer 2 2012 semester. The report will pull students with any of the above grade code combinations.*
- *For the students identified who may have unofficially withdrawn during the 2011-12 award year, SFA launched a campaign with support from the Provost's office in an effort to collect documentation for the 335 students affected. As a result, TTU collected documentation to support \$1,527,419 of the \$1,995,238. The remaining \$467,819 will be returned to the Department of Education.*
- *We have strengthened controls to ensure payment and enrollment periods for all students were accounted for by adding the law school calendar to our current checklist. In addition, we educated our staff on the importance of accurately updating dates for Return of Title IV Funds with regards to the law school calendar.*

- We reviewed our internal procedures and educated our staff to ensure a Return to Title IV calculation is completed for every student regardless of percentage of aid earned (including students earning greater than 60%). We have initiated cross-training for staff with regards to Return to Title IV aid processing.
- We have implemented an internal review by student financial aid management of official and unofficial withdrawals and the corresponding documentation retained to ensure compliance with record keeping and electronic storage requirements. The first internal review occurred December 10, 2012, and will continue on a monthly basis or as necessary.
- Manual periodic internal review for continued compliance will be administered for areas of return of Title IV funds.

Implementation Date: August 2012 while SAO was on-site and December 10, 2012 for first internal review.

Responsible Person: Shannon Followill

Reference No. 13-132

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 12-138, 11-139, and 09-75)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K122328

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis, (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended, or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 685.309(b) and 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. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1).

The University did not always report student status changes to NSLDS in an accurate and timely manner. Specifically:

- For 6 (10 percent) of 61 students tested, enrollment status changes were not reported to NSLDS. For two of those students, the University reported the enrollment status changes in a timely manner to NSC, but the status changes were not reported to NSLDS. The University was unable to determine why NSC did not report these changes to NSLDS. The remaining four students graduated from the University's law school in May 2012, but they were not reported as having graduated to NSC or NSLDS. Those errors occurred because of an inconsistency in the formatting of the file the University uses to send records to NSC. Based on information the University provided, the formatting error resulted in 21 fall law school graduates and 186 spring law school graduates not being reported to NSC or NSLDS.

- For 4 (7 percent) of 61 students tested, an incorrect enrollment status change was reported to NSLDS. The University incorrectly reported all four students as withdrawn when it should have reported them as graduated. The University was unable to identify a cause for those errors.

Automated controls are not operating effectively to help ensure that enrollment files and degree verifications the University submits to NSC are complete and accurate. For example, when the University uploaded one enrollment file to NSC, NSC did not receive information for 47 students because of an inconsistency in one data field. Additionally, the University does not have a monitoring process to help ensure that NSC reports enrollment status information to NSLDS in an accurate and timely manner.

Inaccurate and delayed submission of information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

Recommendations:

The University should:

- Strengthen its automated controls to help ensure that the enrollment files and degree verifications it submits to NSC are complete and accurate.
- Establish and implement policies and procedures to monitor the enrollment status changes that NSC reports to NSLDS on the University's behalf.

Management Response and Corrective Action Plan:

- *We have reviewed error report procedures and automated controls over the File Transfer Protocol (FTP) to ensure enrollment files and degree verifications submitted to the National Student Clearinghouse (NSC) are complete and accurate.*
- *We implemented an additional step in our procedures to monitor whether the enrollment record upload to NSC is accurate and all records sent to NSC are then uploaded to the NSC database. Any records with errors are manually corrected and then uploaded to the NSC database.*
- *We implemented an additional step to monitor enrollment reporting and status changes from NSC to the National Student Loan Data System (NSLDS) by viewing the NSC website and corresponding with NSC to ensure timely upload.*
- *We will review our agreement with NSC and propose stipulations regarding the required number of days to report enrollment status to NSLDS.*
- *We initiated conversations with the Provost to encourage Law School to submit degree information in a timely manner consistent with undergraduate and graduate reporting.*

Implementation Date: August 2012 and December 2012

Responsible Person: Bobbie Brown

University of Houston

Reference No. 13-143

Eligibility

(Prior Audit Issue 12-150)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114166; CFDA 84.033, Federal Work-Study Program, P033A114166; CFDA 84.038, Federal Perkins Loans - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P112333; CFDA 84.268, Federal Direct Student Loans, P268K122333; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122333

Type of finding – Significant Deficiency and Non-Compliance

Post-baccalaureate Student Receipt of Pell Grant

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 (CFR), Section 690.1). An institution must determine whether a student is eligible to receive a Pell grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, CFR, Section 690.6(a)). For each payment period, an institution may pay a Pell grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, CFR, Section 690.75 (a) (2)).

Questioned Cost: \$ 10,894
U.S. Department of Education

One (4 percent) of 26 post-baccalaureate students who received a Pell grant from the University of Houston (University) during the 2011-2012 award year was not eligible for that assistance. The University awarded the student a Pell grant because it did not identify and update its records regarding this student’s degree status in a timely manner. Specifically, the University did not update the student’s record in its financial aid system in a timely manner to reflect that the student had earned a bachelor’s degree in May 2011. As a result, the financial aid system did not prevent disbursement of a Pell grant to the student. This resulted in the disbursement of \$700 in Pell funds associated with award P063P112333 for which the student was not eligible.

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)). An institution’s satisfactory academic progress (SAP) policy should include a qualitative component which consists of grades or other comparable factors that are measureable 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, CFR, Section 668.34).

For 1 (2 percent) of 44 students tested for whom the University was required to review SAP, the University incorrectly determined that the student had made satisfactory academic progress. This error occurred because of incorrect programming logic the University’s financial aid system used to determine whether the student had enrolled in credit hours that exceeded 150 percent of the student’s degree plan. The University’s financial aid system was programmed to identify undergraduate students who exceeded 190 hours as not meeting the University’s SAP policy, but it did not detect that the student exceeded 150 percent of the student’s specific degree plan (180 hours). As a result, the University awarded the student \$10,194 in assistance for which the student was not eligible. This issue affected the following awards:

UNIVERSITY OF HOUSTON

<u>CFDA Name</u>	<u>CFDA</u>	<u>Agency</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Questioned Cost</u>
Perkins Loans	84.038	U.S Department of Education	Award Number Not Applicable	July 1, 2011 to June 30, 2012	\$1,200
Federal Pell Grant Program	84.063	U.S Department of Education	P063P112333	July 1, 2011 to June 30, 2012	\$2,775
Federal Direct Student Loans	84.268	U.S Department of Education	P268K122333	July 1, 2011 to June 30, 2012	\$6,219

Recommendations:

The University should:

- Ensure that all students who receive Pell grants are eligible to receive those grants.
- Limit financial aid system tables for determining compliance with its SAP policy to a maximum time frame of 150 percent of the published length of each educational program.

Management Response and Corrective Action Plan:

We determined why the computer system did not reflect the student’s baccalaureate degree in a timely manner which resulted in that student receiving a Pell Grant award. We have worked with our Admissions and Student Records Offices to modify their business processes to help ensure that the baccalaureate degree is posted timely and that applicants with a degree will not be admitted into an undergraduate program. We have modified our procedures to generate and review a report of all students that transfer with a large number of hours. We have updated our Satisfactory Academic Progress (SAP) policy to comply with Federal requirements and we have changed the maximum time frame limit in the financial aid system to reflect a maximum time frame of 150 percent of the published length of each educational program.

Implementation Date: November 2012

Responsible Persons: Sal Loria, Scott Moore, and Candida DuBose

Reference No. 13-144

Reporting

(Prior Audit Issues 12-151, 11-151, 10-94, and 09-83)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.063, Federal Pell Grant Program, P063P112333

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 2012, Part 5, Student Financial Assistance Cluster, III.L.1.d (page 5-3-22) and Title 34,

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

Code of Federal Regulations, Section 690.83). 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, June 2012, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-33)).

For 1 (2 percent) of 60 students tested, the University of Houston (University) did not report a disbursement to the COD System within 30 days of the disbursement for the Fall 2011 semester. The University reported that disbursement to the COD System 53 days after disbursement. The University initially submitted the disbursement record within the required time frame; however, the COD System rejected that disbursement record because of an inconsistency in the data. Additionally, during the Fall 2011 semester the University did not regularly review files that the COD System rejected. As a result, the University could not ensure that the U.S. Department of Education received all Pell disbursement data in a timely manner during the Fall 2011 semester.

Recommendation:

The University should submit Pell disbursement records to the COD System within the required 30-day time frame and regularly review files that the COD System rejects.

Management Response and Corrective Action Plan:

We have implemented procedures that will help ensure that all Pell disbursement reports to the COD System are submitted within the required 30-day time frame. Procedures are in place to review files that the COD System rejects within 24-48 hours. We have identified issues that prevented these items from being submitted electronically and in a timely manner and have implemented procedures that will help eliminate the need for manual data reconciliation.

Implementation Date: November 2012

Responsible Persons: Scott Moore, Candida Dubose, and Claudia Guzman

Reference No. 13-145

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112333; CFDA 84.0007, Federal Supplemental Educational Opportunity Grants, P007A114166; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122333; CFDA 84.033, Federal Work-Study Program, P033A114166; and CFDA 84.268, Federal Direct Student Loans, P268K122333

Type of finding – Significant Deficiency and Non-Compliance

Making Work Pay Tax Credit

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; 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, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations, Section 668.56).

Questioned Cost: \$ 0

U.S. Department of Education

Additionally, on March 31, 2011, the U.S. Department of Education clarified in the *2011-2012 Application and Verification Guide* section of its *Federal Student Aid Handbook*, that the Making Work Pay tax credit should be included in verification as a component of other untaxed income (*2011-2012 Application and Verification Guide*, page AVG-19).

For 11 (20 percent) of 55 students who received untaxed income, the University of Houston (University) did not verify the Making Work Pay tax credit when it verified the information on the students' FAFSAs. Of those 11 students, 4 had errors on their FAFSAs that exceeded \$400; as a result, the University should have requested a new Institutional Student Information Record (ISIR) for those students. According to the University, those errors occurred because it did not begin verifying the Making Work Pay credit until after receiving guidance from the National Association of Student Financial Aid Administrators (NASFAA) in April 2011. The exclusion of this tax credit from the ISIRs could affect the students' expected family contribution and increases the risk that students could be overawarded Title IV assistance.

Verification Policies and Procedures

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 34, 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 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).

The University's policies and procedures for the verification process did not include three of the seven requirements. Specifically, the University's verification policies and procedures did not include:

- The period within which applicants selected for verification are required to provide the documentation.
- The methods by which the University notifies applicants of the results of verification if it identifies changes in the applicant's EFC or award or loan amounts.
- The procedures for making referrals under Title 34, Code of Federal Regulations, Sec. 668.16.

While the University's revised verification policies and procedures for the 2011- 2012 award year were reviewed and approved by management, that review was not sufficient to detect that certain required elements were not included.

Having inadequate policies and procedures increases the risk that the University may not perform verification in accordance with federal requirements.

Recommendations:

The University should:

- Implement controls to verify all required FAFSA elements, including the Making Work Pay tax credit, and request an updated ISIR when required.
- Include all required elements in its FAFSA verification policies and procedures.

Management Response and Corrective Action Plan:

We have reviewed all students that were required to verify the Making Work Pay tax credit and we have verified all outstanding items and have requested an updated ISIR when necessary. We have implemented a new procedure in the PeopleSoft computer system to identify these students in a timely manner which will help to ensure that FAFSA

verifications requirements are being met. We have updated our verification policies and procedures to comply with Federal requirements.

Implementation Date: October 2012

Responsible Persons: Sal Loria, Scott Moore and Candida DuBose

Reference No. 13-146

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 12-152, 11-153, 10-97, and 09-86)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112333; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114166; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122333; CFDA 84.033, Federal Work-Study Program, P033A114166; and CFDA 84.268, Federal Direct Student Loans, P268K122333

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 the student earned 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 the student earned 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)).

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

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)).

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return, and it must determine which funds were disbursed directly to a student. For funds that were disbursed directly to the student, the institution must notify the lender or the Secretary of the U.S. Department of Education that the student did not begin attendance so that the Secretary can issue a final demand letter (Title 34, Code of Federal Regulations, Section 668.21). 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 27 (69 percent) of the 39 students tested who unofficially withdrew, the University of Houston (University) did not determine the withdrawal dates within the required 30-day time frame. Specifically:

- For 24 students with unofficial Fall semester withdrawals, the University’s determination of the withdrawal date was 31 days after the end of the semester. The University’s procedures to identify unofficial withdrawals require students who received all Fs in a semester to complete a proof of course completion form providing evidence that they had attended at least one class. However, to determine the withdrawal dates the University incorrectly used the date on which it ran the query to identify students who received all Fs (instead of the date on which it actually determined that the students had withdrawn or never attended).

- For two students with unofficial Fall semester withdrawals, the University determined the withdrawal dates for the students 115 days and 156 days after the end of the period of enrollment. Those errors resulted from an error in the University's January 2012 query to identify students who received all Fs for the Fall semester. The University identified the error in March 2012, more than 30 days after the end of the Fall semester. Based on a discussion with management, the error resulted in an additional 43 students whose withdrawal dates were identified more than 30 days after the end of the Fall semester. Additionally, the University granted one of the two students an extension to the deadline for submission of acceptable proof of course completion documentation.
- For one student with an unofficial Spring semester withdrawal, the University's determination of the withdrawal date occurred 90 days after the end of the period of enrollment. The University identified the student in the query it ran in May 2012; however, the University did not request proof of course completion from the student until August 2012.

When the University does not identify unofficial withdrawals within the required time frame, this increases the risk that it will not return unearned funds to the U.S. Department of Education in a timely manner.

Recommendations:

The University should:

- Use the actual date that it determined the withdrawal date for a student who withdraws without providing notification as the "institution determination date" and ensure that this date is no later than 30 days after the end of the semester.
- Identify all unofficial student withdrawals in a timely manner.
- Implement additional review controls to consistently (1) send out proof of course completion form requests to all students with unofficial withdrawals and (2) enforce deadlines that it grants to students for returning acceptable proof of course completion documentation.

Management Response and Corrective Action Plan:

We have modified our procedures to help ensure that all staff use the correct withdrawal date on the Title IV Return calculation. Procedures are in place to identify unofficial withdrawals in a timely manner and to help ensure that the "institution determination date" is used in the Return of Title IV calculation. We have implemented procedures to identify students that require a Return of Title IV calculation within the required 30 day time frame after we become aware of the students' non-attendance. Written procedures have been modified to clarify the timeline for determining a student's withdrawal date. Procedures have been implemented to send out proof of course completion form requests to all students with unofficial withdrawals and to enforce deadlines that it grants to students for returning acceptable proof of course completion.

Implementation Date: November 2012

Responsible Persons: Sal Loria, Scott Moore, and Candida DuBose

Reference No. 13-147

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 12-153, 11-154, 10-98, 09-87, 08-74, and 07-58)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K122333

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Federal Family Education Loan (FFEL), Direct Subsidized, Direct Unsubsidized or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Sections 685.309(b) and 682.610(c)).

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

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to 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).

Additionally, the *NSLDS Enrollment Reporting Guide* specifies that, in the case of a student who completes a term and does not return for the next term, the institution should report the final day of the term in which the student was last enrolled as the status change date (*NSLDS Enrollment Reporting Guide*, Appendix A-3).

For 8 (13 percent) of 60 student status changes tested, the University did not report the change to NSLDS in an accurate or timely manner. Specifically:

- One student officially withdrew from the University for medical reasons in December 2011 with an effective withdrawal date of October 11, 2011. However, because the registrar’s office did not process the student’s medical withdrawal until January 2012, which was after the end of the Fall term, the University’s automated process to report status changes did not capture the medical withdrawal date recorded in the financial aid system. Instead, in February 2012, the University incorrectly reported the student’s withdrawal date as the last day of the Fall term. In May 2012, the University corrected the effective date of the withdrawal manually. However, that manual correction was overwritten by the University’s automated process to report status changes in June 2012, when the University again reported the student’s withdrawal date as the last day of the Fall term.
- For three students who completed the Fall 2011 term and subsequently canceled their Spring 2012 enrollment after they were placed on academic suspension, the University incorrectly reported the withdrawal date. Although the University initially reported the final day of the Fall term as the withdrawal date, it subsequently reported the date on which the academic suspension process ran in the financial aid system as the withdrawal date because that was the withdrawal date recorded in the financial aid system.
- For four students who unofficially withdrew in the Spring 2012 term, the University reported incorrect withdrawal dates to NSC. All four students earned all non-passing grades in the Spring and did not provide evidence that they attended during the term. As a result, in June 2012, financial aid staff determined that those students had never attended the Spring 2012 term and returned all Title IV assistance as required. In August 2012, the financial aid office manually reported the four students as withdrawn to NSLDS using the first day of the Spring 2012 term as the withdrawal date instead of the final day of the Fall 2011 term as required. The University asserted that this error occurred because staff were unaware of the requirement to report the final day of the term in which the student was last enrolled. (In addition, for one student, the financial aid office manually

reported the student's withdrawal three days late.) The registrar's office subsequently ran its automated process for reporting student status changes to NSC; that process overrode the manual updates for three of the four students: the automated process incorrectly reported two students with withdrawal dates at the end of the Spring 2012 term and it incorrectly reported the other student as full-time. Those errors occurred because the University does not have a process to ensure that financial aid staff and the registrar's office coordinate on enrollment reporting, including communicating unofficial withdrawals to the registrar.

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

Recommendations:

The University should:

- Ensure that its automated process for reporting student status changes captures the withdrawal dates for students whose official withdrawals are processed after the end of a term.
- Report the final day of the term in which a student was last enrolled as the withdrawal date for students who complete a term and do not return for the next term.
- Implement a process to help ensure that financial aid staff and the registrar's office coordinate on enrollment reporting, including communicating unofficial withdrawals to the registrar's office so that the University accurately reports student status change dates and types to NSLDS in a timely manner.

Management Response and Corrective Action Plan:

Procedures have been implemented to help ensure that automated processes for reporting student status changes captures the withdrawal dates for students whose official withdrawals are processed after the end of a term. Procedures have been implemented to report the final day of the term in which a student was last enrolled as the withdrawal date for students who complete a term and do not return for the next term. Procedures have been implemented to help ensure that all unofficial withdrawals are reported to the NSC within the required timeframe and to help ensure that student status changes are reported to NSLDS in a timely manner. We work with the Registrar's staff weekly on enrollment reporting, including communicating unofficial withdrawals to the registrar's office so that we can help to ensure that we accurately report student status change dates and types to NSLDS in a timely manner.

Implementation Date: December 2012

Responsible Persons: Sal Loria, Scott Moore, and Candida DuBose

Reference No. 13-148

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

(Prior Audit Issues 12-154 and 11-155)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K122333

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, which consists of a cash summary, cash detail, and (optional at the request of the institution) loan detail records. The institution is required to reconcile these files to its financial records on a monthly basis. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Section 685.102(b), and *Direct Loans School Guide*, Chapter 6, Reconciliation).

Questioned Cost: \$ 0

U.S. Department of Education

For 1 (2 percent) of 60 students tested, the University of Houston (University) did not report a disbursement to the COD System within 30 days of the disbursement. While the University originally reported the disbursement within 30 days, the COD system rejected it and the University's financial aid system placed it on hold. The University did not review its *Loan on Hold* report regularly and, as a result, it did not identify the error promptly. The University later adjusted the award amount and reported the disbursement again to the COD System 156 days after the disbursement. As a result, the U.S. Department of Education did not receive Direct Loan disbursement data for the student associated with that disbursement in a timely manner.

While the University has developed and implemented procedures to reconcile its detailed financial aid disbursement records to the SAS files it receives each month, it did not document the reconciliations it performed during the award year for disbursement records. The University uses an automated process to reconcile the SAS files to the University's financial aid system. While the reconciliation produces a report that the University asserts it reviews, the University did not document that review. Additionally, the reconciliation does not include a review of the cash detail or cash summary records as required by the *Direct Loan School Guide*, Chapter 6, Reconciliation, pages 6-71 through 6-76.

Not documenting reconciliations increases the risk that the reconciliations will not be performed and that inaccurate and incomplete Direct Loan disbursement data could be reported to the DLSS. That could result in the University being required to make repayments.

Recommendations:

The University should:

- Submit Direct Loan disbursement reports to the COD System within the required 30-day time frame.
- Document its reconciliations between SAS files and its financial aid system in accordance with the requirements in the *Direct Loan School Guide*.

Management Response and Corrective Action Plan:

We have implemented procedures that will help ensure that all loan disbursement reports to the COD System are submitted within the required 30-day time frame. We have identified issues that prevented these items from being submitted electronically and in a timely manner and have implemented procedures that will help eliminate the need for manual data reconciliation. New procedures have been implemented to document the reconciliation of financial records of loan disbursements against SAS data files on a monthly basis. New procedures are in place to help ensure that we are in accordance with the requirements in the Direct Loan School Guide.

Implementation Date: *November 2012*

Responsible Persons: *Sal Loria, Scott Moore, and Lear Hickman*

University of North Texas

Reference No. 13-150

Eligibility

(Prior Audit Issue 12-155)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114085; CFDA 84.033, Federal Work-Study Program, P033A114085; CFDA 84.038, Federal Perkins Loan-Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P112293; CFDA 84.268, Federal Direct Student Loans, P268K122293; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122293

Type of finding – Significant Deficiency and Non-Compliance

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

Questioned Cost: \$ 8,776

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 (CFR), Sections 668.2 and 673.5).

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

During the Fall 2011 term, the University of North Texas (University) used full-time budgets to determine COA for all students receiving financial assistance who applied for Title IV assistance prior to the Fall 2011 census date, regardless of each student's actual or anticipated enrollment. As a result, for 7 (12 percent) of 60 students tested, the University incorrectly calculated the students' COA for the Fall 2011 semester. However, based on those students' actual enrollment information, those seven errors did not result in overawards of Title IV assistance. Although those errors did not result in overawards, using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of overawarding financial assistance.

