State Auditor's Office

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, 2011

February 2012

Report No. 12-017

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Overall Conclusion

The State of Texas complied in all material respects with the federal requirements for the Student Financial Assistance Cluster of federal programs in fiscal year 2011.

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.

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 14 areas, such as 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 unused Student Financial Assistance 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 $86,555,601 in federal funds during fiscal year 2011 and (2) other selected federal programs.

From September 1, 2010, through August 31, 2011, the State of Texas expended $57.5 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 $2,151,165,152 in federal Student Financial Assistance funds during fiscal year 2011.

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.

Auditors identified 40 findings classified as significant deficiencies and non-compliance for the Student Financial Assistance Cluster of federal programs. Auditors did not identify any Student Financial Assistance findings classified as material weaknesses or material non-compliance (see text box for definitions of finding classifications).

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

All 11 higher education institutions audited complied in all material respects with the federal requirements tested for the Student Financial Assistance Cluster of federal programs.

Although auditors identified findings at the 11 higher education institutions audited, it is important to note that no finding was material to the Student Financial Assistance Cluster of federal programs. While this indicates that the State of Texas complied in all material respects with the requirements tested, the 11 higher education institutions should correct certain non-compliance and significant deficiencies, which are summarized below.

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

The 11 higher education institutions audited did not consistently comply with federal requirements related to verifying the eligibility of students who received student financial assistance. For example:

- Nine higher education institutions incorrectly calculated students' cost to attend higher education institutions, which could result in the higher education institutions overawarding or underawarding financial assistance to students.
- Five higher education institutions did not correctly develop or administer policies related to identifying students who had not achieved satisfactory academic progress. As a result, students who received financial assistance may not have been eligible to receive that assistance.
- Seven higher education institutions awarded financial assistance to students who were not eligible to receive that assistance.

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