The University revised its process to begin surveying some students to determine their anticipated enrollment and manually adjust COA for those students, when necessary, for the Spring 2012 semester. However, it surveyed only students who were originally budgeted at full-time in Fall 2011 and did not enroll in sufficient hours to be classified as a full-time student in Fall 2011. That approach increases the risk of awarding financial assistance that exceeds financial need because not all students received the University's survey. The University further revised that process for the Summer 2012 term.

In addition, for 1 (2 percent) of 60 students tested, the University incorrectly overawarded the student \$8,776 in Direct Loans associated with award P268K122293 as part of the student's Spring 2012 assistance. The University originally calculated that student's COA based on full-time enrollment for the Fall 2011 and Spring 2012

semesters. However, the student did not attend during Fall 2011 and attended three-quarter time during Spring 2012. The University asserted that this error occurred because it did not correctly adjust the student's assistance when the student was listed on an automated exception report that indicated a potential overaward resulting from the student's Spring-only enrollment.

Recommendations:

The University should:

- Develop a process to determine each student's COA and financial need based on the student's expected or actual enrollment.
- Make adjustments to assistance when students attend only one semester to help ensure that it does not award assistance to students who are not eligible to receive that assistance.

Management Response and Corrective Action Plan:

- *Management has developed a process to determine each student's COA and financial need based on the student's expected enrollment.*

Implementation Date: January 2012

- *Management has addressed the overaward with the employee responsible for making the error for the student in question. The overaward is being corrected.*

Implementation Date: December 2012

Responsible Persons: Zelma DeLeon and Lacey Thompson

University of Texas at Arlington

Reference No. 13-154

Eligibility

Special Tests and Provisions – Institutional Eligibility

(Prior Year Audit Issue 12-156)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112335; CFDA 84.268, Federal Direct Student Loans, P268K122335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122335; CFDA 84.033, Federal Work-Study Program, P033A114172; CFDA 93.264, Nurse Faculty Loan Program, E01HP12986; CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP18579; CFDA 93.407, ARRA – Scholarships for Disadvantaged Students, T0AHP18297; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Questioned Cost: \$ 3,203

U.S. Department of Education

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

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

For 12 (20 percent) of 60 students tested, the University of Texas at Arlington (University) incorrectly calculated COA. Specifically:

- For seven of those students, the University incorrectly calculated COA because it used full-time budgets to determine the COA for all students receiving assistance in the Summer 2011 and Fall 2011 semesters, regardless of each student's actual or expected enrollment. The University awarded one of those students Title IV assistance that exceeded his financial need, which resulted in an overaward of \$1,344 in Direct Subsidized Loans associated with award P268K122335.
- For the other five students, the University incorrectly calculated COA because it calculated COA for Summer 2011 graduate students using undergraduate room and board budgets.

In addition, for 1 (2 percent) of 60 students tested, the University did not adjust the award amount for a student after it appropriately adjusted that student's COA. The University originally calculated that student's

COA at a full-time status, and it later updated that COA to reflect three-quarter-time enrollment. However, when it made that adjustment in accordance with its policy for determining COA, it did not adjust the student's award. That resulted in an overaward of \$1,859 in Direct Unsubsidized Loans associated with award P268K122335.

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (2011-2012 *Federal Student Aid Handbook*, Volume 3, Chapter 3). Additionally, a student's eligibility for a Pell Grant must first be determined and considered before the student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200).

In selecting 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, CFR, 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, CFR, Section 690.75(a)).

For 1 (3 percent) of 38 Pell Grant recipients tested, the University incorrectly calculated and awarded a Pell Grant. That error occurred because the University made a manual error while calculating the student's Pell grant amount, which resulted in an overaward of \$63 in Pell grant funds. After auditors brought this issue to its attention, the University provided evidence that it corrected that error.

In addition, the University disbursed \$10,513 in Pell Grants to four students who had previously obtained an undergraduate degree. That error occurred because the students did not indicate on their ISIRs that they had already graduated. After auditors brought this issue to its attention, the University provided evidence that it corrected those errors.

Satisfactory Academic Progress

A student is eligible to receive Title IV Higher Education Act Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory academic progress that meet the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)).

An institution's satisfactory academic progress (SAP) policy should specify the grade point average (GPA) that a student must achieve at each evaluation or, if GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm. The SAP policy also should specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the program's maximum time frame, and it should specify how a student's GPA and pace of completion are affected by incompletes, withdrawals, repetitions of courses, and transfers of credits from other institutions. For an undergraduate program measured in credit hours, the maximum time frame for a student to complete the program is no longer than 150 percent of the published length of that program (Title 34, CFR, Section 668.34).

The University's SAP policy does not comply with all federal requirements. Specifically, the policy does not explain how transfer credits affect a student's pace of completion and it also does not restrict the maximum number of hours allowed to 150 percent of the published length of the programs for some programs. The SAP policy establishes a maximum time frame of 186 hours for undergraduate students; however, the University offers programs that require fewer than 124 credit hours. That issue increases the risk that the University could award assistance to students who may not have made satisfactory academic progress and, therefore, may not be eligible for that assistance.

The University established guidelines in its student financial aid system that are inconsistent with its SAP policy; therefore, its student financial aid system does not ensure that the University will correctly identify some students who may not comply with its SAP policy. While the SAP policy states that students working toward a master's degree can attempt a maximum of 54 hours and post-baccalaureate students can attempt a maximum of 45 hours, the University established limits in its student financial aid system of between 60 and 100 hours for students working toward a master's degree and 175 hours for post-baccalaureate students. Additionally,

while the University's SAP policy states that repeated and remedial coursework should be included in the student's GPA calculation, the GPA calculation in the University's student financial aid system does not include that coursework. Those issues increase the risk that the University could award financial assistance to students who do not comply with its SAP policy.

Recommendations:

The University should:

- Calculate each student's COA based on the student's actual or expected enrollment status.
- Calculate each student's COA based on the correct budget.
- Correctly calculate and review all Pell Grant awards and award Pell Grant only to eligible students.
- Update its SAP policy to comply with federal requirements.
- Program its student financial aid system in a manner that is consistent with its SAP policy.

Management Response and Corrective Action Plan:

1. *UT Arlington has developed a process where students report expected enrollment directly into the PeopleSoft system. This information is then used to calculate the COA based on expected enrollment.*

Implementation Date: Developed in March, 2012 and implemented for the 2012-2013 award year.

Responsible Persons: Beth Reid and Karen Krause

2. *UT Arlington Financial Aid staff has developed a new query to identify all students who are admitted as a second bachelor's degree student but who incorrectly indicated on the FAFSA that they do not yet have a bachelor's degree. The query has been tested, and is currently being run monthly to ensure that no students who have bachelor's degrees are awarded Federal Pell Grants. The query was run for the 2011-2012 award year, and awards for all ineligible students have been returned to the U. S. Department of Education.*

Implementation Date: Query was developed, tested, and implemented in October, 2012.

Responsible Person: Jason Young

3. *UT Arlington has developed an SAP policy that meets federal requirements.*

- *UT Arlington revised its academic programs in 2009-2010 in the Undergraduate Catalog to reduce the number of hours required for undergraduate programs from 124 to 120. For 2011-2012, undergraduate students completing their degrees were under the academic requirements of the previous University Catalog. Therefore, the decision was made to allow those students up to 186 hours to complete the degrees. The maximum number of hours allowed under the SAP policy has been revised for the 2012-2013 award year based on the revisions to the academic programs as outlined in the updated Undergraduate Catalog.*
- *There was a set up error in one table defining the maximum attempted hours for the master's degree that was corrected in September, 2012. However, because there is an additional table that also monitors the maximum hours for master's students, no ineligible students received financial aid.*
- *The SAP policy for post-baccalaureate students indicates that these students have eligibility to receive aid for 45 hours. Because the rules established in the University's student information system also includes all undergraduate hours attempted, the hours indicated in the system set up must accommodate all undergraduate hours.*

Implementation Date: The SAP calculation actually matches the policy; however, the language in the written policy for post-baccalaureate students was revised in November, 2012 to more clearly describe the actual set up in the student information system.

Responsible Persons: Karen Krause Beth Reid, and Tanya Vittitow

Reference No. 13-155

Special Tests and Provisions – Verification

(Prior Audit Issue 12-158)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112335; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114172; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants (TEACH Grants), P379T122335; CFDA 84.033, Federal Work-Study Program, P033A114172; CFDA 84.268, Federal Direct Student Loans (Direct Loan), P268K122335; and CFDA 93.264, Nurse Faculty Loan Program, E01HP12986

Type of finding – Significant Deficiency and Non-Compliance

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, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student’s eligibility results in identifying an error in the non-dollar items (such as household size) used to calculate the student’s expected family contribution, or in a total difference of more than \$400 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student’s new information to determine whether an adjustment to Title IV assistance is required (Title 34, CFR, Section 668.59).

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

Additionally, on March 31, 2011, the U.S. Department of Education clarified in the *2011-2012 Application and Verification Guide* section of its *Federal Student Aid Handbook*, that the Making Work Pay tax credit should be included in verification as a component of other untaxed income (*2011-2012 Application and Verification Guide*, page AVG-19).

For 2 (3 percent) of 60 students tested, the University of Texas at Arlington (University) did not accurately verify the number of household members enrolled in college. As a result, the University did not request new Institutional Student Information Records (ISIRs) for those students at the time of verification. For one student, the University determined that one household member was enrolled in college when the supporting documentation indicated that two household members were enrolled in college. Based on information the University provided, that resulted in an underaward of \$1,275 in Pell grants. However, the University corrected that underaward after auditors brought this issue to its attention. For the other student, the University determined that two household members were enrolled in college when the supporting documentation indicated that one household member was enrolled in college. Based on information the University provided, that did not affect the amount of assistance awarded.

According to University personnel, those errors were due to manual errors made during the verification process.

Additionally, for 17 (28 percent) of 60 students who received untaxed income, the University did not accurately verify the amount of other untaxed income, including the Making Work Pay tax credit, when it verified the students’ FAFSAs. Nine of those 17 students had errors on their FAFSAs that exceeded \$400; as a result, the University should have requested (but did not request) new ISIRs for those students. Those errors occurred because the University did not consistently verify the Making Work Pay tax credit when it initially completed verifications for the 2011-2012 award year in March 2011 and April 2011. Based on information the University provided, those errors resulted in an overaward of \$800 in Pell grant funds associated with award P063P112335. However, the University corrected those overawards after auditors brought this issue to its attention.

Additionally, for one of those students, the University did not accurately verify the amount of child support received in untaxed income. Based on information the University provided, that error resulted in an underaward of \$200 in Pell grant funds associated with award P063P112335. However, the University corrected that underaward after auditors brought this issue to its attention.

Recommendation:

The University should implement controls to verify FAFSA information, correctly update its records, and request updated ISIRs when required.

Management Response and Corrective Action Plan:

The UT Arlington Office of Financial Aid staff had completed over 4,000 verifications for the 2011-2012 award year prior to the Making Work Pay regulation publication in March, 2011. In late November, 2011, the University was instructed by the U.S. Department of Education to review all of the files that were verified prior to the announcement. We began that process in December, 2011; however, due to the late notification, we were unable to complete a 100% review. For those reviewed, the majority ISIRS called for verification were within the \$400 tolerance. Corrections were made to those outside the tolerance. The requirement to include this data element in the verification process is no longer in place; therefore, there is no corrective action required for this specific item for 2012-2013.

The UT Arlington Office of Financial Aid management team has provided training opportunities for the verification staff to ensure that they understand the verification requirements, specifically those related to determining household members enrolled in college. The Assistant Director for Processing also completes a sample review of all verified files on a monthly basis to determine if there are training issues or errors made in the sample files. If so, corrective action is taken.

Implementation Date: The review process began during the 2010-2011 award year and continues.

Responsible Person: Jason Young

Reference No. 13-156

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 12-160 and 10-112)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114172; CFDA 84.038, Federal Perkins Loan - Federal Capital Contributions, Award Number Not Applicable; CFDA 84.063, Federal Pell Grant Program, P063P112335; CFDA 84.268, Federal Direct Student Loans, P268K122335; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122335

Type of finding – Material Weakness and Material Non-Compliance

Calculation and Return of Title IV Assistance

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, CFR, Section 668.22(a)(4-5)).

Questioned Cost: \$5,132

U.S. Department of Education

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

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

Within 30 days of the date that an institution determines that a student has withdrawn, it must send a notice to the student if that student owes a grant overpayment as a result of the student's withdrawal from the institution in order to recover the overpayment (Title 34, CFR, Section 668.22(h)(4)(ii)). A student who owes an overpayment under this section remains eligible for Title IV assistance through and beyond the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment if the student (1) repays the overpayment in full to the institution, (2) enters into a repayment agreement with the institution in accordance with repayment arrangements satisfactory to the institution, or (3) signs a repayment agreement with the Secretary of the U.S. Department of Education (Title 34, CFR, Section 668.22(h)(4)(i)). If the student does not meet those requirements or fails to meet the terms of the repayment agreement with the institution or with the Secretary of the U.S. Department of Education, that student is not eligible for Title IV assistance (Title 34, CFR, Section 668.22(h)(4)(iv)).

An institution must refer to the Secretary of the U.S. Department of Education, in accordance with procedures required by the Secretary of the U.S. Department of Education, an overpayment of Title IV, Higher Education Act grant funds owed by a student as a result of the student's withdrawal from the institution if (1) the student does not repay the overpayment in full to the institution, or enter a repayment agreement with the institution or the Secretary of the U.S. Department of Education within the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment, (2) at any time the student fails to meet the terms of the student's repayment agreement with the institution, or (3) the student chooses to enter into a repayment agreement with the Secretary of the U.S. Department of Education (Title 34, CFR, Section 668.22(h)(4)(iv)).

For 26 (51 percent) of 51 students tested for whom the University of Texas at Arlington (University) was required to determine whether a return was required, the University did not correctly calculate the required return using its return calculation process. Specifically:

- **For 12 students who unofficially withdrew, the University did not accurately determine their withdrawal dates.** For 11 of those students, those errors occurred because the University initially noted the withdrawal dates as halfway through the semester, and it did not revise those dates in its return calculations for students who did not provide evidence that they attended during the term. Although the University initially incorrectly calculated the amount it should return, it later returned all required funds for those students when it determined that those students had not begun attendance for a term. For the remaining student, the University calculated the amount to be returned based on a date that differed from the date of the student's last attendance that was specified in supporting documentation. As a result of that error, the University returned \$3,769 in excess funds for that student.
- **For 14 students, the University did not correctly calculate the number of days in the payment period.** That occurred because (1) the University used an incorrect number of days for its spring break period when it determined the length of the period of enrollment and (2) the University incorrectly calculated the enrollment period for some students enrolled in its dynamic sessions, which vary in length. For five of those students, although the University incorrectly calculated the number of days in the payment period, it was not required to return funds for those students. For seven students, the University did not return \$763 in Direct Loan funds associated with award P268K122335. Additionally, for one of those seven students, the University did not return funds or notify the student that the student was required to return \$136 in Pell Grant funds associated

with award P063P112335. The University also did not report a grant overpayment to the U.S. Department of Education as required. For the remaining two students, the University returned \$1,085 in excess funds.

- **In addition, for 2 (6 percent) of 34 students tested for whom the University correctly calculated the amount to be returned, the University did not ensure that all required grant funds were returned to the U.S. Department of Education or notify the U.S. Department of Education of grant overpayments to those students.** The University's process is to calculate the amount that both it and the student are required to return, and to return its portion of those funds. The University then notifies the student of the amount it returned, but it does not inform students of the portion they are required to return. As a result, the students did not return \$501 in Pell Grant funds associated with award P063P112335. In addition, the University did not provide evidence that it reported those grant overpayments to the U.S. Department of Education as required by Title 34, CFR, Section 668.22(h)(4)(iv). Additionally, for one of those students, the University disbursed \$3,732 in Direct Loan funds associated with award P268K122335 more than 45 days after the date that it was required to notify the student that a return of Title IV funds was processed.

The University has not established adequate controls to ensure that it correctly calculates return amounts or that it notifies students of the amount of Title IV funds they are required to return. Specifically, auditors noted that the University manually enters some student information into the return of Title IV calculator in its PeopleSoft accounting system instead of relying on automated controls in that system. In addition, the University does not review the calculations after this data entry. This increases the risk of errors in return calculation and the risk that the University will not return the correct amount of Title IV assistance to the U.S. Department of Education.

Timeliness of Returns and Withdrawal Date Determinations

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, CFR, Section 668.22(j)(2)). In addition, 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 as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (Title 34, CFR, Sections 668.22(j)).

For 15 (36 percent) of 42 students tested for whom the University was required to return funds, it did not return those funds within 45 days of determining those students' withdrawal dates. For 14 of those students, the University returned required funds between 68 and 353 calendar days after it determined that the students withdrew. For the remaining student, the University had not yet returned funds at the time of the audit due to errors in its calculations discussed above.

In addition, for 9 (50 percent) of 18 students tested who unofficially withdrew, the University did not determine the students' withdrawal dates within 30 days of the end of the semester. For those nine students, the University determined their Fall term withdrawal dates 220 calendar days after the end of that term. Those errors resulted from the University's manual process to identify and process returns, and from a lack of supervisory review over that process.

Unofficial Withdrawals Query

The University's query to identify students who unofficially withdrew during the 2011-2012 award year incorrectly excluded some students who may have unofficially withdrawn during the year. That occurred because the query included students who only received grades of "F"; as a result, the query excluded students with other combinations of grades that could indicate that they unofficially withdrew. For example, the University's query did not identify students who dropped some courses and received "Fs" in other courses. Based on information the University provided, the University did not determine whether it needed to return funds for 235 students who received a total of \$1,278,103 in Title IV assistance for the semesters in which they potentially withdrew during the 2011-2012 award year. Because the University did not request information or calculate returns, auditors could not determine whether the University was required to return Title IV funds for those students.

Recommendations:

The University should:

- Calculate returns correctly.
- Strengthen controls to help ensure that it accurately determines the payment period or period of enrollment for all students enrolled in its programs.
- Notify students of required returns and, when required, report grant overpayments to the U.S. Department of Education.
- Establish and implement a sufficient review process to help ensure that it calculates and processes manually initiated returns in a timely manner.
- Return funds within 45 days of determining that students withdrew.
- Correct its unofficial withdrawals query and strengthen its monitoring controls to help ensure that it accurately identifies all unofficial withdrawals and that it determines unofficial withdrawal dates within 30 days of the end of the period.

Management Response and Corrective Action Plan:

1. *For students who unofficially withdraw, the University is returning all Title IV funds for the period when we are unable to determine that the student began attendance for the term. UT Arlington management team has provided training opportunities for the R2T4 staff to ensure the policies and procedures for determining attendance in a term are followed.*

Implementation Date: December 2012

Responsible Persons: Karen Krause and Lea Anne Sikora

2. *The Office of Financial Aid will work more closely with the Office of Admissions, Records and Registration to correctly calculate the number of break days specifically in the spring term. The Office of Financial Aid was provided incorrect information concerning the spring break period due to a misunderstanding about how we should count Saturday classes. A full discussion between office personnel has occurred, and correct information has been provided to our office for the 2012-2013 award year.*

Implementation Date: The review discussion occurred in September, 2012 for implementation in spring 2013.

Responsible Persons: Karen Krause, Lea Anne Sikora, Richard Jimmerson, and Tanya Vittitow

3. *The university has revised its policy and procedures with regard to grant overpayments due from the student to the U.S. Department of Education. Per the updated policy, all grant funds to be returned by the student will be returned by UT Arlington on the student's behalf. The university will then collect the funds from the student. A 100% review of all students subject to the R2T4 calculation has been completed of the 2011-2012 and the 2012-2013 award years, and all identified required grant funds to be returned by the student were returned by UT Arlington on the students' behalf.*

Implementation Date: This process was implemented in November, 2012.

Responsible Persons: Lea Anne Sikora and Tanya Vittitow

4. *Not all students that were withdrawn and/or making an "F" were captured in the original R2T4 query. The query has been tested and found to be accurate. The university ran the updated query and has returned the funds required for all students who appeared on the updated query for the 2011-2012 and 2012-2013 award years. All students were notified of the changes as a result of the R2T4 calculation.*

Implementation Date: The query was updated in September, 2012 and implemented immediately.

Responsible Persons: Dennis O'Hare, Tanya Vittitow, and Lea Anne Sikora

5. *For all of the unofficial withdrawals, the University has completed a thorough review of the R2T4 calculations and returned all required funds for all students identified by the auditors and by our own review process in October, 2012. The same review is being conducted for the 2012-2013 award year. We have added a new position in the Office of Financial Aid – an Associate Director for Financial Aid Audit, Compliance and Training. This staff member, Tanya Vittitow, has been tasked with internal oversight of the R2T4 process. She will complete regular internal audits of students subject to R2T4 to ensure that the calculations are being done accurately, and that returns are occurring in a timely manner. She will also review student notifications to ensure that they follow departmental policies and procedures.*

Implementation Date: A training and corrective action plan for the staff member assigned to completing the R2T4 calculations was established in August, 2012, and is currently being monitored.

Responsible Persons: Tanya Vittitow, Lea Anne Sikora, and Karen Krause

Reference No. 13-157

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

(Prior Audit Issue 12-161)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award number – CFDA 84.268, Federal Direct Student Loans, P268K122335

Type of finding – Significant Deficiency and Non-Compliance

Each month, the U.S. Department of Education's Common Origination and Disbursement (COD) System provides institutions with a School Account Statement (SAS) data file, which consists of a cash summary, cash detail, and (optional at the request of the institution) loan detail records. The institution is required to reconcile these files to its financial records on a monthly basis. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Section 685.102(b), and *Direct Loans School Guide*, Chapter 6, Reconciliation).

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

The University of Texas at Arlington (University) did not document its reconciliations of the SAS data files from the COD System with its financial records during the award year. Although the University has a policy that requires it to reconcile the monthly SAS data file with its student financial aid records, it could not provide evidence that it performed those reconciliations or that it reconciled the data files with its financial system. Not preparing accurate and timely reconciliations between SAS data files and financial records increases the risk that Direct Loan disbursement data reported to DLSS could be inaccurate and incomplete.

Recommendation:

The University should perform and document its monthly reconciliations of the SAS data files from the COD System with its student financial aid records and its financial system.

Management Response and Corrective Action Plan:

The University hired a new Director of Grant Accounting in May, 2012 that is responsible for the monthly SAS reconciliation.

Implementation Date: May 2012

Responsible Persons: Kim Green, Amber Holcomb, Lea Anne Sikora, and Karen Krause

University of Texas at Austin

Reference No. 13-158

Special Tests and Provisions – Verification

Activities Allowed or Unallowed

Cash Management

Eligibility

Period of Availability of Federal Funds

Reporting

Special Tests and Provisions – Separate Funds

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

Special Tests and Provisions – Return of Title IV Funds

Special Tests and Provisions – Enrollment Reporting

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

(Prior Audit Issues 12-164, 12-165, 12-166, and 12-167)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112336; CFDA 84.007, Federal Supplemental Educational Opportunity Grant Program, P007A114173; CFDA 84.033, Federal Work-Study Program, P033A114173; CFDA 84.038, Federal Perkins Loan Program, P038A044173; CFDA 84.268, Federal Direct Student Loans, P268K122336; and CFDA 93.264, Nurse Faculty Loan Program, 2 E01HP12963-03-00

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, interest on tax-free bonds, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Section 668.56). When the verification of a student’s eligibility results in identifying an error in the non-dollar items (such as household size) used to calculate the student’s expected family contribution, or in a total difference of more than \$400 from the student’s original FAFSA, the institution must submit a correction and recalculate the expected family contribution based on the student’s new information to determine whether an adjustment to Title IV assistance is required (Title 34, CFR, Section 668.59; 2011-2012 *Application and Verification Guide*, page AVG-91).

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

For 8 (13 percent) of 60 students tested, the University of Texas at Austin (University) did not accurately verify all required items reported on the FAFSA. Specifically:

- For two students, the University incorrectly identified the household size. For both students, the household size the University identified was smaller than what was reported on the verification form. As a result, the University did not request an updated Institutional Student Information Record (ISIR) for the students at the time of verification. This increases the risk that those students were underawarded Title IV assistance.
- For two students, the University incorrectly identified the AGI. For one student, the discrepancy was below the \$400 threshold; therefore, the University was not required to request an updated ISIR or determine whether an adjustment to Title IV assistance was required. For the other student, the University also incorrectly identified the parent U.S. income tax paid. The amount the University identified was less than the amount reported on the tax return. As a result, the University did not request an updated ISIR for the student at the time of verification. This increases the risk that the student was underawarded Title IV assistance.

- For four students, the University incorrectly identified the untaxed income and benefits. For two of those students, the University identified untaxed income and benefits that exceeded the amounts reported on the tax returns. As a result, the University did not request an updated ISIR for those students at the time of verification. This increases the risk that those students were underawarded Title IV assistance. For the other two students, the University identified less untaxed income and benefits than was reported on the tax returns. As a result, for one of those students, the University did not request an updated ISIR at the time of verification, which increases the risk that this student was overawarded Title IV assistance. For the other student, the discrepancy was below the \$400 threshold; therefore, the University was not required to request an updated ISIR or determine whether an adjustment to the Title IV assistance was required.

According to University personnel, the errors were due to manual errors made during the verification process.

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, reporting, special tests and provisions – separate funds, special tests and provisions – disbursements to or on behalf of students, special tests and provisions – return of title IV funds, special tests and provisions – enrollment reporting, and special tests and provisions – borrower data transmission and reconciliation (Direct Loan) auditors identified no compliance issues regarding those compliance requirements.

General Controls

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

During the 2011-2012 award year, the University did not have sufficient change management controls for the information systems that its Office of Student Financial Services uses. Specifically, the Office of Student Financial Services did not segregate the duties of 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.

Based on information the University provided, in May 2012 the University implemented additional change management controls for the information systems that its Office of Student Financial Services uses.

Recommendations:

The University should:

- Improve controls over the verification process to help ensure that it verifies all required items reported on the FAFSA accurately and requests an updated ISIR when necessary.
- Maintain sufficient change management controls to prevent programmers in the Office of Student Financial Services from making programming 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) reviewed the files that were incorrectly verified and found the errors made were the result of human errors during the verification process. The errors were made to different items in several categories; in addition, OSFS did not request an updated ISIR.

OSFS will update its verification procedures provided to staff to better explain their responsibilities in reviewing files including the requirement to request updated ISIRs. Additionally, OSFS will review options to implement a secondary auditing system within the office to determine what will provide successful results.

For the 2012-2013, OSFS participated in a pilot program with a vendor to process verification files. We conducted a 100% re-verification of those files and found no errors. Based on the success of the pilot program, we will

continue to review the option of outsourcing verification. OSFS envisions these efforts will lead to accurately reviewed files and reduce the risk of over awarded and under awarded students.

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and the Office of Student Financial Services (OSFS) spent significant resources in the last audit year implementing such controls. As a matter of policy, OSFS practiced a strict separation of duties for all software changes last year, which can be seen in the deployment logs. As a matter of enforcement, and as noted in the finding, OSFS implemented controls segregating programmer and migrator duties in May 2012.

Implementation Date: Verification — July 2013

General Controls — May 2012

Responsible Person: Verification — Gloria De Leon

General Controls — Graham Chapman

Reference No. 13-159

Special Tests and Provisions – Student Loan Repayments

(Prior Audit Issues 12-168, 11-167, 10-116, and 09-91)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.038, Federal Perkins Loan Program, P038A044173 and CFDA 93.264, Nurse Faculty Loan Program, 2 E01HP12963-03-00

Type of finding – Significant Deficiency and Non-Compliance

Defaulted Borrowers

Under the Federal Perkins Loan Program, an institution must ensure that it conducts exit counseling with each borrower in person, by audiovisual presentation, or by interactive electronic means (Title 34, Code of Federal Regulations, Section 674.42(b)(1)).

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. The institution shall inform the borrower about the total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan (Title 34, Code of Federal Regulations, Section 674.42(c)).

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)).

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

The University of Texas at Austin (University) did not consistently perform required collection procedures for defaulted borrowers. Specifically:

- For 1 (2 percent) of 60 defaulted borrowers tested, the University did not send a first overdue or second overdue notice to the student. This error occurred because the University placed a hold on the student's account when the student exited forbearance and because the University did not manually send the notices while the student's account was in the hold status. Borrowers who do not receive overdue notices may not have full knowledge of their loan status and their final obligation.
- For 2 (3 percent) of 60 defaulted borrowers tested, the University did not send a first overdue notice within 15 days after the payment due date or did not send the notice at all. These errors occurred because of weaknesses in the University's process for posting rejected payments to student accounts. Specifically, when the University determines that a student had insufficient funds for a payment the student made on a loan, it uses a manual process to determine the default date. For these two students, the University entered the wrong default date into its financial aid system; as a result, the University sent the first notice late for one student and did not send a first notice to the other student. Borrowers who do not receive overdue notices in timely manner may not have full knowledge of their loan status and their final obligation.
- For 1 (5 percent) of 21 defaulted borrowers tested with nine-month grace periods, the University did not send the student's required third grace period notice. The University uses the third grace period notice as its 30-day billing notice; as a result, the student also did not receive the required billing notice. This occurred because the University erroneously assigned the student a six-month grace period instead of a nine-month grace period when it made a manual adjustment to the student's account. Borrowers who do receive grace period letters may not understand the requirements and obligations for the funds they received. If borrowers do not receive a billing notice, they may be unaware of payment 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)).

During the 2011-2012 award year, the University did not have sufficient change management controls for the information systems that its Office of Student Financial Services uses. Specifically, the Office of Student Financial Services did not segregate the duties of 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.

Based on information the University provided, in May 2012 the University implemented additional change management controls for the information systems that its Office of Student Financial Services uses.

Recommendations:

The University should:

- Strengthen the manual process it uses when borrower payments are returned due to insufficient funds.
- Strengthen controls to ensure that manual adjustments to deferments are accurate and do not interfere with sending required notices to defaulted borrowers.
- Maintain sufficient change management controls to prevent programmers in the Office of Student Financial Services from making programming changes and also migrating those changes to the production environment.

Management Response and Corrective Action Plan:

Beginning October 1, 2011, new procedures were implemented by Student Accounts Receivable (SAR) -Federal Loans to send correct warning letters and make the two required collection calls prior to sending loans previously in forbearance to a collection agency. The loan for the student changed during the implementation and was

inadvertently missed. Based on the current audit finding, SAR has revised and implemented a new procedure for loans in forbearances:

- *30-days prior to the date the forbearance ends a loan collector runs a report displaying all accounts in forbearance ending on a specified date. Based on the results of the report, a letter to the borrower(s) is sent notifying them of the forbearance end date, amount of accrued interest that will be due, and the payment due date.*
- *15-days after the forbearance end date the loan status is changed to “on hold at the university and delinquent” (MPSPH) and the 1st overdue notice is sent.*
- *If no payment is received 15-days after the 1st overdue notice was sent a 2nd overdue notice is sent.*
- *If no payment has been received 15-days after the 2nd overdue notice is sent a final demand letter is sent informing the borrower they have 30 days to pay the past due amount.*
- *If no payment is received 30-days after the final demand letter was sent the account is sent to a collection agency or the Office of General Counsel (OGC).*

SAR-Federal Loans has implemented the procedure outlined below on August 16, 2012 to ensure overdue notices are sent when a returned check from a borrower occurs. When a returned check is posted back to a borrower’s account, resulting in a status change from “current” to “past due,” the information is provided to the SAR-Federal Loans processor who sends a letter to the borrower. The following written procedure was implemented in August 2012:

- *Payments returned as “insufficient funds” results in an account status change to “past due” and issuance of a letter to the borrower informing them of the chargeback to their loan and change in loan status.*
- *SAR provides SAR-Federal Loans processor a list of all returned payments that have been charged back.*
- *The SAR-Federal Loans processor verifies past-due status in *DEFINE by EID.*
- *A letter is sent to each borrower providing payment amount, past due amount, and any late charges.*
- *A notation is made in DEFINE that a letter was sent to the borrower*
- *A copy of each letter is included in the borrower’s file and retained based on the university’s record retention schedule.*

The procedure in place for processing in-school deferments when Verifications of Enrollment are submitted to SAR — Federal Loans after the borrower’s loan goes into repayment is as outlined below. For the student in defaulted status, the loan collector inadvertently missed writing the instruction to federal loan processor to change the grace periods used from 1 to 0.

- *Upon receipt of a Verification of Enrollment from a borrower, a SAR-Federal Loans collector documents deferment instructions for the time periods during which the borrower was enrolled half time or more and indicates the start and end date of the deferment and grace period.*
- *If the borrower’s 9-month grace period will not expire, the federal loans collector indicates on the deferment instructions to update the grace periods used to 0 from 1.*
- *If the borrower’s 9-month grace period would have been used completely before the next deferment started, then field is left as 1, and the next grace period the borrower receives is automatically calculated as 6 months.*
- *The Federal Loan Processor makes the appropriate changes on the borrower’s loan record in DEFINE as per the Collector’s instructions.*

The following change management controls were implemented in March 2012 to systems in the Office of Accounting:

- *Developers no longer have access to make modifications to the production code directly. The system now enforces that changes must be initiated on the testing or quality assurance environments first and then be migrated to production.*
- *Upgrades were made to *TXAPPL (the tool that manages migrations) to enforce that code cannot be migrated to production by the person who made the change. The system enforces that the migrator must a different person than the one who last changed the code.*

As a matter of policy, the Office of Student Financial Services practiced a strict separation of duties for all software changes last year, which can be seen in the deployment logs. As a matter of enforcement, and as noted in the finding, OSFS implemented controls segregating programmer and migrator duties in May 2012.

Implementation Date: Forbearance Procedure Change — October 2011

Returned Check Procedure Change — August 2012

General Controls (Accounting) — March 2012

General Controls (OSFS) — May 2012

Responsible Person: Forbearance Procedure Change — Joanna Sollinger

Returned Check Procedure Change — Joanna Sollinger

General Controls (Accounting) — Juan Ortiz

General Controls (OSFS) — Graham Chapman

University of Texas at Dallas

Reference No. 13-163

Eligibility

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

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P113234 and CFDA 84.268, Federal Direct Student Loans, P268K123234

Type of Finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC). 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

The University of Texas at Dallas (University) incorrectly calculated COA for 30 graduate students who lived on campus. Specifically:

- The University overestimated COA for 1 (3 percent) of 40 students that auditors tested. The University incorrectly used an off-campus room and board budget for graduate students who lived on campus during the award year. That occurred because of errors in budget formulas that the University's financial aid system used to calculate COA.
- After auditors communicated the error described above to the University, it performed additional analysis on the graduate student population; as a result of that analysis, the University asserted that it overestimated COA for 29 additional graduate students who lived on campus during the award year.

Based on the University's calculations, it awarded 11 (37 percent) of the 30 graduate students described above \$3,280 in federal Direct Loans for which they were not eligible. After auditors brought this matter to its attention, the University provided evidence that it corrected those overawards in June 2012.

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, Section 668.16(e), and, if applicable, the provisions of Title 34, Code of Federal Regulations, Section 668.34 (Title 34, Code of Federal Regulations, 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 measureable 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)).

The University's SAP policy requires all students to successfully complete at least two-thirds of attempted hours each term.

For 1 (3 percent) of 40 students tested, the SAP status in the University's financial aid system was not calculated in accordance with the University's SAP policy. That occurred because the University incorrectly calculated completion rates for students who were enrolled in more than 12 hours for undergraduate students and for more than 9 hours for graduate students. For those students, the University calculated the completion rate based on

an enrollment of only 12 hours for undergraduate students and only 9 hours for graduate students; as a result, it did not detect that the student did not complete two-thirds of attempted hours as required by its SAP policy. Based on information the University provided, that issue affected a total of 47 students. The University determined that 3 (6 percent) of those 47 students received a total of \$25,631 in Title IV financial assistance for which they were not eligible. After auditors brought this matter to its attention, the University provided evidence that it corrected those overawards.

Other Compliance Requirement

Although the general control weakness described below affects all student financial assistance awards administered by the University and applies to special tests and provisions – disbursements to or on behalf of students, auditors identified no compliance issues regarding that compliance requirement.

General Controls

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

The University did not adequately manage user access to the database for its PeopleSoft application. Specifically, the University did not remove 20 database user accounts for terminated employees and contractors. Those accounts had direct access to the database and are considered higher risk than normal application user accounts. Although the University periodically reviewed user access at the PeopleSoft application level and identified one of those 20 users, it did not communicate the results of its review to the database administrators in the Arlington Regional Data Center; as a result, the University did not remove that user's access to the database.

Additionally, although the University periodically reviews active users and access rights to its PeopleSoft Campus Solutions accounts, that process is not working as intended. Auditors identified a user who was listed in the February 2012 periodic review as being retired, but the University did not disable or remove that individual's access until after auditors brought this matter to the University's attention. In addition, auditors identified six individuals whose employment had been terminated but for whom the University had not disabled or removed their user accounts for the student financial aid application.

Not maintaining appropriate access to the database increases the risk of unauthorized access to key financial aid data.

Recommendations:

The University should:

- Update the budget formulas in its financial aid system to correctly calculate COA for all students.
- Update the SAP calculation process in its financial aid system to correctly calculate completion rates for students as defined in the University's SAP policy.
- Include the database administrators at the Arlington Regional Data Center in the distribution of periodic user access review reports so that they can identify and remove database accounts in a timely manner.
- Remove the access of terminated database and application users in a timely manner, and ensure that active user accounts belong to users whose job responsibilities require that access.

Management Response and Corrective Action Plan:

Cost of Attendance and Satisfactory Academic Progress

Management concurs with the SAO regarding the cost of attendance overestimation and the satisfactory academic progress calculation error. As indicated by the finding, UT Dallas identified all affected students and took corrective action as necessary. In the future, the Office of Financial Aid will conduct an annual secondary review of both the programmatic and business elements to ensure correct calculations.

General Control

Management acknowledges that the users identified by the SAO had access to the database and applications after transfer or termination. After extensive review, all terminated employees and contractors have been removed from all instances. A formal checkout procedure has been implemented for the Information Resources department to ensure proper termination of access.

Database access reports are now produced by Arlington Regional Data Center (ARDC) monthly and sent to UT Dallas for review by Information Resources and the PeopleSoft Access Security team. Information Resources is continuing to improve the communication process between UT Dallas and ARDC surrounding personnel changes affecting the validity of access to UTD databases or applications.

Information Resources will work collaboratively with all stakeholders and ARDC to establish and publish University-wide guidelines for PeopleSoft access controls for all personnel changes. The PeopleSoft Access Team will begin to manage queries on a weekly basis to identify terminations, transfers, and job changes that require access changes. In addition, quarterly access reviews will be conducted; reviews will always include steps to assure continued effectiveness of aforementioned controls. All processes described will be implemented by June 30, 2013.

Implementation Date: June 2013

Responsible Persons: Beth Tolan and Jal Chitkara

University of Texas at El Paso

Reference No. 13-164

Eligibility

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

(Prior Audit Issues 11-170 and 11-171)

Student Financial Assistance Cluster

Award year – July 1, 2011 to June 30, 2012

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P112338; CFDA 84.268, Federal Direct Student Loans, P268K122338; CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T122338; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A114176; CFDA 84.033, Federal Work-Study Program, P033A114176; CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, T08HP22396-01-00; CFDA 93.264, Nurse Faculty Loan Program, E01HP112947-02-00; and CFDA 84.038, Federal Perkins Loan – Federal Capital Contributions, Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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 academic progress that meet the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should specify the grade point average (GPA) that a student must achieve at each evaluation or, if GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm. The SAP policy also should specify the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the program's maximum time frame (Title 34, CFR, Section 668.34).

Questioned Cost: \$ 0

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

The University of Texas at El Paso's (University) policy requires that a student must maintain at least a 2.00 GPA if pursuing an undergraduate degree and a 3.00 GPA if pursuing a graduate degree. Additionally, students receiving financial aid cannot attempt more than 150 percent of the published length of the eligible degree program as measured by credit hours. A student also must make "measurable progress," which is determined by the cumulative completion of at least 75 percent of all attempted hours toward the student's eligible degree plan in an academic year.

For 1 (2 percent) of 45 students for whom the University was required to review compliance with its SAP policy, the University did not evaluate whether the student was making satisfactory academic progress to receive financial assistance. As a result, the University awarded that student \$15,917 in Direct Loans, associated with award P268K122338, when the student was not eligible to receive that assistance. That occurred because the University dismissed the student on financial aid probation from the University following the Spring 2011 term. When the student enrolled in Spring 2012, the University did not review the student's SAP status prior to awarding financial assistance.

After auditors brought this matter to its attention, the University provided evidence that it had corrected those awards.

Pell Grant Awards

For the federal Pell Grant program, institutions use the payment and disbursement schedules that the U.S. Department of Education provides each year for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student can receive for a full academic year for a given enrollment status, expected family contribution (EFC), and cost of attendance (COA). There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (2011-2012 *Federal Student Aid Handbook*, Volume 3, Chapter 3). Additionally, a student's eligibility for a Pell Grant must first be determined and considered before the student is awarded other financial assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, CFR, Section 685.200).

For 1 (2 percent) of 47 Pell Grant recipients tested, the University awarded the student \$1,050 more in Pell Grants than the student was eligible to receive. That occurred because of a data entry error. Specifically, the University manually locked the student's enrollment status as full-time when the student was enrolled only half-time. The University did not verify the student's enrollment status at the time of disbursement and awarded the student a Pell Grant based on full-time enrollment status.

After auditors brought this matter to its attention, the University provided evidence that it had corrected that overaward.

Cost of Attendance

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

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

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

For 3 (5 percent) of 60 students tested, the University incorrectly calculated COA because it incorrectly classified the students in its financial assistance system, Banner. For two of those students, the University incorrectly assigned the students an in-state COA budget when the students indicated that they were not Texas residents. For the remaining student, the University incorrectly calculated COA because it classified the student as an undergraduate student when the student was a graduate student. Those errors resulted from manual COA adjustments to students' status that the University made in its financial aid system. The three students were not overawarded assistance; however, calculating incorrect COA amounts increases the risk that students could be awarded assistance in excess of their financial need.

Other Compliance Requirement

Although the general control weakness described below affects all student financial assistance awards administered by the University and applies to special tests and provisions – disbursements to or on behalf of students, auditors identified no compliance issues regarding that compliance requirement.

General Controls

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

The University has not implemented adequate logical access controls to its Banner student financial assistance application and associated database, its operating system, and its network. This increases the risk of unauthorized system access and could result in compromise or loss of data.

Additionally, **the University did not have sufficient segregation of duties in its change management processes.** Specifically, one programmer had access to change application code and migrate it to the production environment.

This increases the risk of unintended programming changes being made to critical information systems that the University uses to administer student financial assistance.

Recommendations:

The University should:

- Implement a process to conduct SAP reviews on students who are readmitted to the University following withdrawals and dismissals.
- Implement a process to review manual changes to students' status in its financial aid system.
- Implement a process to review manual adjustments to COA budgets.
- Strengthen logical access controls to prevent unauthorized system access and better safeguard critical data.
- Establish controls to prevent programmers from making programming changes to application code and migrating those changes to the production environment.

Management Response and Corrective Action Plan:

Satisfactory Academic Progress (SAP):

The current SAP programs and the Financial Aid Management System (Banner) rules are excluding students who have stopped out and their student record is marked as inactive. Thus, causing these students to be marked erroneously as "Eligible". The University of Texas at El Paso (UTEP) will take the following steps eliminate these errors.

1. Starting in the Summer semester of 2013, a new process is being develop to create a new student term record for every term a student is registered. Along with this a process, a change was developed and implemented in the Summer of 2012 to inactivate a students' record after two "long" semesters of registration inactivity, excluding Summer semesters. Students now are required to re-apply to the university to change their student status to active.

Implementation Date: August 2012 and August 2013

Responsible Person: Dr. Craig Westman

2. SAP programs and Banner rules will be updated to not exclude students with inactive records who have previous academic history at UTEP. These changes will insure their correct SAP eligibility coding. Additionally, UTEP will review all current 12-13 financial aid awardees that fall in this category to verify proper eligibility.

Implementation Date: March 2013

Responsible Persons: Ron Williams and Maria Carrizales

Pell Grant Award:

UTEP will develop a report to identify all locked non-zero Pell awards for a given semester. This report will be reviewed on a weekly basis. Any discrepancy will be corrected at that time.

Implementation Date: February 2013

Responsible Persons: Ruben Torres and Silvia Pena

Cost of Attendance:

First 2 findings

It is UTEP's financial aid policy to default all students to the lower resident budget. Out-of-state students may request a budget adjustment to increase their budget if they are truly paying non-resident tuition. Large percentages (85%) of the out-of-state students at UTEP are provided waivers which allow them to pay resident tuition rates per

the State of Texas. It is for this reason that UTEP has chosen to default to the lower budget to prevent over awards. Also, Banner has developed a modification to the Financial Aid module to allow for term-by-term budgeting. This will work nicely in consort with the changes noted for activating and inactivating students on a semester-by-semester basis.

Third finding

New functionality has been added to Banner which will allow the calculation and recalculation of student budgets on a term-by-term basis. This functionality will allow the Financial Aid Office to automatically and/or manually change student's individual budgets on a semester-by-semester basis, based on various parameters (e.g. students degree type, level [undergraduate, Graduate, etc.], and enrollment [full-time, three-quarter time, etc.]) in the student information system.

Implementation Date: August 2013

Responsible Persons: Ron Williams, Silvia Pena, and Ruben Torres

General Controls:

Password standards have been developed and approved by the Chief Information Security Officer. The deployment of those standards will begin after the 1st of the year to allow for timely notification to all customers.

Implementation Date: January 31, 2013

Responsible Person: Luis Hernandez

Change management process has been modified to sign off by end user on all changes to application code prior to implementation into the production database, as well as removing access to migrate application code into production by the programming group. Migration of code to production will be handled by the DBA group.

Implementation Date: Implemented

Responsible Person: Luis Hernandez

Summary Schedule of Prior Year Audit Findings

Federal regulations (OMB Circular A-133) state, “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2011 Schedule of Findings and Questioned Costs.
- Each finding in the 2011 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, 2012) has been prepared to address these responsibilities.

Angelo State University

Reference No. 12-104

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers –CFDA 84.033 P033A113956, CFDA 84.375 P375A112258, CFDA 84.376 P376S112258, CFDA 84.007 P007A113956, CFDA 84.268 P268K112258, CDFA 84.063 P063P112258, and CFDA 93.264 E10HP13020-01-00

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2011
Status: Partially Implemented

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

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

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

Angelo State University (University) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual or expected enrollment. As a result, for 4 (6.2 percent) of 65 students tested, the University based the students’ COA on full-time enrollment, although the students

indicated that they would attend less than full-time. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of awarding financial assistance that exceeds financial need.

Because the University developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were awarded financial assistance that exceeded their financial need for the 2010-2011 school year.

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, 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, CFR, Section 668.16(e)).

A student is making satisfactory progress when the student is enrolled in a program of study of more than two academic years and, therefore, is eligible to receive title IV, HEA program assistance after the second year, 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 (a) (b)).

An institution may find that a student is making satisfactory progress even though the student does not satisfy the requirements related to quantitative and qualitative factors if the institution determines that the student's failure to meet those requirements is based upon the death of a relative of the student, an injury or illness of the student, or other special circumstances (Title 34, CFR, Section 668.16(e)). An institution's SAP policy must include specific procedures under which a student may appeal a determination that the student is not meeting SAP (Title 34, CFR, Section 668.16).

The University's SAP policy requires students to maintain a minimum grade point average based on their classification. Specifically, undergraduate students who have earned between 0 and 29 credit hours are required to maintain a GPA of 1.35; undergraduate students who have earned between 30 and 59 credit hours are required to maintain a GPA of 1.6; undergraduate students who have earned between 60 and 89 credit hours are required to maintain a grade point average of 1.8; and undergraduate students who have earned more than 90 credit hours are required to maintain a GPA of 1.9. Students at the University are required to have a cumulative GPA of 2.0 to graduate. Graduate students are required to have a GPA of 3.0. The University also has established limits on the maximum number of attempted hours students can earn toward their program of study, and it requires students to successfully complete 67 percent of their cumulative attempted hours (or 62 percent for students with fewer than 30 earned hours).

While the University has a process to receive and consider SAP appeals, its internal controls were not sufficient to ensure compliance with SAP requirements. Although the University maintained evidence that it had approved appeals for students in auditors' sample, it did not document its rationale for approving SAP appeals that a significant portion of its student population filed. Six (13.6 percent) of 44 students tested were not meeting the University's SAP requirements, and the University approved appeals for all six students. However, the University was not able to provide a rationale for its approval of those six students' appeals. Based on its documentation, the University determined that 1,566 students were not eligible for federal financial assistance during the 2010-2011 school year because they did not comply with its SAP policy. Of those 1,566 students, 530 appealed the University's determination that they were not eligible to receive financial assistance. The University denied only 2 (0.38 percent) of those 530 appeals.

The University's SAP policy states that an appeals committee reviews appeals to SAP determinations. However the SAP policy does not provide specific information on the methodology the University uses to evaluate appeals. Additionally, the University was not able to provide documented policies or procedures that detail the factors employees should consider in determining whether a student met the criteria required by Title 34, CFR, Section 668.16.

Not establishing and following specific procedures to evaluate students' compliance with its SAP policy increases the risk that the University could award Title IV assistance to students who may not be eligible.

General Controls

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

The University did not consistently maintain high-profile user accounts at the network, server, and application level. Specifically:

- Five high-profile user accounts on the network that were no longer needed were still active.
- Twelve individuals shared a generic high-profile user account, which does not allow for user accountability.
- One student worker had excessive access to awarding and packaging student financial assistance.
- Four former contractor staff had excessive, privileged access to the application and database servers. Additionally, one individual had excessive access to the database server.

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

The University also did not maintain documented evidence of authorization, testing, and approval for changes to its systems. As a result, auditors were unable to determine whether system changes were authorized, tested, and approved prior to migration to the production environment.

Recommendations:

The University should:

- Determine each student's COA and financial need based on the student's expected or actual enrollment.
- Establish and implement a process to consider and approve or deny appeals that students make after the University determines they are not eligible for federal financial assistance because they do not comply with its SAP policy. This process should include documenting and retaining the rationale for approving appeals.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.
- Maintain documentation of all change requests related to its systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management Response and Corrective Action Plan 2011:

RECOMMENDATION: Determine each student's COA and financial need based on the student's expected or actual enrollment.

Management concurs with recommendations related to determination of eligibility for financial assistance specifically related to Cost of Attendance. Angelo State University will continue the practice of initially packaging student assistance based on projected fulltime enrollment. Manual procedures to subsequently update COA based on actual attendance will be implemented. Specifically, following the census date for fall or spring semester, Information Technology will provide a report to the Director of Financial Aid containing a list of students that are enrolled less than halftime. The Director will process the list, changing all affected students from the fulltime COA budgets to a less-than-halftime budget. Financial Aid Counselors will manually review each student for over-awards and correct the student's aid package to ensure the student's financial aid and need are correct. Since, summer semesters are packaged manually, students that have submitted a "summer supplemental application" will be reviewed by a Financial Aid Counselor to ensure students are placed in the correct COA budgets and ensure the student's financial aid and need are correct.

RECOMMENDATION: Establish and implement a process to consider and approve or deny appeals that students make after the University determines they are not eligible for federal financial assistance because they do not

comply with its SAP policy. This process should include documenting and retaining the rationale for approving appeals.

Management concurs with the recommendation regarding the satisfactory academic progress policy. Angelo State University has revised the published Satisfactory Academic Progress Policy to provide clarification on what qualifies as an appealable event.

To ensure that appeal committee members are clear on their responsibility, the Financial Aid Office has created an appeals checklist that will be completed by all committee members during the review of an appeal. The completed checklist will be collected and retained to provide documentation of the appeal process and the rationale for the decision made. The appeals form submitted by students is also being revised to require students to provide specific information and supporting documentation related to the appeal.

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

Management concurs with recommendation related to maintaining controls over user access and user accounts at the network, server, and application level.

The Financial Aid Office reviews Banner access and privileges monthly and communicates changes to the Information Technology division. The Information Technology department is in the process of deploying an identity and access management (IAM) tool which will track the lifecycle of accounts granted to employees, students, vendors and other constituents. This tool will provide more timely removal of access when no longer required. The Banner access for the student worker has also been modified and now has general access only.

Information Technology will reduce access to the shared generic high-profile user account to only those who require access as part of their job function. We anticipate this to be no more than two users, with the account password held in escrow for emergencies.

Remote access to the Banner system is only available via VPN. The Financial Aid data custodian will work closely with the Information Security Officer to ensure Banner consultant accounts are reviewed monthly during routine access reviews and to ensure the accounts are disabled in a timely manner.

RECOMMENDATION: The University should maintain documentation of all change requests related to its systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management concurs with the recommendation related to maintaining evidence of authorization, testing and approval for changes to its systems.

The Financial Aid office created a new upgrade and testing form to document the Banner processes and forms tested in preparation for system upgrades. This form will require the Financial Aid data custodian's approval prior to migrating system changes to the production environment. Additionally, Information Technology's change processes will now require this information before any changes are migrated to the production environment.

Management Response and Corrective Action 2012:

Cost of Attendance

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

Implementation Date: February 2013

Responsible Person: Michelle Bennett

Satisfactory Academic Progress

The Financial Aid Office revised the institution's satisfactory academic progress policy to clearly state the process to file an appeal. In lieu of the previously planned appeal checklist, the "Satisfactory Progress Appeal Circumstance

Examination" form was created to capture all information relevant to an appeals review. This form is completed by all reviewers involved in the appeals process. Through this new form, the reviewer's decision, rationale, and other support are documented. The new form was used during the appeals reviewed during the summer of 2012 in preparation for the 2012/2013 award year.

Implementation Date: May 2012

Responsible Person: Michelle Bennett

General Controls

Access to the high profile account (e.g., FARULES) has been limited to 3 Financial Aid personnel. Additionally, the 5 high-profile network accounts within the Division of Information Technology have been deactivated. Finally, contractors with privileged access to the application and database servers have been verified with the new vendor and accounts for those contractors no longer requiring access were disabled on October 3, 2012.

The Financial Aid Office reviews Banner access and privileges monthly and communicates changes to the Division of Information Technology. Additionally, the Banner access for the student worker identified has been modified accordingly.

The Division of Information Technology continues to progress through implementation of the identity and account management (IAM) tool, Courion, which will manage the life cycle of user accounts across the University's systems and applications. The training and installation of the tool is planned and implementation will be phased in across all University applications over the next fiscal year. The Division of Information Technology is implementing manual procedures to review access and manage the access life cycle on a quarterly basis. These procedures will remain in effect until the IAM tool is implemented for Banner Financial Aid.

Remote access to the Banner system is only available via VPN. The Financial Aid data custodian works closely with the Information Security Officer to ensure Ellucian (Sungard) consultant accounts are reviewed monthly during routine access reviews and to ensure the accounts are disabled in a timely manner.

The Financial Aid office created a new upgrade and testing form to document the Banner processes and forms tested in preparation for system upgrades. This form documents the Financial Aid data custodian's approval prior to migrating system changes to the production environment. Additionally, the Division of Information Technology change management processes now requires the submission of this documentation and approval before any changes are migrated to the production environment.

Implementation Date: December 2012

Responsible Persons: Michelle Bennet and Jason Brake

Reference No. 12-105

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

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.033 P033A113956, CFDA 84.375 P375A112258, CFDA 84.376 P376S112258, CFDA 84.007 P007A113956, CFDA 84.268 P268K112258, CFDA 84.063 P063P112258, and CFDA 93.264 E10HP13020-01-00

Type of finding – Significant Deficiency and Non-Compliance

Common Origination and Disbursement System Reporting

Institutions submit Pell and Direct Loan 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. The disbursement date and amount 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 (Office of Management and Budget Circular A-133 Compliance Supplement, March 2011, Part 5, Student Financial Assistance Cluster, III.N.3, page 5-3-34).

Initial Year Written: 2011
Status: Partially Implemented

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

For 6 (9.2 percent) of 65 students tested at Angelo State University (University), the disbursement date the University reported to the COD System did not match the actual disbursement date in the University's financial aid application, Banner. For those six students, the actual disbursement dates ranged between 1 and 143 days different from the dates the University reported to the COD System. University management asserted that a change in the COD System record format caused the University to submit incorrect disbursement dates to the COD System during the award year. However, the University did not resubmit disbursement records to the COD System to correct that issue. As a result, users of the COD System information did not have accurate information regarding Pell Grant and Direct Loan disbursements for some of the University's 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 did not consistently maintain high-profile user accounts at the network, server, and application level. Specifically:

- Five high-profile user accounts on the network that were no longer needed were still active.
- Twelve individuals shared a generic high-profile user account, which does not allow for user accountability.
- One student worker had excessive access to awarding and packaging student financial assistance.
- Four former contractor staff had excessive, privileged access to the application and database servers. Additionally, one individual had excessive access to the database server.

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

The University also did not maintain documented evidence of authorization, testing, and approval for changes to its systems. As a result, auditors were unable to determine whether system changes were authorized, tested, and approved prior to migration to the production environment.

Recommendations:

The University should:

- Report actual disbursement dates to the COD System.
- Limit user access to current employees and ensure that access is appropriate based on job responsibilities.

- Maintain documentation of all change requests related to its systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management Response and Corrective Action Plan 2011:

RECOMMENDATION: Report actual disbursement dates to the COD System.

Management concurs with the recommendation related to reporting to the Common Originations and Disbursement system. Angelo State University has opened action item tickets with the vendor, Sungard to seek assistance in extracting all disbursement dates accurately. The Financial Aid Office will begin working with the software in January 2012 and will further define the manual processes needed to ensure disbursements dates are accurately reflected in the COD system.

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

Management concurs with recommendation related to maintaining controls over user access and user accounts at the network, server, and application level.

The Financial Aid Office reviews Banner access and privileges monthly and communicates changes to the Information Technology division. The Information Technology department is in the process of deploying an identity and access management (IAM) tool which will track the lifecycle of accounts granted to employees, students, vendors and other constituents. This tool will provide more timely removal of access when no longer required. The Banner access for the student worker has also been modified and now has general access only.

Information Technology will reduce access to the shared generic high-profile user account to only those who require access as part of their job function. We anticipate this to be no more than two users, with the account password held in escrow for emergencies.

Remote access to the Banner system is only available via VPN. The Financial Aid data custodian will work closely with the Information Security Officer to ensure Banner consultant accounts are reviewed monthly during routine access reviews and to ensure the accounts are disabled in a timely manner.

RECOMMENDATION: The University should maintain documentation of all change requests related to its systems to support that changes were authorized, tested, and approved prior to migration to the production environment.

Management concurs with the recommendation related to maintaining evidence of authorization, testing and approval for changes to its systems.

The Financial Aid office created a new upgrade and testing form to document the Banner processes and forms tested in preparation for system upgrades. This form will require the Financial Aid data custodian's approval prior to migrating system changes to the production environment. Additionally, Information Technology's change processes will now require this information before any changes are migrated to the production environment.

Management Response and Corrective Action Plan 2012:

COD System

The reconciliation tool (DL Tools) recommended by Ellucian was initially downloaded on January 20, 2012 and subsequently implemented. The software was updated on October 3, 2012 and is now fully in use when reconciling monthly Direct Loans.

Implementation Date: October 2012

Responsible Person: Michelle Bennett

General Controls

Access to the high profile account (e.g., FARULES) has been limited to 3 Financial Aid personnel. Additionally, the 5 high-profile network accounts within the Division of Information Technology have been deactivated. Finally,

contractors with privileged access to the application and database servers have been verified with the new vendor and accounts for those contractors no longer requiring access were disabled on October 3, 2012.

The Financial Aid Office reviews Banner access and privileges monthly and communicates changes to the Division of Information Technology. Additionally, the Banner access for the student worker identified has been modified accordingly.

The Division of Information Technology continues to progress through implementation of the identity and account management (IAM) tool, Courion, which will manage the life cycle of user accounts across the University's systems and applications. The training and installation of the tool is planned and implementation will be phased in across all University applications over the next fiscal year. The Division of Information Technology is implementing manual procedures to review access and manage the access life cycle on a quarterly basis. These procedures will remain in effect until the IAM tool is implemented for Banner Financial Aid.

Remote access to the Banner system is only available via VPN. The Financial Aid data custodian works closely with the Information Security Officer to ensure Ellucian (Sungard) consultant accounts are reviewed monthly during routine access reviews and to ensure the accounts are disabled in a timely manner.

The Financial Aid office created a new upgrade and testing form to document the Banner processes and forms tested in preparation for system upgrades. This form documents the Financial Aid data custodian's approval prior to migrating system changes to the production environment. Additionally, the Division of Information Technology change management processes now requires the submission of this documentation and approval before any changes are migrated to the production environment.

Implementation Date: December 2012

Responsible Person: Michelle Bennett and Jason Brake

Lamar Institute of Technology

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).

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information 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.

Recommendations:

The Institute should:

- Ensure that it consistently updates students’ COA.
- Review transactions to ensure that it does not overaward financial assistance to students.

Management Response and Corrective Action Plan 2010:

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.

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.

Management Response and Corrective Action Plan 2011:

Corrective actions have been established as of July 1, 2011 and will be effective for the upcoming (2011-2012) financial aid processing year. COA Budgets will continue to be assigned in preparation for the awarding process and will be determined according to student enrollment level (Packaging Load) during the Budget Group Assignment Process (RORGRPS). In order to ensure that an appropriate COA element is utilized for the awarding and subsequent disbursement of federal grants, loans and work study amounts, financial aid personnel will execute manual review of printed output from the disbursement process (RPEDISB). This review will allow us to identify student records whose enrollment at the time of disbursement (Disbursement Load) has fluctuated since Budget Group Assignments were made. Identification of students whose Disbursement Load is not equal to Packaging Load will trigger manual adjustment of COA Budgets and review and adjustment as needed for financial assistance previously awarded and/or disbursed to relevant students.

This manual review process will be utilized until such time as an effective automated query system can be created to enhance this monitoring process.

Management Response and Corrective Action 2012:

Financial Aid personnel currently use a manual review process to ensure that students' COA is effectively updated. Each disbursement cycle is executed via the RPEDISB process. Printed output from this process is reviewed to identify students whose enrollment level at time of disbursement (Disbursement Load) differs from enrollment level at the time COA was established in the Budget Group Assignment Process (Packaging Load). Identification of students with Disbursement Load \neq Packaging Load results in manual adjustment of appropriate elements to reflect a corrected Cost of Attendance. This process is used in our efforts to accurately reflect and consistently update COA for financial aid recipients.

Additionally, after any COA Budget adjustments have been made, a review of student financial aid packages is performed and any necessary adjustments to awards and/or any previously disbursed aid are made at this time to reduce/eliminate potential over-awards.

Implementation Date: September 21, 2012

Responsible Person: Lisa Schroeder

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).

Initial Year Written: 2010 Status: Implemented 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.

Corrective Action:

Corrective action was taken.

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

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).

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information 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.

Corrective Action:

Corrective action was taken.

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

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)).

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

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.

Corrective Action:

Corrective action was taken.

Midwestern State University

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).

Initial Year Written: 2010
Status: Implemented

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.

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

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.

Initial Year Written: 2009
Status: Partially Implemented

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

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 108711).

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.

Management Response and Corrective Action Plan 2011:

Financial Aid management has revised the process for awarding Pell Grants. The Financial Aid Office will work with the Registrar's Office to develop a process to ensure changes to classification do not affect previous awards.

Financial Aid management has developed a Satisfactory Academic Committee that will monitor whether aid has been disbursed to students that do not meet the Satisfactory Academic Progress Policy. This committee will meet weekly or as needed.

Financial Aid Management has generated system modifications that will control the cost of attendance from being adjusted manually.

Management Response and Corrective Action Plan 2012:

Management appreciates the efforts of the State Auditor's Office to identify issues needing improvement and cite steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

Financial Aid management has revised the process for awarding Federal Supplemental Educational Opportunity Grant (FSEOG) awards. This process consists of the following elements: a flag has been set in the BANNER System to flag students who have not received the Pell Grant, which indicates the students are not eligible, for the FSEOG. The Financial Aid Program Analyst will run the Awarded FSEOG No Pell Report bi-weekly and provide it to the Reconciliation department, which will show any exceptions. The report will be reviewed by the Reconciliation Department and any inconsistencies will be resolved. This will include removing the FSEOG from the account. In addition, the Reconciliation Specialist will perform monthly reconciliation of all accounts.

Implementation Date: May 31, 2013

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

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).

Initial Year Written: 2007
Status: Partially Implemented
U.S. Department of Education
U.S. Department of Health and Human Services

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.

Management Response and Corrective Action Plan 2011:

Financial Aid management is in the process of changing the process of distributing Disbursement Notification Letters to students via Form Fusion. The process will be revised and will work through the Banner System in the fall semester.

Financial Aid management Financial Aid Management has generated system modifications that will control the cost of attendance from being adjusted manually.

Management Response and Corrective Action Plan 2012:

Management appreciates the efforts of the State Auditor's Office to identify issues needing improvement and cite steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

Notification of disbursement: In general, there are two types of notifications a school must provide: (1) a general notification to all students receiving FSA funds; and (2) a notice when loan funds are credited to a student's account. The financial aid office provides a general notification of award funds via email which directs the students to a secure website to view their award detail summary (PantherTracks). The University will send notifications to the students at the time the funds are applied to the student account.

The Financial Aid Program Analyst will run the School Account Statement Report (SAS) monthly and the Loan Overview Report weekly and provide it to the Reconciliation and Loan department, which will show all disbursements and rejections. Both reports will be reviewed by the Reconciliation and Loan Department and any rejections will be identified and resolved. In addition, the Reconciliation Specialist will perform monthly reconciliation of all accounts.

Implementation Date: May 31, 2013

Responsible Person: Kelvin Francois

Sam Houston State University

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

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)).

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

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 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:

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:

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.

Management Response and Corrective Action Plan Fall 2011:

The SunGard Higher Education response to SHSU's report of the Pell Grant disbursement date discrepancy issue when using the 'Just in Time' program option is that a resolution is not in the immediate future. Therefore, the University is building processes through which the task will be accomplished while also insuring the FAM system will be able to properly import subsequent records from COD. The set of processes will extract actual disbursement dates from the University's database in order to create and transmit an 'Update Record' Common Line file to COD. The COD acceptance of the update records will then be brought back into the Banner Financial Aid data. The target test date is October 31, 2011 with production implementation scheduled for November 07, 2011.

Management Response and Corrective Action Plan Fall 2012:

The Financial Aid & Scholarships Office has resolved the Pell Grant reporting issue identified in the audit of Award Year July 1, 2008 to June 20, 2009. Banner software functionality 'Advance Pay for Pell' was implemented with Award Year 2012-2013. The Pell disbursement records extracted for reporting to COD reflect the actual grant disbursement dates. These dates have been verified to insure accuracy. The first transmission to COD of the disbursement records for the year occurred August 20, 2012.

Implementation Date: August 20, 2012

Responsible Person: Lisa Tatom

Stephen F. Austin State University

Reference No. 12-120

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104129, CFDA 84.033 P033A104129, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P102315, CFDA 84.268 P268K112315, CFDA 84.375 P375A102315, CFDA 84.376 P376S102315, and CFDA 84.379 P379T112315

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).

Initial Year Written: 2011
Status: Partially Implemented

U.S. Department of Education

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

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).

Stephen F. Austin State University (University) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student’s actual or expected enrollment. As a result, the University overstated COA for 2 (3 percent) of 60 students tested. Those two students were enrolled less than full-time, but the University based their COA on full-time COA budgets, resulting in an overstated COA. 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 2010-2011 school year.

Recommendations:

The University should determine each student’s COA and financial need based on the student’s actual or anticipated enrollment.

Management Response and Corrective Action Plan 2011:

SFA resolved the cost of attendance issue by creating part-time as well as full-time student budgets. Awards will be made based on full-time enrolled during the year. At the beginning of each term on a given date, all student budgets and subsequent awards will be adjusted, if necessary, to reflect the part-time enrollment.

2012 Update:

For the 2011-2012 award year, the University established budgets for full-time and less-than-full-time students; it also determined cost of attendance based on each student's actual or anticipated enrollment. However, the University's process for adjusting awards based on enrollment information did not identify some students enrolled in more than nine hours during the summer 2012 term. As a result, the University could have underawarded some students financial assistance during that term.

Management Response and Corrective Action Plan 2012:

SFASU Financial Aid Office created and began utilizing full-time, 3/4-time, half-time, and less than half-time student budgets beginning with the 2011/2012 academic year.

A date is selected by the Financial Aid Office at the beginning of the term based on the registration calendar. On this date, a report is run of all students enrolled in less than full time or 12 credit hours. This list is disbursed to all financial aid counselors for review. Each student's budgets are then manually adjusted to reflect the correct budget based on their current semester actual enrollment. Each student's award is also adjusted (usually decreased) to match the reduced budget.

Implementation Date: September 30, 2012

Responsible Person: Mike O'Rear

Federal Perkins Loan Program

The Federal Perkins Loan Program provides low-interest loans to financially needy students attending higher education institutions to help them pay their educational costs. The maximum amount an undergraduate student may borrow is \$5,500 per award year (Title 34, Code of Federal Regulations, Sections 674.1 and 674.12).

Based on a review of the full population of student financial assistance recipients, the University awarded two Perkins loans in excess of the annual amount allowed. Specifically, the University overawarded one student by \$500 and overawarded another student by \$285. This occurred because of a manual error. The University corrected these errors when auditors brought it to the University's attention.

Corrective Action:

Corrective action was taken.

Reference No. 12-121

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

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.268 P268K112315, CFDA 84.379 P379T112315, and CFDA 84.038 Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

If an institution credits a student's account at the institution with Direct Loan, Federal Perkins Loan, or Teacher Education Assistance for College and Higher Education (TEACH) 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).

Initial Year Written: 2011
Status: Implemented
U.S. Department of Education

Stephen F. Austin State University (University) did not initiate the disbursement notification process within 30 days of crediting student accounts for 6,357 Direct Subsidized and Unsubsidized Loan recipients, 88 Perkins Loan recipients, and 78 TEACH Grant recipients in the Fall 2010 semester. The associated disbursements totaled \$26,142,019. The University asserts that it sent the notifications late because of its transition to a new financial aid application, Banner. Not receiving disbursement notifications promptly could impair students' and parents' ability to cancel their loans.

The University was unable to provide documentation of when it sent disbursement notifications to 1,196 Direct Parent Loan for Undergraduate Students (PLUS) loan recipients who received \$5,992,270 in PLUS loans during the Fall 2010 semester. The University mails hard-copy Direct PLUS disbursement notifications instead of sending them electronically. The University asserts that it inadvertently did not maintain images of the notifications it sent to those PLUS loan recipients. As a result, auditors were unable to determine whether the University sent those disbursements within the required time frame.

The University did not initially send disbursement notifications to 9 (16.7 percent) of 54 students tested who received Direct Loan or Perkins Loan funds. Specifically, these students received Direct Loan disbursements in January or February 2011. When auditors brought this matter to its attention, the University sent the notifications in June 2011. The University asserts that it did not initially send electronic disbursement notifications to those students because of a programming error. The University was unable to verify what caused that error; therefore, auditors were unable to determine the total number of students who did not receive disbursement notifications as a result of that error.

Corrective Action:

Corrective action was taken.

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:	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).

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.

Corrective Action:

Corrective action was taken.

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

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)).

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

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 improve controls over its calculation and review of SAP determinations.

Management Response and Corrective Action Plan 2010:

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.

Management Response and Corrective Action Plan 2011:

The SAP checklist and folder completion checklist were separated to improve controls over the calculation and review of SAP compliance. The SAP checklist form is completed after grades become available for current TAMIU students in accordance with the TAMIU SAP Policy. For new and transfer students, the form is completed after the student has been admitted to the institution and a FAFSA becomes available

Management Response and Corrective Action Plan 2012:

Effective February 2011, the SAP checklist was separated from the folder checklist, and the form was completed after final grades were posted in Banner (our student information system). For new and transfer students, the form was completed after the FAFSA application was received and the student was admitted to institution. Effective fall 2011, we implemented automated SAP rules, using the SAP Policy effective July 1, 2011. The automated SAP process is run at the end of each semester after final grades are posted in Banner. The first automated run was done at the end of the fall 2011 semester. The 2011-2012 academic year was the first complete year reviewed with automated SAP rules.

Implementation Date: December 2011

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

Texas A&M University

Reference No. 12-122

Eligibility

(Prior Audit Issue 11-120)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.063 P063P105286, CFDA 84.033 P033A104136, CFDA 84.375 P375A105286, CFDA 84.376 P376S105286, CFDA 84.379 P379T115286, CFDA 84.268 P268K115286, CFDA 84.007 P007A104136, CFDA 93.925 T08HP18696, CFDA 93.342 Award Number Not Applicable, CFDA 84.408 P408A105286, and CFDA 84.038 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).

Initial Year Written: 2010
Status: Implemented

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6, 682.603, and 685.102).

Texas A&M University (University) incorrectly calculated COA for 3 (5 percent) of 60 students tested.

The University’s policy is to exclude estimated program course fees when COA is based on actual tuition and fees. For two students tested, a manual adjustment the University made to the students’ COA incorrectly included estimated course fees when the actual fees had already been included in the COA calculation. This resulted in one student’s COA being overstated by \$252 and the other student’s COA being overstated by \$500.

In the formulas established under Texas Education Code, Section 61.059, the State may not include funding for semester credit hours earned by a resident undergraduate student who, before the semester or other academic session begins, has previously attempted a number of semester credit hours for courses taken at any higher education institution while classified as a resident student for tuition purposes that exceeds by at least 30 hours the number of semester credit hours required for completion of the degree program. Because formula funding will not be provided by the State, it is the University’s practice to charge tuition at the non-resident rate to all students who exceed the semester credit hour limit of their program. Although such students are charged a non-resident tuition rate, the University’s policy requires the travel portion of the COA to remain as “resident.” For one student tested, the University’s financial aid system incorrectly calculated the travel portion of the COA for the Summer term. The student had exceeded the maximum allowable hours for the student’s program at the end of the Spring term, enrolled for the Summer term, and was charged a non-resident tuition rate. Because the student was enrolled as a resident one semester and as a non-resident in another semester (referred to as “mixed enrollment”), the financial aid system incorrectly took a portion of a resident travel expense and a portion of a non-resident travel expense in calculating the student’s travel expense for the Summer. This error would affect only students who exceeded the maximum allowable hours at the end of Spring and enrolled for the Summer. As a result, the financial aid system calculated \$146 as the summer travel expense, when that amount should have been \$92. This resulted in the student’s COA being overstated by \$54. University management asserted that only 31 mixed enrollment students were affected by the incorrectly calculated Summer travel expense for the 2010-2011 award year.

For each of the three students tested for whom COA was overstated, total aid disbursed did not exceed the student's financial need.

Direct Loan Annual Limits

The total amount an undergraduate student may borrow for any academic year of study under the Direct Loan Program, in combination with any amount borrowed under the Federal Direct Stafford/Ford Loan Program, may not exceed annual award limits. An institution is responsible for ensuring that the amount of a loan will not exceed the student's financial need or annual loan limit. For an undergraduate student who has successfully completed the first year but has not successfully completed the second year of an undergraduate program, the total amount the student may borrow for any academic year of study under the Federal Direct Stafford/Ford Loan Program in combination with the Federal Stafford Loan Program may not exceed \$6,500, in which no more than \$4,500 can be in subsidized loans (Title 34, Code of Federal Regulations, Sections 685.203(a)(2)(i) and 685.203(b)(ii), and 2011-2012 *Student Financial Aid Handbook*, Volume 3, Chapter 5, page 3-91).

The University awarded 1 (2 percent) of 51 students tested \$8,251 in Direct Loans, which exceeded the \$6,500 annual limit for a second-year student by \$1,751. The student was a midyear transfer and started at the University in the Spring 2011 term. The student had attended another institution in Fall 2010 and received \$1,751 in Direct Loans (\$670 subsidized and \$1,081 unsubsidized) from that other institution. The student was properly identified as a midyear transfer in the University's financial aid system, and a transfer monitoring hold was placed on the student's account. However, a manual error in reviewing the student's prior financial aid received at the other institution resulted in the overaward. The error did not result in financial aid being disbursed in excess of financial need.

Corrective Action:

Corrective action was taken.

Reference No. 12-123

Reporting

(Prior Audit Issue 11-121)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number – CFDA 84.063 P063P105286

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, March 2011, Part 5, Student Financial Assistance Cluster, page 5-3-22 and Title 34, Code of Federal Regulations, Section 690.83).

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

For 5 (8 percent) of 60 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. This occurred because the University reported the date that it sent the Pell origination and disbursement records to the COD System as the disbursement date; however, for each of those five students, the actual disbursement occurred at a later date. On October 26, 2010, the University implemented an afternoon disbursement process to disburse federal grants on the same date that it sent Pell origination and disbursement records to the COD System to ensure accuracy in the COD System. Previously, the disbursement process disbursed all federal aid (including grants) the morning after the reporting date, causing the actual disbursement date to differ from the reported date for grants. Three of the five errors occurred in the Fall semester before the University

implemented the afternoon disbursement process. The other two errors occurred because the University did not move the afternoon disbursement process into production at the beginning of the Spring semester.

The University provided evidence indicating that, because of the issue discussed above, it disbursed Pell grants to 157 students at the beginning of the Spring semester and 95 students at the beginning of the Summer semester after the reporting date in the COD System. As a result, the U.S. Department of Education did not obtain accurate Pell disbursement information during the award year.

Corrective Action:

Corrective action was taken.

Reference No. 12-124

Special Tests and Provisions –Verification

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.063 P063P105286, CFDA 84.033 P033A104136, CFDA 84.375 P375A105286, CFDA 84.376 P376S105286, CFDA 84.379 P379T115286, CFDA 84.268 P268K115286, CFDA 84.007 P007A104136, CFDA 93.925 TO8HP18696, CFDA 93.342 Award Number Not Applicable, CFDA 84.408 P408A105286, and CFDA 84.038 Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

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, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

Initial Year Written: 2011
Status: Partially Implemented

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

Texas A&M University (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop 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 verification of all of the items required by Title 34, Code of Federal Regulations, Section 668.56.

For 7 (12 percent) of 60 students tested, the University did not accurately verify all required items on the FAFSA, and it subsequently did not update University records and request updated Institutional Student Information Records (ISIR) when required. Specifically:

- For two students tested, the University incorrectly identified the number of household members enrolled at least half-time in college. For one of those students, the University incorrectly identified the number of household members in college as two. However, based on review of the student's verification documents, the number of household members in college was one. As a result of that error, the University did not request an updated ISIR as required, understated the student's expected family income by \$1,055, and overawarded the student \$784 in Pell grants. For the other student, the University incorrectly identified the number of household members in college as two. However, based on review of the student's verification documents, the number of household members in college was one. The University did not request an updated ISIR as required; however, the student's eligibility and expected family income were not affected by the error.
- For three students tested, the University incorrectly identified information related to the students' adjusted gross income (AGI). For one of those students, the University incorrectly identified the student's AGI as \$1,031.

However, based on review of the student's verification documents, the student's AGI was \$958. The student's expected family income was not affected by the error. For another student, the University incorrectly identified the student's AGI as \$2,784. However, based on review of the student's verification documents, the student's AGI was \$2,734. The student's expected family income was not affected by the error. For the third student, the University incorrectly identified the student's AGI as \$8,090. However, based on review of the student's verification documents, the student's AGI was \$9,478. As a result of this error, the University did not request an updated ISIR as required and understated the student's expected family income by \$687. In each case, the student's eligibility was not affected by the error.

- For two students tested, the University incorrectly identified information related to the U.S. income taxes paid by the students' parents. For one of those students, the University incorrectly identified the U.S. income taxes paid by the student's parents as \$878. However, based on review of the student's verification documents, the U.S. income taxes paid by the student's parents were \$581. As a result of that error, the University understated the student's expected family income by \$44; however, the student's eligibility was not affected by this error. For the other student, the University incorrectly identified the U.S. income taxes paid by the student's parents as \$1,478. However, based on review of the student's verification documents, the U.S. income taxes paid by the student's parents were \$0. As a result of that error, the University did not request an updated ISIR as required, understated the student's expected family income by \$174, and overawarded the student \$100 in Pell grants.

The errors discussed above resulted in total questioned costs of \$884 related to Pell grants for CFDA 84.063 and award number P063P105286.

The errors occurred when University personnel manually entered data into the student financial aid system. 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 not updating its records, not requesting an updated ISIR when required, and overawarding financial assistance.

Corrective Action:

This finding was reissued as current year reference number 13-122.

Reference No. 12-125

Special Tests and Provisions – Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number – CFDA 84.268 P268K115286

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis, (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended, or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 685.309(b)).

Initial Year Written: 2011 Status: Implemented U.S. Department of Education

Texas A&M University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes, when required, to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (NSLDS Enrollment Reporting Guide, Chapter 1.3.2.1).

The University did not report 2 (4 percent) of 57 student status changes tested to the NSLDS within the required time frame. Both of those students graduated from the veterinary medicine program. Both students were determined to have met all graduation requirements on May 18, 2011 (the effective date of the status changes). The University's scheduled date for receiving the next enrollment reporting roster from the NSLDS following those status changes was June 2, 2011, and the University should have reported those status changes to NSLDS within 30 days of that date. The NSLDS enrollment reporting history information reflected that NSC reported those status changes to NSLDS on July 25, 2011, which was 53 days after the University received the enrollment reporting roster. The University asserted that it reported those status changes to NSC in a timely manner, and it was not able to determine why the status changes were reported to NSLDS late.

Failure to report student status changes within the required time frames could affect 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.

Corrective Action:

Corrective action was taken.

Reference No. 12-126

Special Tests and Provisions – Student Loan Repayments

(Prior Audit Issues 11-124, 10-56, and 09-53)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

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

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 perform all required contact and collection procedures for defaulted loans in a consistent and timely manner.

No Evidence of Contact

The University did not send required notices to some students with defaulted loans. Specifically:

- For 6 (46 percent) of 13 defaulted students tested, the University did not provide evidence that it sent the students the first grace period notice.
- For 1 (8 percent) of 13 defaulted students tested, the University did not provide evidence that it sent the student the second and third grace period notices, a billing notice, the first and second overdue billing notices, and the final demand letter.

During the implementation of the Banner system in Fall 2009, a programming error prevented the University from receiving student files at the appropriate time to enable it to identify students entering repayment status and to begin processing student loan repayments. According to University management, as a result of that programming error, during the 2010-2011 award year the University did not send the required first grace period notices to 25 (45 percent) of a total of 55 students with defaulted loans. The programming error appears to have been corrected based on the results of application control testing related to student loan repayments that auditors performed in July 2011.

Timeliness of Contact

The University sent some students with defaulted loans notices that were not within the required time frames. Specifically, for 2 (17 percent) of 12 defaulted students tested to whom the University sent second overdue billing notices, the University did not make contact within 30 days of the first overdue billing notice. This occurred due to an error in the University's collections process. Each of those students had other defaulted loans in addition to their Perkins Loans. The University flagged the students' accounts in its loan management system so that Student Business Services staff would recognize that the students should be sent a custom statement letter explaining that past due fees for the non-Perkins Loans were added to the students' account. However, due to the way the flag was set up in the system, adding the flag to a student's account prevented the system from generating the second overdue billing notice at the appropriate time.

Not sending the required communications within the required time frames increases the risk that students will be unaware that their defaulted Perkins Loans will be referred for collection, and students may not have appropriate time to resolve balance deficiencies and prevent their loans from being transferred to a collection agency.

Corrective Action:

This finding was reissued as current year reference number 13-124.

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

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).

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

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

2011 Update:

The University calculated the COA incorrectly for a portion of students tested because it used only full-time budgets to calculate the COA, regardless of each student's actual or expected enrollment. Fourteen (93 percent) of 15 students tested were enrolled less than full-time, but because the University based their attendance on full-time enrollment this resulted in an overstatement of those 14 students' COA. 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 2010-2011 academic year. Additionally, one of these fourteen students was budgeted using a year – round graduate budget although the student was still an undergraduate during the Fall Semester. As a result, the COA was underestimated by \$463.

Corrective Action:

Correction action was taken.

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 1087II).

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information 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.

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.
- Configure Banner to enforce rules regarding password length and complexity.

Management Response and Corrective Action Plan 2010:

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.

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.

2011 Update:

The University's COA calculation in Banner for the 2010-2011 academic year matched its final published COA budgets for the 2010-2011 academic year. Therefore, the University has addressed the prior year recommendation in this area. However, the University calculated the COA incorrectly for a portion of students tested because it used only full-time budgets to calculate the COA, regardless of each student's actual or expected enrollment. 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 2010-2011

academic year. Additionally, because of a coding error, the University incorrectly budgeted one doctoral student as a graduate student.

Management Response and Corrective Action Plan 2011:

Cost of Attendance – Full – time only budgets:

An automated process has been developed to identify students that are not enrolled in the appropriate number of hours for the specified category; full-time, half-time or less than half-time. The appropriate adjustment is posted to the student's tuition and fees, and books. The funding is reviewed and if necessary reduced to prevent an overaward. Due to the limited amount of funding available to students and the high amount of credit declinations for PLUS loans, ability to tuition and fees for the actual number of hour, the student award packages did not require adjustments. A full analysis for the 10-11 award year is being performed the students received the appropriate amount of aid per the federal guidelines.

Configure Banner to enforce rules regarding password length and complexity:

Decision was made not to roll out password length and complexity modification until after fall registration and headcount was complete.

2012 Update:

For the 2011-2012 award year, the University implemented a process to calculate COA based on a student's actual enrollment. The University initially budgeted students based on full-time enrollment. After classes began, the University reviewed students' hours of enrollment to determine their enrollment status. If a student was not enrolled full-time, the University prorated tuition, fees, and books. However, the University did not consistently calculate less-than-full-time COA based on its policy. As a result, the University may not have awarded the correct amount of financial assistance.

Management Response and Corrective Action Plan 2012:

Banner has released a new function that will assist in automating the proration of the cost of attendance (COA) based on the student's enrollment. The Financial Aid Team will begin testing the Banner proration process in the summer 2013 and if feasible, implementation will occur fall 2013.

Implementation Date: September 2013

Responsible Person: Linda Ballard

General Controls:

The Office of Information Technology identified Banner password security policy in which to adopt.

- a. Created a project plan to roll-out Banner password length complexity.*
- b. Database Administrator applied rules to a test environment.*
- c. Banner Configuration Team was assigned to test new security rules in test environment.*
- d. Analyzed test results.*
- e. Notified campus of the change in policy.*
- f. Applied approved rules to the Production environment.*
- g. Change was applied to the Production environment in October, 2011.*

Implementation Date: October 2012

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).

Initial Year Written: 2010 Status: Partially Implemented 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.

Corrective Action:

Corrective action was taken.

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.

Corrective Action:

Corrective action was taken.

General Controls

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

The University 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 configure Banner to enforce rules regarding password length and complexity.

Management Response and Corrective Action Plan 2010:

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.

Management Response and Corrective Action Plan 2011:

Configure Banner to enforce rules regarding password length and complexity:

To avoid impacting fall registration, decision was made not to roll out password length and complexity modification until after September 2011

Management Response and Corrective Action Plan 2012:

The Office of Information Technology identified Banner password security policy in which to adopt.

- h. Created a project plan to roll-out Banner password length complexity.*
- i. Database Administrator applied rules to a test environment.*
- j. Banner Configuration Team was assigned to test new security rules in test environment.*
- k. Analyzed test results.*
- l. Notified campus of the change in policy.*
- m. Applied approved rules to the Production environment.*
- n. Change was applied to the Production environment in October, 2011.*

Implementation Date: October 2012

Responsible Person: Kathy Booker

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:	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.

Corrective Action:

Corrective action was taken.

Texas State University – San Marcos

Reference No. 12-131

Eligibility

(Prior Audit Issues 11-129, 10-70, and 09-65)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104122, CFDA 84.033 P033A104122, CFDA 84.063 P063P100387, CFDA 84.268 P268K110387, CFDA 84.375 P375A100387, CFDA 84.376 P376S100387, CFDA 84.379 P379T110387, and CFDA 93.925 1T08HP18834-01-00

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 108711).

Initial Year Written: 2008
Status: Implemented

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student’s financial need (Title 34, Code of Federal Regulations, 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) uses full-time budgets to determine COA for all students receiving assistance, regardless of each student’s actual or expected enrollment. As a result, for 5 (8 percent) of 60 students tested, the University based the COA on full-time enrollment, although the students indicated that they would attend less than full-time. Using a full-time COA budget to calculate 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 calculate COA, auditors could not determine whether students attending less than full-time were awarded financial assistance that exceeded their financial need for the 2010-2011 school year.

Corrective Action:

Corrective action was taken.

Reference No. 12-132

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

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number – CFDA 84.268 P268K110387

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, not 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 or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2011
Status: Implemented

U.S. Department of Education

Texas State University – San Marcos (University) was unable to provide documentation that it sent disbursement notifications for 5 disbursements to 3 (6 percent) of 55 students tested who received Direct Loans. Additionally, 22 disbursement notifications the University sent to 14 (25 percent) of 55 students tested who received Direct Loans were not sent within 30 days of crediting the students’ accounts. The University sent those disbursement notifications between 33 and 175 days after crediting the students’ accounts. Those errors occurred because the University did not manually initiate its automated process for sending disbursement notifications in a timely manner.

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

Corrective Action:

Corrective action was taken.

Reference No. 12-133

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 11-131, 10-72, and 09-68)

Student Financial Assistance Cluster

Award year – July 1, 2010 through June 30, 2011

Award numbers – CFDA 84.007 P007A104122, CFDA 84.033 P033A104122, CFDA 84.063 P063P100387, CFDA 84.268 P268K100387, CFDA 84.375 P375A100387, CFDA 84.376 P376S100387, and CFDA 84.379 P379T110387

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)). 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)(3)-(4)).

Initial Year Written: 2008
Status: 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)).

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 17 (59 percent) of 29 students tested for whom Texas State University – San Marcos (University) should have returned Title IV funds, the University did not return the correct amount. This occurred because the University calculated the amount of funds to be returned based on an incorrect number of days in the semester. Specifically, in calculating the number of days in the Spring 2011 semester, the University used a spring break of 9 days, when it should have used a spring break of 8 days. As a result of that error, for the 17 students identified during testing, the University returned \$22 more in Title IV funds than it should have returned. No questioned cost is associated with these exceptions, because they resulted, on a net basis, in excess returns of \$22.

The issue discussed above affected a total of 248 students in the Spring 2011 semester. This resulted in increasing the required return amount in some cases, but reducing the required return amount in other cases, depending on the withdrawal date; it also could affect the students' return amounts similarly.

In addition, for 14 (41 percent) of 34 unofficial withdrawals tested, the University did not determine the withdrawal date within 30 days of the end of the period of enrollment. The University incorrectly began its 30-day determination period on the date that it posted student grades, instead of the last day of final exams. Because the University did not post grades until 5 days after the last exam date, this resulted in the University making those 14 determinations between 35 and 36 days after the end of the period of enrollment. Delayed determination of the withdrawal dates could delay the return of Title IV funds.

Corrective Action:

Corrective action was taken.

Texas Tech University

Reference No. 12-134

Eligibility

(Prior Audit Issue 11-134)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104151, CFDA 84.033 P033A1045151, CFDA 84.063 P063P102328, CFDA 84.268 P268K112328, CFDA 84.375 P375A102328, CFDA 84.376 P376S102328, and CFDA 84.379 P379I12328

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 1087I).

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

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

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).

For the 2010-2011 award year, Texas Tech University (University) used full-time budgets to determine COA for all students receiving assistance, regardless of each student’s actual or expected enrollment. As a result, for 30 (50 percent) of 60 students tested, the University based the COA on full-time enrollment, although the students attended less than full-time. Using a full-time COA budget to calculate 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 calculate COA, auditors could not determine whether students attending less than full-time were awarded financial assistance that exceeded their financial need for the 2010-2011 school year.

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).

For 3 (12 percent) of 25 students who received Pell Grants tested, the University awarded the students more in Pell Grants than the students were eligible to receive. This occurred because of manual errors. Specifically:

- The University overawarded one student \$800 in Pell Grants as a result of a manual entry error. The student was only enrolled half-time during the Fall 2010 semester, but the University awarded the student a Pell Grant based on full-time enrollment.
- The University overawarded one student \$575 in Pell Grants because it did not adjust the student’s award based on the student’s final enrollment at the census date.
- The University overawarded one student \$675 in Pell Grants because it counted remedial hours toward the enrollment requirement.

The University corrected the above awards in its financial aid system when auditors brought the errors to its attention; therefore, there are no questioned costs.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, 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 policy is to assign a “strike” to a student who fails to comply with its financial aid satisfactory academic progress (SAP) policy. After a student receives three strikes, the University’s policy is to deny the student financial assistance.

For 4 (10 percent) of 39 students tested for whom the University was required to review compliance with its SAP policy, the University did not assign a strike when the students failed to meet the University’s SAP requirements. Three of those exceptions occurred because of manual entry errors. For the remaining student, the University did not assign the student a strike in its former financial aid system before converting SAP statuses from that system into its new financial aid system.

Although the University did not appropriately assign strikes to those students as required by its SAP policy, the students were eligible for the assistance they received. However, not assigning strikes to students in accordance with the University’s SAP policy increases the risk of awarding financial assistance to ineligible students.

Corrective Action:

This finding was reissued as current year reference number: 13-128.

Reference No. 12-135

Reporting

(Prior Audit Issue 11-135)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number – CFDA 84.063 P063P102328

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

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

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 2011, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-22) and Title 34, Code of Federal Regulations, Section 690.83). 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 5-3-34)).

For 2 (3 percent) of 60 students tested, Texas Tech University (University) did not report the students' disbursements to the COD System within 30 days of disbursement. For one of those students, the University reported the Spring 2011 disbursement to the COD System 16 days late. The University could not determine why it did not report that disbursement in a timely manner. For the other student, the University reported the Spring 2011 disbursement 189 days late. For this student, the COD System initially rejected the Fall 2010 disbursement record. The University disbursed the Spring 2011 award before it had resolved the Fall 2010 disbursement record issue. As a result, the student's records remained in rejected status, and the University's automated reporting process did not attempt to report the disbursement to the COD System. The University cleared the source of rejection in August 2011, at which time it reported the student's Fall 2010 and Spring 2011 disbursements to the COD System. Not reporting disbursements in a timely manner can increase the risk of overawards to students and delay the U.S. Department of Education from receiving accurate Pell disbursement information.

Corrective Action:

Corrective action was taken.

Reference No. 12-136

Special Tests and Provisions - Verification

(Prior Audit Issues 11-136 and 09-72)

Student Financial Assistance Cluster

Award year - July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104151, CFDA 84.033 P033A104151, CFDA 84.063 P063P102328, CFDA 84.268 P268K112328, CFDA 84.375 P375A102328, CFDA 84.376 P376S102328, and CFDA 84.379 P379112328

Type of finding – Significant Deficiency and Non-Compliance

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, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

Initial Year Written: 2008 Status: Partially Implemented U.S. Department of Education

For 2 (3 percent) of 60 verification cases tested, Texas Tech University (University) did not retain support for all verified amounts or did not accurately verify all amounts during the verification process. Specifically:

- For one case, the University could not locate all required documents necessary to verify that taxes paid, as reported by the student on the student's Institutional Student Information Report (ISIR), were correct.
- For the other case, the University adjusted the student's AGI incorrectly during the verification process. The student's tax return showed that the student had an AGI of \$74,228, but the University entered the AGI as \$74,768 during verification. This was a difference of \$540. As a "zero need" student, the student was not eligible for need-based awards, and the correction of the error did not affect the student's awards. However, the \$540 difference was larger than the verification tolerance that requires the University to request an updated ISIR.

These issues were the result of manual errors. By not retaining support for verification calculations or not accurately recording students' financial information during the verification process, the University risks overawarding financial assistance.

Corrective Action:

This finding was reissued as current year reference number: 13-129.

Reference No. 12-137

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issues 11-138 and 09-74)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.063 P063P102328 and CFDA 84.268 P268K112328

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: 2008 Status: Partially Implemented U.S. Department of Education

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

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)).

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, Code of Federal Regulations, Section 668.22(j)).

Texas Tech University (University) did not always correctly perform return calculations or did not always return funds when required. Specifically:

- For 5 (9 percent) of 56 students tested who began attendance, the University did not return any Title IV funds even though it was required to return funds. Those five students attended less than 60 percent of the semester; therefore, the University should have returned funds for the students. The University's practice was to not return funds for students who attended at least 50 percent of the semester. As a result, for those five students, the

University did not return \$2,832 in Pell Grants (associated with award P063P102328) and \$2,325 in Direct Loans (associated with award P268K112328) that it should have returned.

- For Spring 2011, the University used an incorrect length of Spring break in its return of Title IV funds calculations. As a result, the University incorrectly calculated the amount of funds to return for 3 of 56 students tested who began attendance. For those students, the University returned \$15 more than was required; therefore, this error did not result in questioned costs.

In addition, for 24 (80 percent) of 30 students tested who unofficially withdrew, the University did not determine the students' withdrawal dates within 30 days of the end of the period because its time line for making those determinations exceeded 30 days. For 6 of those cases, the University's determination of withdrawal dates was furthered delayed due to a typographical error.

Corrective Action:

This finding was reissued as current year reference number: 13-131.

Reference No. 12-138

Special Tests and Provisions – Enrollment Reporting

(Prior Audit Issues 11-139 and 09-75)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number – CFDA 84.268 P268K112328

Type of finding – Significant Deficiency and Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 685.309(b)).

Initial Year Written: 2008
 Status: Partially Implemented
 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. 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 1.4).

The University did not always report student status changes to NSLDS in an accurate and timely manner. Specifically:

- For 18 (30 percent) of 60 students tested, the University did not report to NSLDS that the student had graduated. Seventeen of those 18 students graduated in May 2011. The University did not transmit a graduates file to the NSC for May 2011 graduates. One of those 18 students graduated in August 2010 and, although the University submitted this student's updated status to the NSC, the status change was never reported to NSLDS.
- For 18 (30 percent) of 60 students tested, the University reported an incorrect enrollment change date to NSLDS. 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, not the presentation date of the diploma or certificate. All 18 students graduated in May 2011. The guaranty agency (GA) was the only

entity that reported May 2011 graduates to NSLDS. However, the GA reported the students' commencement date.

- For 1 (2 percent) of 60 students tested, the University did not report the student's status change to NSLDS within the required 30-day time frame. This student graduated in December 2010, but the University did not report the graduated status to NSLDS until 53 days after the next scheduled roster submission date. The University submitted this student's status change to the NSC in January 2011, but the status change was not reported to NSLDS until February 2011.

The University does not have a monitoring process to ensure that it completely uploads enrollment files to the NSC and to help ensure the accurate and timely reporting of enrollment status information to NSLDS. Inaccurate and delayed submission of information affects determinations made by lenders and 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.

Corrective Action:

This finding was reissued as current year reference number: 13-132.

Reference No. 12-139

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

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number – CFDA 84.268 P268K112328

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 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).

Initial Year Written: 2011
 Status: Implemented

 U.S. Department of Education

Texas Tech University (University) disbursed its first Direct Loans in May 2010 and established a reconciliation policy in August 2010. The policy requires the University to prepare monthly reconciliations to compare Direct Loan data from its financial aid system to data in DLSS. **However, the University did not consistently prepare monthly reconciliations in accordance with its policy for the duration of the award year.** The University prepared monthly reconciliations only from July 2010 to January 2011.

In addition, auditors reviewed a sample of reconciliations the University prepared during award year 2010-2011 and determined that the reconciliations were not effective in identifying and resolving discrepancies between the University's financial aid system and DLSS. Specifically, the University did not always accurately transfer key totals from its financial aid system and DLSS to the reconciliation worksheet, and it did not always explain or resolve reconciling items. The University experienced challenges when implementing the monthly reconciliation process, including incompatibilities between the U.S. Department of Education's software and the University's financial aid system. As a result of these challenges, the University did not fully complete all monthly reconciliations and sought additional training and federal guidance.

Auditors tested a sample of 40 students who received Direct Loans and determined that the dates and amounts of Direct Loan disbursements in DLSS were supported by data in the University's financial aid system. However,

failure to prepare accurate and timely reconciliations between the financial aid system and DLSS increases the risk that Direct Loan disbursement data reported to DLSS could be inaccurate and incomplete.

Corrective Action:

Corrective action was taken.

Texas Woman's University

Reference No. 12-140

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.268 P268K112330, CFDA 84.038 Award Number Not Applicable, CFDA 84.379 P379T112330, CFDA 84.063 P063P102330, CFDA 84.007 P007A104153, CFDA 84.033 P033A104153, CFDA 84.375 P375A102330, CFDA 84.376 P376S102330, CFDA 93.364 E4CHP14958-02-00, CFDA 93.925 T08HP18611-01-00, and CFDA 93.407 TOAHP18334-01-00

Type of finding – Significant Deficiency and Non-Compliance

Pell Grant

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 690.75(a)(2)).

Initial Year Written: 2011
Status: Implemented
U.S. Department of Education
U.S. Department of Health and Human Services

Based on a review of the full population of student financial assistance recipients, Texas Woman's University (University) awarded a Pell Grant to a graduate student. That student received \$2,775 in Pell Grant funds in December 2010 but was ineligible for this assistance as a graduate student. According to the University, the student completed an undergraduate degree in August 2010 and enrolled as a graduate student for the Fall 2010 semester. The University asserted that the error was due to a manual override that a counselor in its Student Financial Aid Office made within the financial aid system. The error resulted in \$2,775 in questioned costs for award P063P102330.

Federal Supplemental Education Opportunity Grant (FSEOG)

Under the FSEOG Program, an institution may award an FSEOG for an academic year in an amount it determines a student needs to continue his or her studies. Students may receive up to \$4,000 in FSEOG per academic year. When a student participates in an approved study abroad program, the amount of FSEOG may be increased to \$4,400 (Title 34, Code of Federal Regulations, Section 676.20).

Based on a review of the full population of student financial assistance recipients, the University overawarded one student \$2,197 in FSEOG funds. That student participated in an approved study abroad program and, as a result, was eligible for \$4,400 in FSEOG funds; however, the University awarded the student \$6,597 in FSEOG funds. The University's financial aid system, Colleague, is designed to award financial aid to students within the yearly maximum limits established by the U.S. Department of Education. However, counselors within the University's Student Financial Aid Office have the authority to override the amount of financial aid Colleague awards, which increases the risk of the University awarding aid to a student in excess of the yearly limits. The University stated that the overaward of \$2,197 was misappropriated to FSEOG and should have been appropriated to Texas Public Education Grant. This error resulted in \$2,197 in questioned costs for award P007A104153.

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 108711).

The University calculated COA incorrectly for 7 (11.7 percent) of 60 students tested. For two of those seven students, the University used the incorrect student enrollment components to calculate COA. For those two students, the University included the incorrect number of months each student was enrolled in its COA calculations, which resulted in understating or overstating each student’s cost of attendance. For five graduate students, the University used the undergraduate tuition and fees rate for all or a portion of each student’s COA for the award year, which resulted in an understated COA. These errors were caused by manual intervention in the COA calculations within the financial aid system.

The University’s methodology for calculating COA does not always ensure consistent COA for students carrying the same academic workload. Incorrect COA calculations increase the risk of the University awarding aid that exceeds a student’s need or disbursing awards to ineligible students. None of the 60 students tested received aid that exceeded his or her need.

One COA budget category in Colleague did not agree with the University’s published COA budget. Specifically, the tuition and fee rates established in Colleague for full-time undergraduate students who are non-Texas residents was \$960 less than the University’s established COA budget. As a result, students in that category were potentially underawarded financial assistance. After the University established initial COA budgets in Colleague for the 2010-2011 award year, the University increased its tuition rates. While the University updated its published budgets to reflect the new tuition rates, it did not update the COA budgets in Colleague to reflect the new tuition rates. During the 2010-2011 award year, a total of 66 students were in this budget category and received a total of \$684,925 in federal student 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 does not adequately manage user access to its Colleague application. One University user had access to both award and disburse federal grants and loans; that user also had access to the process through which the University makes refunds to students. That user’s job function required only read-only access to produce reports. Additionally, the University has not implemented a formal, periodic review of user access to Colleague. Performing such a review could help identify and remove user access issues. Not maintaining appropriate access to Colleague increases the risk of unauthorized access to key financial aid processes and student records.

Corrective Action:

Corrective action was taken.

Reference No. 12-141

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

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.268 P268K112330, CFDA 84.038 Award Number Not Applicable, CFDA 84.379 P379T112330, CFDA 84.063 P063P102330, CFDA 84.007 P007A104153, CFDA 84.033 P033A104153, CFDA 84.375 P375A102330, CFDA 84.376 P376S102330, CFDA 93.364 E4CHP14958-02-00, CFDA 93.925 T08HP18611-01-00, and CFDA 93.407 TOAHP18334-01-00

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 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).

Initial Year Written: 2011
Status: Partially Implemented

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

For 4 (7 percent) of 57 students tested who received Direct Loans, Perkins Loans, and TEACH Grants, Texas Woman’s University (University) did not send disbursement notifications for Perkins Loan or TEACH Grant disbursements. The University asserts that it did not send disbursement notifications for Perkins Loans or TEACH Grants during the 2010-2011 award year due to a miscommunication between the Office of Student Financial Aid and the programmers responsible for the automated disbursement notification process. A total of 64 students received Perkins Loans and a total of 51 students received TEACH grants during the 2010-2011 award year.

For 3 (5.3 percent) of 57 students tested, the University did not retain documentation that it sent disbursement notifications to recipients of Direct Loans. The University asserts that a programming error in the automated disbursement notification process caused the University’s financial assistance application to send incorrect disbursement notifications for all disbursements on May 28, 2010, and June 2, 2010. Specifically, the system sent duplicate copies of prior disbursement notifications, instead of notifications for the disbursements that occurred on those dates. The University asserts that it attempted to correct this issue by manually sending the correct disbursement notifications; however, it did not retain documentation of those notifications. The University disbursed Direct Loans to 404 students on these two dates.

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

Recommendations:

The University should:

- Send disbursement notifications to Perkins Loan and TEACH Grant recipients within 30 days before or after crediting a student’s account with funds.
- Retain documentation demonstrating that it sent disbursement notifications within the required time frames.

Management Response and Corrective Action Plan 2011:

Management has made corrections to software processes to ensure that all disbursement notifications are sent to recipients of Federal Direct Loans, Federal Perkins Loans, and TEACH Grants within 30 days before or after a student’s account is credited with the funds. Disbursement notifications have been sent to all Perkins Loan and TEACH Grant recipients who did not receive timely notifications.

Management has corrected its automated processes to ensure that dated copies of all disbursement notifications sent to Federal Direct Loan, Federal Perkins Loan, and TEACH Grant recipients are automatically saved to the Financial Aid Office's imaging system.

Procedures have been modified to strengthen and improve oversight of the reporting of Direct Loan and Pell Grant disbursement records to COD to ensure that the information is accurate. The necessity of manual data entry has been minimized.

Management Response and Corrective Action 2012:

Management will correct software processes to ensure that all disbursement notifications are sent to recipients of Federal Direct Loans, Federal Perkins Loans, and TEACH Grants within 30 days before or after a student's account is credited with the funds. Disbursement notifications were sent to all Perkins Loan and TEACH Grant recipients who failed to receive them.

Management will make corrections to its automated processes to ensure that dated copies of all disbursement notifications sent to recipients of Federal Direct loans, Federal Perkins Loan, and TEACH Grants are automatically saved to the Financial Aid Office's imaging system.

Implementation Date: March 15, 2013

Responsible Person: Governor Jackson

COD System Reporting

Institutions submit Pell and Direct Loan 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. The disbursement date and amount 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 (Office of Management and Budget Circular A-133 Compliance Supplement, March 2011, Part 5, Student Financial Assistance Cluster, III.N.3, page 5-3-34).

For 1 (1.7 percent) of 60 students tested who received Pell Grants and Direct Loans, the Fall 2010 disbursement date the University reported to the COD System did not match the disbursement date in the University's financial aid system. However, the University reported the correct disbursement amount for all Pell Grants and Direct Loan disbursements tested.

The University asserts that all Fall and Spring loans were originated with an anticipated disbursement date. When it sends disbursement records to the COD System, the actual disbursement date generally overwrites the anticipated disbursement date. However, for certain disbursements, the University must manually overwrite the anticipated disbursement date. The University did not accurately manually update that date for the student discussed above.

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 adequately manage user access to its Colleague application. One University user had access to both award and disburse federal grants and loans; that user also had access to the process through which the University makes refunds to students. That user's job function required only read-only access to produce reports. Additionally, the University has not implemented a formal, periodic review of user access to Colleague. Performing such a review could help identify and remove user access issues. Not maintaining appropriate access to Colleague increases the risk of unauthorized access to key financial aid processes and student records.

Corrective Action:

Corrective action was taken.

University of Houston

Reference No. 12-150

Eligibility

Special Tests and Provisions - Institutional Eligibility

Student Financial Assistance

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104166, CFDA 84.063 P063P102333, CFDA 84.268 P268K112333, CFDA 84.375 P375A102333, CFDA 84.376 P376S102333, CFDA 84.033 P033A104166, and CFDA 84.379 P379T112333

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).

Initial Year Written: 2011
Status: Partially Implemented
U.S. Department of Education

For 31 (52 percent) of 60 students tested, the University of Houston (University) did not correctly calculate COA based on published budgets. Specifically, 26 students had room and board or transportation budgets that did not match the University’s published budgets, 1 student had a book budget that did not match the University’s published budgets, and 2 students had tuition budgets that did not match the University’s published budgets; for the final 2 students, the University’s published less-than-half-time-budgets did not tie to the COA that the University established for those 2 students in its financial aid system. Automated controls testing confirmed that budget tables within the financial aid system did not match published budgets. The University did not always correctly enter COA budgets into its financial aid system. In addition, the University asserted that published amounts may change due to legislative or University of Houston System mandates, but that the financial aid function does not always update budget tables within the financial aid system to reflect those changes. As a result of these errors, two students received Direct Loans associated with award P268K112333 totaling \$1,391 in excess of their COA.

Federal Pell Grants

For the federal Pell Grant program, the payment and disbursement schedules that the U.S. Department of Education provides each year are used for determining award amounts (Title 34, Code of Federal Regulations, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students. 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).

For 1 (3 percent) of 32 Pell Grant recipients tested, the University incorrectly calculated and awarded the student’s Pell Grant amount. The University awarded and disbursed the grant based on full-time enrollment when the student was budgeted and enrolled three-quarters time. This resulted in an excess of \$425 in Pell Grant assistance awarded to the student; those funds were associated with award P063P102333. The error occurred because the University did not manually adjust the student’s budget correctly.

Federal Supplemental Educational Opportunity Grant (FSEOG)

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Federal Pell Grant recipients who have the lowest EFC. Institutions decide the amount of the grant, which can be up to \$4,000 but not less than \$100 for an academic year. The maximum amount may be increased to \$4,400 for a student participating

in a study abroad program that is approved for credit by the student's home institution (Title 34, Code of Federal Regulations, Sections 676.10 and 676.20).

The University awarded FSEOG assistance to one student who did not receive a Pell Grant. The University's financial aid office asserted that the student was listed as a graduate on the student's Institutional Student Information Record (ISIR) and was considered ineligible to receive a Pell Grant. However, after the University determined that the student was not a graduate and, therefore, was eligible for a Pell Grant, it awarded the student FSEOG but it did not adjust the Pell Grant award.

Post-baccalaureate Students

A student is eligible to receive a FSEOG for an award year if the student meets the relevant eligibility requirements in Title 34, Code of Federal Regulations, Section 668.32; is enrolled or accepted for enrollment as an undergraduate student; and has financial need (Title 34, Code of Federal Regulations, Section 676.9). A student is eligible to receive a Pell Grant for the period of time required to complete his or her first undergraduate course of study (Title 34, Code of Federal Regulations, Section 690.6).

Based on a review of the population of students who received assistance during the award year, the University awarded a Pell Grant and an FSEOG award to one post-baccalaureate student who had previously graduated and, therefore, was not eligible for that assistance. Questioned costs resulting from that error include \$2,775 in Pell Grant funds associated with award P063P102333 and \$1,000 in FSEOG funds associated with award P007A104166. The student graduated in Summer 2010; however, the student's degree was not posted until October 8, 2010. The University did not have a review process to identify potential post-baccalaureate graduated students in a timely manner. As a result, the University incorrectly awarded the student assistance in Fall 2010.

Institutional Eligibility

Institutions must establish and publish reasonable standards for measuring whether eligible students are maintaining satisfactory progress in their educational program. These standards must include a quantitative component that consists of a maximum time frame for completion of the education program. That time frame must, for an undergraduate program, be no longer than 150 percent of the published length of the educational program. Additionally, it must be divided into increments not to exceed the lesser of one academic year or one-half the published length of the educational program. Furthermore, it must include a schedule designating the minimum percentage or amount of work a student must successfully complete at the end of each increment to complete his or her education program within the maximum time frame (Title 34, Code of Federal Regulations, Section 668.16(e)(2)).

For the 2010-2011 award year, the University's satisfactory academic progress (SAP) policy allowed for a maximum program length that exceeded 150 percent of the published length of the educational program. This occurred because the University did not have a sufficient review process to ensure that its SAP policy met the minimum federal requirement. Establishing a SAP policy that does not comply with all federal requirements could result in the University awarding federal assistance to students who are not eligible to receive assistance.

Corrective Action:

This finding was reissued as current year reference number: 13-143.

Reference No. 12-151

Reporting

(Prior Audit Issues 11-151, 10-94, and 09-83)

Student Financial Assistance Cluster

Award year - July 1, 2010 to June 30, 2011

Award number - CFDA 84.063 P063P102333

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, March 2011, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-22) and Title 34, Code of Federal Regulations, Section 690.83). 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 5-3-34)).

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Education

For 13 (22 percent) of 60 students tested, the University of Houston (University) did not report disbursements to the COD System within 30 days of the disbursement for the Fall 2010 or Spring 2011 semesters. The University reported them to the COD System between 33 and 104 days after it made those disbursements. The University attributed those errors to personnel changes in Fall 2010 and to issues in the management of its Pell program. Specifically, the University asserted that those errors occurred because it did not resolve data inconsistencies that caused the COD System to reject some files, which resulted in those disbursement records not being successfully submitted to the COD System in a timely manner.

Additionally, for 6 (46 percent) of the 13 students discussed above, the University reported the incorrect disbursement dates to the COD System. For those 6 students, the University incorrectly reported the date it disbursed funds as the date it submitted disbursement records to the COD System. As a result, disbursements that occurred on January 18, 2011, or February 9, 2011, were incorrectly reported to the COD System with disbursement dates in April 2011. The University attributed those issues to manual data entry errors that it made when it manually submitted disbursement records to the COD System after it had determined that the COD System had rejected some files due to data inconsistencies.

As a result of the errors described above, the U.S. Department of Education did not receive timely or accurate Pell disbursement data for some disbursements during the award year.

Corrective Action:

This finding was reissued as current year reference number: 13-144.

Reference No. 12-152

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issues 11-153, 10-97, and 09-86)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104166, CFDA 84.063 P063P102333, CFDA 84.268 P268K112333, CFDA 84.375 P375A102333, CFDA 84.376 P376S102333, and CFDA 84.379 P379T112333

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 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)).

Initial Year Written: 2008
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 returned to the U.S. Department of Education as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (Title 34, Code of Federal Regulations, Section 668.22(j)).

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)).

When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return, and it must determine which funds were disbursed directly to a student. For funds that were disbursed directly to the student, the institution must notify the lender or the Secretary of the U.S. Department of Education that the student did not begin attendance so that the Secretary can issue a final demand letter (Title 34, Code of Federal Regulations, Section 668.21). 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 2 (6 percent) of 35 students tested who began attendance and later withdrew, the University of Houston (University) incorrectly calculated the amount of Title IV assistance earned and the amount to be returned. The University used incorrect withdrawal dates in its return calculations, resulting in an incorrect determination that it did not need to return any funds. Based on the correct withdrawal dates, the University should have returned \$2,655 in Direct Loan funds and the two students should have returned \$2,978 in Direct Loan funds associated with award number P268K112333

For 2 (6 percent) of 32 students who never began attendance, the University did not make required returns of Title IV funds. The University did not request proof of course completion forms from those students and, as a result, it did not make required returns. Those two errors resulted in questioned costs of \$2,775 in Pell Grant funds associated with award P063P102333 and \$8,957 in Direct Loan funds associated with award P268K112333.

Additionally, for 1 (3 percent) of 32 students tested who never began attendance, the University did not return funds within the required time frame. Although this student was identified as an unofficial withdrawal, the University did not follow up on a deadline extension it granted the student for submission of acceptable proof of course completion documentation. As a result, funds were not returned until July 2011.

For all 39 students tested who were identified as unofficial withdrawals, the University did not determine the withdrawal dates within the required 45-day time frame. Specifically:

- For 31 students, the University determined withdrawal dates between 10 and 15 days late. The University implemented new procedures to identify unofficial withdrawals during Fall 2010; those procedures required students who received all Fs in a semester to complete a proof of course completion form providing evidence that they had attended at least one class. However, the University incorrectly used the dates it sent the forms to students as its determination of the withdrawal date, instead of the date it actually determined that the students had withdrawn or never attended.
- For 6 students with unofficial Fall semester withdrawals, the University's determination of the withdrawal date ranged between 63 days and 206 days after the end of the semester. The University granted two students deadline extensions for submission of acceptable proof of course completion documentation, and it did not identify 4 students as unofficial withdrawals until later in the Spring semester.
- For 2 students, the University did not make a required return as discussed above. The University did not request a proof of course completion documentation from those students. As a result, it did not determine the students' withdrawal dates.

Corrective Action:

This finding was reissued as current year reference number: 13-146.

Reference No. 12-153

Special Tests and Provisions - Enrollment Reporting

(Prior Audit Issues 11-154, 10-98, 09-87, 08-74, and 07-58)

Student Financial Assistance Cluster

Award year- July 1, 2010 to June 30, 2011

Award number – CFDA 84.268 P268K112333

Type of finding – Significant Deficiency and Non-Compliance

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 discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis, (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended, or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 685.309(b)).

Initial Year Written: 2006 Status: Partially Implemented U.S. Department of Education

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes, when required, to 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 1.4).

For 10 (17 percent) of 60 student status changes tested, the University did not report the status change to NSLDS. The University must report a student status change to NSLDS within the required time frame to ensure that accurate data is maintained regarding the students loan status. The 10 students never attended classes and were considered unofficial withdrawals from the University.

The University does not have an adequate process to report enrollment status to NSLDS for withdrawn students. 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.

Corrective Action:

This finding was reissued as current year reference number: 13-147.

Reference No. 12-154

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

(Prior Audit Issue 11-155)

Student Financial Assistance Cluster

Award year - July 1, 2010 to June 30, 2011

Award number - CFDA 84.268 P268K112333

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, which consists of a Cash Summary, Cash Detail, and (optional at the request of the institution) Loan Detail records. The institution is required to reconcile these files to its financial records. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 685.303).

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

For 4 (7 percent) of 60 students tested, the University of Houston (University) did not report disbursements to the COD System within 30 days of the disbursement for the Fall 2010 or Spring 2011 semesters. The University reported those disbursements to the COD System between 31 and 199 days after it made them. This occurred because the University did not adequately follow up on disbursement transactions that the COD System rejected to ensure that the University could correct transactions in a timely manner.

For 1 (25 percent) of the 4 students discussed above, the University reported the incorrect disbursement date to the COD System. The University attributed this error to a manual data entry error, which occurred when the University was attempting to correct a disbursement transaction the COD System had rejected.

As a result of the errors described above, the U.S. Department of Education did not receive timely or accurate Direct Loan disbursement data for some disbursements during the award year.

In addition, the University did not reconcile SAS data files to its financial records during the award year. The University's financial aid office was unaware of the reconciliation requirement and, therefore, it had not implemented a process to reconcile SAS data files to its accounting records. Failure to prepare accurate and timely reconciliations between SAS data files and financial records increases the risk that Direct Loan disbursement data reported to DLSS could be inaccurate and incomplete.

Corrective Action:

This finding was reissued as current year reference number: 13-148.

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 10871l).

Initial Year Written: 2010
Status: Partially Implemented
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.

Recommendation:

The University should ensure the COA budgets within the financial aid application contain sufficient detail to verify COA for part-time students.

Management Response and Corrective Action Plan 2010:

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.

Management Response and Corrective Action Plan 2011:

A budget spreadsheet was created to clearly display student budgets per hours registered.

Management Response and Corrective Action Plan 2012:

- 1. Spreadsheet has been created to clearly display student budgets per hours registered.*

- This process in Banner Financial Aid is a manual process and not automated with the implementation of Banner Financial aid as expected (enhancement to come with next Banner upgrade). FAO has developed procedures to manually update the Cost of Attendance items for students not enrolled full-time.*

Implementation Date: January 2013

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

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).

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

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.

Recommendations:

The University should maintain documentation supporting its review of NSLDS financial assistance history for mid-year transfer students.

Management Response and Corrective Action Plan 2010:

The University of Houston-Downtown concurs with this recommendation. The transfer file functionality was not part of PowerFaid 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.

Management Response and Corrective Action Plan 2011:

There is a documented process in Banner Financial Aid for monitoring transfer students and will be assigned to one person to allow for proper monitoring on a weekly basis. The process will automatically place a 7 day hold on a student's record to prevent disbursement while transfer monitoring is in process.

Management Response and Corrective Action Plan 2012:

With the implementation of Banner Financial Aid, the FAO has created a process to electronically send files to Department of Ed adding students to our transfer monitoring list. The process places a 7 day hold on student's financial aid record to prevent disbursement pending the updates received, if any. We may also choose to use a paper transfer monitoring form which the other paying institution will indicate no further disbursements will be made on the student's behalf. Both processes have been utilized for Spring and Summer 2012.

FAO will modify the process to include students previously packaged as Fall/Spring, but did not attend Fall to ensure all mid-year transfer students are properly reviewed.

Implementation Date: January 2013

Responsible Person: LaTasha Goudeau

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.

Corrective Action:

Corrective action was taken.

University of North Texas

Reference No. 12-155

Eligibility

Special Tests and Provisions - Institutional Eligibility

Student Financial Aid Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.033 P033A104085, CFDA 84.375 P375A102293, CFDA 84.376 P376S102293, CFDA 84.379 P379T112293, CFDA 84.007 P007A104085, CFDA 84.268 P268K112293, and CFDA 84.063 P063P102293

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

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

Initial Year Written: 2011
Status: Partially Implemented
U.S. Department of Education

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

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

The University of North Texas (University) uses full-time COA budgets to determine COA for all students receiving financial assistance who enroll prior to the start of the term, regardless of each student’s actual or expected enrollment. For 1 (2 percent) of 60 students tested, the University based the students’ COA on full-time enrollment, although the student indicated that the student would attend less than full time. As a result of that error, the University overawarded the student \$191 in Federal Direct Loans for award P268K112293. However, the University returned those funds on October 3, 2011, after auditors brought this matter to its attention. Using a full-time COA budget to estimate COA for students who attend less-than-full-time increases the risk of awarding financial assistance that exceeds financial need.

Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, 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 must be the same as or stricter than the institution’s standards for a student enrolled in the same educational program who is not receiving assistance. Additionally, the SAP policy should include a qualitative component that consists of grades, work projects completed, or comparable factors that are measureable 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, CFR, Section 668.16(e)).

The University's SAP policy is not as strict as its standards for a graduate student who is not receiving Title IV funds. Specifically, the University's policy for financial aid eligibility requires graduate students to have a cumulative grade point average of 2.75 to receive financial assistance. However, the University's institutional policy requires graduate students to maintain a 3.0 grade point average to remain in good academic standing. This results in an increased risk that the University could award financial assistance to students who meet the financial aid SAP policy, but who do not meet the University's institutional requirements to remain in good academic standing.

Corrective Action:

This finding was reissued as current year reference number: 13-150.

University of Texas at Arlington

Reference No. 12-156

Eligibility

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104177, CFDA 84.033 P033A102335, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P102335, CFDA 84.268 P268K112335, CFDA 84.375 P375A102335, CFDA 84.376 P376S102335, CFDA 84.379 P379T112335, CFDA 93.264 E01HP12986, and 93.408 E0AHP18918

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).

Initial Year Written: 2011
Status: Partially Implemented

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

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information 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, 668.2, and 690.2).

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).

For the 2010-2011 award year, the University of Texas at Arlington (University) used full-time budgets to determine COA for all students receiving assistance, regardless of each student's actual or expected enrollment. As a result, for 3 (5 percent) of 61 students tested, the University based the COA on full-time enrollment, although the students indicated that they would attend less than full-time. Using a full-time COA budget to calculate 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 calculate COA, auditors could not determine whether students attending less than full-time were awarded financial assistance that exceeded their financial need for the 2010-2011 school year.

Corrective Action:

This finding was reissued as current year reference number: 13-154.

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). A student who meets certain requirements is eligible to receive an ACG if the student is receiving a federal Pell Grant disbursement in the same award year (Title 34, Code of Federal Regulations, Section 691.15).

Based on a review of the entire population, **the University disbursed an ACG award of \$188 to one student who did not receive a federal Pell Grant for the same award period.** In June 2011, the University asserted that it determined that the student was enrolled full-time at another institution. As a result, the University canceled the student's federal Pell Grant, but it did not cancel the ACG award. This exception was associated with award P375A102335.

Corrective Action:

This portion of the finding is no longer valid. The University no longer participates in the Academic Competitiveness Grant program.

Reference No. 12-157

Reporting

(Prior Audit Issue 10-109)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.063 P063P092335 and P063P102335

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, March 2011, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-22) and Title 34, Code of Federal Regulations, Section 690.83). 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 5-3-34)).

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

For 8 (13 percent) of 60 students tested, the University of Texas at Arlington (University) did not report the date and amount of Pell disbursement to the COD System within 30 days. The University reported those disbursements to the COD System between 13 and 21 days late. The University's financial aid system will not transmit information to the COD System if a student's disbursed amount does not match the scheduled award amount, and this will continue until the University makes a manual adjustment. The University did not have an adequate process during the Fall 2010 semester to identify and correct those discrepancies. The University refined its query and review procedures, and auditors did not identify any exceptions in the Spring 2011 semester. Failure to report correct amounts in a timely manner results in inaccurate information in the COD System.

Corrective Action:

Corrective action was taken.

Reference No. 12-158

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P102335, CFDA 84.268 P268K112335, CFDA 84.007 P007A104177, CFDA 84.033 P033A102335, CFDA 84.375 P375A102335, CFDA 84.376 P375S102335, CFDA 84.379 P379T112335, CFDA 93.264 E01HP12986, and CFDA 93.408 E0AHP18918

Type of finding – Significant Deficiency and Non-Compliance

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, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

Initial Year Written: 2011
Status: Partially Implemented

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

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 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).

For 1 (2 percent) of 60 students tested, the University of Texas at Arlington (University) did not accurately verify the amount of the student's U.S. income tax paid when reviewing FAFSA information. For that student, the University understated the student's EFC by \$713, resulting in an overaward of a Pell Grant by \$525.

For 1 (2 percent) of 60 students tested, the University did not accurately verify the amount of the parents' AGI when reviewing FAFSA information. For that student, the University overstated the student's EFC by \$1,379, resulting in an underaward of a Pell Grant by \$1,400.

Each of those issues resulted from manual errors the University made during the verification process. The two errors combined resulted in Pell Grants being underawarded by a net \$875. The University corrected the errors in August 2011 and adjusted the Pell Grant awards accordingly.

In addition, the University's policies and procedures for the verification process did not meet 6 of the 7 applicable requirements. Specifically, the University's verification policies and procedures did not include:

- The period within which applicants selected for verification are required to provide documentation.
- Consequences for failure to produce documentation within the specified period.
- The methods by which the University notifies applicants of the results of verification and any resulting changes in the applicant's EFC or award or loan amounts.
- The procedures that the University requires applicants to follow to correct application information determined to be in error.
- The procedures for making referrals under Title 34, Code of Federal Regulations, Section 668.16.

- A requirement that, in a timely manner, the University will provide the applicants selected for verification with a clear explanation of each applicant’s responsibilities with respect to the verification of application information, including the deadlines for completing the required actions 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:

This finding was reissued as current year reference number: 13-155.

Reference No. 12-159

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

(Prior Audit Issue 10-111)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number – CFDA 84.379 P379T112335

Type of finding – Significant Deficiency and Non-Compliance

If an institution credits a student’s account at the institution with Direct Loan, Federal Perkins Loan, or Teacher Education Assistance for College and Higher Education (TEACH) 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).

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

The University of Texas at Arlington (University) did not send disbursement notifications for 148 (98 percent) of 151 TEACH Grant disbursements for the 2010-2011 award year. The University uses separate queries to produce TEACH Grant disbursement notifications and Direct Loan and Perkins Loans disbursement notifications, and it did not run the query for TEACH Grant disbursement notifications during the 2010-2011 award year. The University disbursed \$215,356 in TEACH Grants for that award year. Not receiving disbursement notifications promptly could impair students’ and parents’ ability to cancel their loans or TEACH Grants.

Corrective Action:

Corrective action was taken.

Reference No. 12-160

Special Tests and Provisions – Return of Title IV Funds

(Prior Audit Issue 10-112)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.063 P063P102335, CFDA 84.268 P268K112335, CFDA 93.264 E01HP12986, CFDA 93.408 E0AHP18918, CFDA 84.379 P379T112335, CFDA 84.007 P007A104177, CFDA 84.033 P033A102335, CFDA 84.375 P375A102335, CFDA 84.376 P376S102335, 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 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) (3)-(4)).

Initial Year Written: 2009 Status: Partially Implemented U.S. Department of Education U.S. Department of Health and Human Services
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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)).

For 3 (5 percent) of 59 students tested who began attendance, the University of Texas at Arlington (University) incorrectly calculated the amount of Title IV assistance earned and, as a result, the amount of Title IV funds to be returned. The University used incorrect semester end dates in its calculations, which resulted in an incorrect calculation of the percentage of the semester the students completed. This occurred because the University manually enters the enrollment period used to calculate the percentage of funds earned into its financial aid application, and it does not have a sufficient review process to ensure the accuracy of that information. The issue affected all students who had a return in the Summer 2010 semester and resulted in \$2 in questioned costs associated with Pell Grant award P063P102335 and \$16 in questioned costs associated with Direct Loan award P268K112335. The University subsequently identified an additional \$424 to return as a result of this issue.

In addition, for 6 (16 percent) of 37 students tested who began attendance, the University did not return funds until after auditors brought the necessary returns to its attention. As a result, the University did not complete returns within 45 days of the date it determined that the students withdrew. While it calculated and returned the correct amount for those students after auditors brought this matter to its attention, the University’s lack of sufficient review over manually initiated returns prevented it from detecting and correcting the oversight prior to the audit work. The University identified the students as needing a return, but it did not manually initiate the procedure to

perform the returns for those students. Not returning funds in a timely manner reduces federal funds available for disbursement and increases the risk that the institution may not properly return funds.

Finally, for 4 (67 percent) of 6 students tested who did not begin attendance, the University did not return all funds. Those four students unofficially withdrew from the University, and the University could not provide evidence that they attended at least one class during the enrollment period. Although the University did not have evidence that the students attended, its financial aid office used the semester midpoint when calculating the amount of aid to return for those students; as a result, it returned only 50 percent of funds for those students. Additionally, three of those four students received Direct Loans, and the University did not notify the Secretary of the U.S. Department of Education that they had never attended. These errors resulted in the University not returning all funds for the four students and resulted in questioned costs of \$347 associated with Pell Grant award P063P102335 and \$6,695 in questioned costs associated with Direct Loan award P268K112335. The University asserted that it had 391 unofficial withdrawals during the award year.

Corrective Action:

This finding was reissued as current year reference number: 13-156.

Reference No. 12-161

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

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number – CFDA 84.268 P268K112335

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, which consists of a Cash Summary, Cash Detail, and (optional at the request of the institution) Loan Detail records. The institution is required to reconcile these files to its financial records. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 685.303).

Initial Year Written: 2011
Status: Partially Implemented

U.S. Department of Education

For 3 (5 percent) of 60 students tested, the University of Texas at Arlington (University) reported incorrect disbursement dates to the COD System more than one year late. According to the University, transmission errors caused by incorrect data for those three students prevented the timely and accurate reporting of these disbursements to the COD System. The errors were associated with those three students' Summer 2010 disbursements, and the University did not have a compensating control to effectively identify these errors in Summer 2010 (its first semester on the Direct Loan program). The University improved its use of error reports in subsequent semesters, and auditors did not identify any errors for the Fall 2010 or Spring 2011 semesters.

In addition, the University did not reconcile SAS data files to its financial records during the award year. Failure to report information to DLSS within required time frames results in inaccurate and incomplete COD System information. Failure to prepare accurate and timely reconciliations between the financial aid system and DLSS increases the risk that Direct Loan disbursement data reported to DLSS could be inaccurate and incomplete.

Corrective Action:

This finding was reissued as current year reference number: 13-157.

University of Texas at Austin

Reference No. 12-164

Eligibility

Activities Allowed or Unallowed

Cash Management

Period of Availability of Federal Funds

Program Income

Special Tests and Provisions – Separate Funds

Special Tests and Provisions - Verification

Special Tests and Provisions – Enrollment Reporting

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

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104173, CFDA 84.033 P033A104173, CFDA 84.038 P038A044173, CFDA 84.063 P063P102336, CFDA 84.268 P268K112336, CFDA 84.375 P375A102336, and CFDA 84.376 P376S102336

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 which consists of grades, work projects completed or comparable factors that are measureable 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, CFR, Section 668.16(e)).

Initial Year Written: 2011
 Status: Partially Implemented
 U.S. Department of Education

According to the University of Texas at Austin's (University) SAP policy, a student who is not making reasonable progress toward his or her education is given a "strike" (or "bar") within the financial aid system. If the student receives three strikes, the student is not eligible for additional financial aid funds without an appeal.

For 1 (2.5 percent) of 40 students tested, the University did not appropriately determine whether the student was making satisfactory academic progress to receive financial aid. This occurred because the University did not incorporate Direct Loans into the financial aid system programming code as an aid type that requires a SAP compliance determination. Additionally, because of other programming errors, the University did not appropriately assign strikes to students who dropped hours but remained eligible for Title IV financial assistance.

As a result of the programming errors discussed above, the University reported that it did not initially perform SAP compliance determinations for 706 students who received Title IV financial assistance during the 2010-2011 award year. The University became aware of the programming errors after it performed SAP compliance determinations for Spring 2011. The University then corrected the programming errors and performed the SAP compliance determinations for the 2010-2011 award year. Based on those determinations, the University asserted that it should have assigned SAP strikes to 176 students who received Title IV financial assistance. Based on the University's review, **5 of those 176 students received Title IV financial assistance when they should have been ineligible to receive that assistance.** For those 5 students, the University calculated \$48,271 in questioned costs, which included:

- \$34,559 in Direct Loans associated with award P268K112336.
- \$2,000 in Federal Perkins Loans associated with award P038A044173.
- \$9,712 in Federal Pell Grants associated with award P063P102336.
- \$2,000 in Federal Supplemental Education Opportunity Grants associated with award P007A104173.

Corrective Action:

Corrective action was taken.

Other Compliance Requirements

Although the general control weakness described below applies to activities allowed or unallowed, cash management, period of availability of federal funds, program income, special tests and provisions – separate funds, special tests and provisions – verification, special tests and provisions – enrollment reporting, and special tests and provisions – borrower data transmission and reconciliation (direct loans), 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.

Corrective Action:

This finding was reissued as current year reference number: 13-158.

Reference No. 12-165

Reporting

(Prior Audit Issue 11-165)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104173, CFDA 84.033 P033A104173, CFDA 84.038 P038A044173, CFDA 84.063 P063P102336, CFDA 84.268 P268K112336, CFDA 84.375 P375A102336, and CFDA 84.376 P376S102336

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, March 2011, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-22) and Title 34, Code of Federal Regulations, Section 690.83). 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 5-3-34)).

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

For 7 (12 percent) of 60 students tested, the University of Texas at Austin (University) did not report Pell origination and disbursement records to the COD System within 30 calendar days as required. In all instances, the University reported the students’ records to the COD System 31 calendar days after disbursement. An automated program pulled the students’ records prior to 30 calendar days; however, the transmission of the records

to the COD System failed. The University discovered the failed transmission 12 calendar days later and successfully transmitted the records at that time. Not reporting disbursements in a timely manner can increase the risk of overawards to students and delay the U.S. Department of Education from receiving accurate Pell disbursement information.

Corrective Action:

Corrective action was taken.

General Controls

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

The University did not have sufficient change management controls for the 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.

Corrective Action:

This finding was reissued as current year reference number: 13-158.

Reference No. 12-166

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

(Prior Audit Issue 11-166)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers –CFDA 84.007 P007A104173, CFDA 84.033 P033A104173, CFDA 84.038 P038A044173, CFDA 84.063 P063P102336, CFDA 84.268 P268K112336, CFDA 84.375 P375A102336, and CFDA 84.376 P376S102336

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).

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

For 2 (4 percent) of 55 students tested who received Direct Loans, the University of Texas at Austin (University) did not send a disbursement notification to the student as required. In both cases, the disbursements were applied to a previous academic term, which required a manual post-closing adjustment to the students’ accounts to properly post the award to the correct period. However, the University’s automated program

that sends disbursement notifications to students generates notifications only for disbursements in the current term. Not receiving a disbursement notification could impair a student’s or parent’s ability to cancel their loans.

Corrective Action:

Corrective action was taken.

General Controls

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

The University did not have sufficient change management controls for the 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.

Corrective Action:

This finding was reissued as current year reference number: 13-158.

Reference No. 12-167

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104173, CFDA 84.033 P033A104173, CFDA 84.038 P038A044173, CFDA 84.063 P063P102336, CFDA 84.268 P268K112336, CFDA 84.375 P375A102336, and CFDA 84.376 P376S102336

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)(3)-(4)).

Initial Year Written: 2011 Status: Partially Implemented 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 1 (2 percent) of 60 students tested, the University of Texas at Austin (University) processed the student as an “unofficial withdrawal” and calculated the amount of Title IV funds to return using the half-way point in the semester, but the University could not provide evidence that the student attended at least one class for the semester. Because the University was unable to support that the student attended during the semester, the University should have considered the student “never attended,” and it should have returned all of the \$6,642 in Title IV funds awarded to the student for the semester. Instead, the University determined that only \$3,288 needed to be returned. The \$3,354 in unreturned funds was associated with awards P063P102336 and P268K112336.

When a student receives all Fs in his or her courses for a semester, the University has a process to contact the student’s instructors to determine the last date of academic activity. The University then uses that date in its financial aid return calculation. However, if none of the instructors responds to the University’s inquiry, the University uses the midpoint of the semester as the last date of attendance for its financial aid return calculation. As a result, students who do not begin attendance for the semester may be allowed to retain unearned Title IV funds.

Corrective Action:

Corrective action was taken.

General Controls

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

The University did not have sufficient change management controls for the 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.

Corrective Action:

This finding was reissued as current year reference number: 13-158.

Reference No. 12-168

Special Tests and Provisions – Student Loan Repayments

(Prior Audit Issues 11-167, 10-116, and 09-91)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104173, CFDA 84.033 P033A104173, CFDA 84.038 P038A044173, CFDA 84.063 P063P102336, CFDA 84.268 P268K112336, CFDA 84.375 P375A102336, CFDA 84.376 P376S102336, and CFDA 93.264

Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Loan Deferments and Cancellations

A borrower may defer making a scheduled installment repayment on a Federal Perkins loan if the borrower is enrolled and in attendance at least half-time as a regular student at an eligible institution. If the borrower is enrolled and attending an institution of higher education at least half-time for a full academic year and intends to enroll at least half-time as a regular student in the next academic year, the borrower is entitled to a deferment for 12 months. If the borrower provides the institution satisfactory documentation of economic hardship, the borrower need not repay

Initial Year Written: 2008
Status: Partially Implemented

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

principal, and interest does not accrue for a period of up to one year at a time during which the borrower is suffering an economic hardship (Title 34, Code of Federal Regulations, Section 674.34).

For the Nursing Faculty Loan Program, the institution shall cancel 20 percent of the principle of, and the interest on, the outstanding loan upon completion by the borrower of each of the first, second, and third year of full-time employment as a faculty member in a school of nursing (Title 42, United States Code, Chapter 6A, Subchapter VI, Section 297n-1).

For 14 (23 percent) of 60 students tested, the University of Texas at Austin (University) incorrectly deferred or partially cancelled a loan or did not retain adequate supporting documentation of the student's qualifications. Specifically:

- For 12 students, the University deferred the repayment when the students were ineligible for deferment because they had graduated, were not enrolled at an eligible institution, or were enrolled less than half-time.
- For 1 student, the University was unable to provide documentation to support that the student was eligible for the economic hardship deferment the University granted.
- For 1 student, the University partially canceled a Nursing Faculty Loan Program loan for a second year of service before the student was eligible for the cancellation. The University identified the error prior to this audit, but it was unable to reverse the cancellation due to limitations in its accounting system.

In addition, for students who are currently enrolled at the University, the deferment dates recorded in the University's accounting system were not reliable. The University asserts that a programming error incorrectly changed some deferment dates in the accounting system.

The University asserts that the deferment and cancellation issues noted above were due to either manual or programming errors. Deferment or partial cancellation of a student's loan while the student is ineligible for deferment or partial cancellation could result in delayed repayment of the loan.

Defaulted Borrowers

Under the Federal Perkins Loan Program, an institution must ensure that it conducts exit counseling with each borrower either in person, by audiovisual presentation, or by interactive electronic means (Title 34, Code of Federal Regulations, Section 674.42(b)(1)).

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. The institution shall inform the borrower about the total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan (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)). 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)).

The University did not consistently perform required collection procedures for defaulted borrowers. Specifically:

- The University could not provide evidence that it conducted exit interviews with 7 (12 percent) of 60 defaulted borrowers tested. A programming error resulted in students not receiving an exit interview if they withdrew or the University canceled their classes. Not receiving an exit interview could result in borrowers not understanding the requirements and their obligations for the funds they received.
- The University did not send a first overdue notice, second overdue notice, or final demand letter to 2 (3 percent) of 60 borrowers tested. When those borrowers exited forbearance, the University placed them in a hold status, which did not trigger the automated process to send overdue notices or the final demand letter. Borrowers who do not receive overdue notices and final demand letters may not have full knowledge of their loan status and their financial obligation.
- The University did not report the borrower's default status to a credit bureau for 31 (52 percent) of 60 borrowers tested. This occurred because of problems with the University's credit reporting program. Not reporting a borrower's default status to a credit bureau could prevent current and future creditors from having complete information regarding the credit obligations of the borrower.

Additionally, the template for the first grace letter the University sends to borrowers includes the interest rate, but it does not include the interest accruing over the remaining life of the loan. Without complete information about the interest requirements of their loans, borrowers may not be fully aware of their financial obligation.

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.

Corrective Action:

This finding was reissued as current year reference number: 13-159.

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

General Controls

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

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

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.

Corrective Action:

This finding was reissued as current year reference number: 13-164.

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).

Initial Year Written: 2010
Status: Partially Implemented
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.

Corrective Action:

Corrective action was taken.

General Controls

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

The University did not 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.

Corrective Action:

This finding was reissued as current year reference number: 13-164.

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:	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.

Corrective Action:

Corrective action was taken.

University of Texas at San Antonio

Reference No. 12-183

Eligibility

Activities Allowed or Unallowed

Cash Management

Period of Availability of Federal Funds

Reporting

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)

Special Tests and Provisions – Institutional Eligibility

Special Tests and Provisions – Written Arrangements with Another Institution, Consortium, or Organization to Provide Educational Programs

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers - CFDA 84.007 P007A104169, CFDA 84.033 P033A104169, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063903294, CFDA 84.268 P268K113294, CFDA 84.375 P375A103294, CFDA 84.376 P376S103294, and CFDA 84.379 P379T113294

Type of finding – Significant Deficiency and Non-Compliance

SMART Grant

Under the National Science and Mathematics Access to Retain Talent (SMART) Grant Program, a student who meets certain eligibility requirements is also eligible to receive a 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)).

Initial Year Written: 2011
Status: Implemented

U.S. Department of Education

The maximum SMART Grant scheduled 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). Additionally, while enrolled in a SMART Grant-eligible program, a student is eligible to receive up to one SMART Grant scheduled award while enrolled as a third-year student; one SMART Grant scheduled award while enrolled as a fourth-year student; and, in the case of a Smart Grant-eligible program with five full years of coursework, one SMART Grant scheduled award while enrolled as a fifth-year student (Title 34, Code of Federal Regulations, Section 691.6).

The University of Texas at San Antonio (University) overawarded two students SMART Grants during the 2010-2011 award year. Those two students were enrolled as third-year students during Fall 2010 and fourth year students during Spring 2011, and each received \$2,000 in SMART Grants for both the Fall and Spring semesters, for a total of \$4,000 per student. In February 2010, the University ran an automated process that erroneously awarded each of those students an additional \$2,000 for the Fall 2010 semester and classified those awards as fourth-year SMART Grants, resulting in a total of \$6,000 being awarded to each student. As a result, those two students received assistance for which they were not eligible, and they received SMART Grants in excess of the \$4,000 annual limit. Those two overawards resulted in total questioned costs of \$4,000 associated with award P376S103294.

Corrective Action:

This portion of the finding is no longer valid. The University no longer participates in the SMART Grant Program.

Other Compliance Requirements

Although the general controls 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 – verification; special tests and provisions – disbursements to or on behalf of students; special tests and provisions - borrower data transmission and reconciliation (Direct Loan); special tests and provisions – institutional eligibility; and special tests and provisions – written arrangements with another institution, consortium, or organization to provide educational programs, auditors identified no compliance issues regarding those compliance requirements.

General Controls

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

The University did not maintain appropriate access to the operating environment associated with its financial aid application, Banner. Specifically, three information technology application development managers had database administrator access within the Banner database that allowed them to both develop and introduce code changes into the Banner application and database environments. This increases the risk of inappropriate changes to the operating environment and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 12-184

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue 11-183)

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award numbers – CFDA 84.007 P007A104169, CFDA 84.033 P033A104169, CFDA 84.063 P063903294, CFDA 84.268 P268K113294, CFDA 84.375 P375A103294, CFDA 84.376 P376S103294, CFDA 84.379 P379T113294, and CFDA 84.038

Award Number Not Applicable

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)). 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)).

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

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)).

Additionally, when a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return, and it must determine which funds were disbursed

directly to the student. For funds that were disbursed directly to the student, the institution must notify the lender or the Secretary of the U.S. Department of Education that the student did not begin attendance so that the Secretary can issue a final demand letter (Title 34, Code of Federal Regulations, Section 668.21). 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 5 (83 percent) of 6 students tested who unofficially withdrew from the University of Texas at San Antonio (University), the University did not determine the withdrawal date within 30 days after the end of the payment period or period of enrollment, academic year, or educational program. Each of those students unofficially withdrew from the University during the Fall 2010 semester. The University determined that it was not processing all unofficial withdrawals through a compliance review conducted in Spring 2011. Although the University corrected that error, determined withdrawal dates, and processed return of Title IV funds for those students, its correction of the error occurred between 86 and 111 days after the end of the payment period or period of enrollment; as a result, the University did not correct the error in a timely manner.

For 1 (25 percent) of 4 students who did not begin attendance at the University, the University did not return the correct amount of funds to the U.S. Department of Education. While the University determined that this student withdrew from the University and calculated the amount of funds due back to the U.S. Department of Education, it determined the amount due using a date that was after the start of the semester, instead of returning all funds awarded for the semester. As a result, the University did not return \$166 in federal funds due for award P268K113294.

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 the operating environment associated with its financial aid application, Banner. Specifically, three information technology application development managers had database administrator access within the Banner database that allowed them to both develop and introduce code changes into the Banner application and database environments. This increases the risk of inappropriate changes to the operating environment and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 12-185

Special Tests and Provisions - Enrollment Reporting

Student Financial Assistance Cluster

Award year – July 1, 2010 to June 30, 2011

Award number s– CFDA 84.268 P268K113294, CFDA 84.007 P007A104169, CFDA 84.063 P0639103294, CFDA 84.375 P375A103294, CFDA 84.376 P376S103294, CFDA 84.379 P379T113294, CFDA 84.033 P033A104169, and CFDA 84.038

Award Number Not Applicable

Type of finding – Significant Deficiency and Non-Compliance

Enrollment Reporting

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 Direct Subsidized, Direct Unsubsidized or Direct PLUS Loan has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis, (2) has been

Initial Year Written: 2011
 Status: Implemented

 U.S. Department of Education

accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended, or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 685.309(b)).

The University of Texas at San Antonio (University) uses the service of the National Student Clearinghouse (NSC) to report student status changes to the National Student Loan Data System (NSLDS). Under this arrangement, NSLDS (rather than the University) sends the Enrollment Reporting Roster to NSC. NSC then communicates student status changes to lenders and guaranty agencies, as appropriate, and to NSLDS. Although the University uses the services of NSC, it is still the University's responsibility to submit timely, accurate, and complete responses to the Enrollment Reporting Roster and to maintain documentation (NSLDS *Enrollment Reporting Guide*, Chapter 1.3.1.1).

For 1 (1.7 percent) of 60 student status changes tested, the University did not report the change to NSLDS within the required 60-day time frame. When the University submitted its student status changes to NSC in November 2010, the information it submitted contained errors for four students, which resulted in rejection of the roster file it submitted. The University's subsequent December roster file submissions were also rejected because the errors had not been resolved. On December 28, 2010, the University identified and corrected the errors in the roster file, and NSC accepted the roster file at that time. In Spring 2011, the University determined that its procedures were not adequate to detect and correct rejection errors in a timely manner; as a result, it implemented new procedures to resolve rejected roster files. During testing, auditors did not identify any errors in status changes submitted after the University implemented the revised procedures.

Submitting information late 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 maintain appropriate access to the operating environment associated with its financial aid application, Banner. Specifically, three information technology application development managers had database administrator access within the Banner database that allowed them to both develop and introduce code changes into the Banner application and database environments. This increases the risk of inappropriate changes to the operating environment and does not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

University of Texas Southwestern Medical Center

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

General Controls

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

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

The 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.

Corrective Action:

Corrective action was taken.

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

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.

Initial Year Written: 2010 Status: Implemented

U.S. Department of Education

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.

Corrective Action:

Corrective action was taken.

Appendix

Objectives, Scope, and Methodology

Objectives

With respect to the Student Financial Assistance Cluster of federal programs, the objectives of this audit were to (1) obtain an understanding of 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, 2011, through June 30, 2012, which is the federal financial assistance award year. The audit work included control and compliance tests at 11 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 selected non-statistical samples for tests of compliance and controls for each compliance area identified based on the American Institute of Certified Public Accountants' audit guide entitled *Government Auditing Standards and Circular A-133 Audits* dated February 1, 2012. In determining the sample sizes for control and compliance test work, auditors assessed risk levels for inherent risk of noncompliance, control risk of noncompliance, risk of material noncompliance, detection risk, and audit risk of noncompliance by compliance requirement. Auditors selected samples primarily through random selection designed to be representative of the population. In those cases, results may be extrapolated to the population but the accuracy of the extrapolation cannot be measured. In some cases, auditors may use professional judgment to select additional items for compliance testing. Those sample items generally are not representative of the population and, therefore, it would not be appropriate to extrapolate those results to the population. Auditors conducted tests of compliance and of the controls identified for each compliance area and performed analytical procedures when appropriate.

Auditors assessed the reliability of data each higher education institution provided and determined that the data was sufficiently reliable for the purpose of expressing an opinion on compliance with the provisions of laws, regulations, and contracts or grants that have a direct and material effect on the Student Financial Assistance Cluster of federal programs. Auditors evaluated data related to student financial assistance disbursements at each higher education institution to ensure that the data (1) was reasonable when compared to data for the prior year, (2) was consistent with data available from third-party sources, and (3) represented all classifications of students and types of assistance provided by the higher education institution.

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 performed on expenditure data to identify instances of non-compliance.
- Compliance testing for samples of transactions for each direct and material compliance area.
- Tests of design and effectiveness of key controls and tests of design of controls to assess the sufficiency of each higher education institution's control structure.
- Tests of design and effectiveness of general controls over information systems that support the control structure related to federal compliance.

Criteria used included the following:

- The Code of Federal Regulations.
- U. S. Office of Management and Budget Circular A-133.
- Higher education institution policies and procedures.
- Federal Student Aid Handbook.

Project Information

Audit fieldwork was conducted from June 2012 through November 2012. Except as discussed above in the Independent Auditor's Report, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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

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- Serra Tamur, MPAff, CIA, CISA (Information Technology Coordinator)
- Ellie Thedford, CGAP (Prior Year Finding Coordinator)
- Shahpar Ali, CPA
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- Arthur N. Cadena
- Jason Carter, MBA
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- Dana Musgrave, MBA (Quality Control Reviewer)
- James Timberlake, CIA (Audit Manager)

Copies of this report have been distributed to the following:

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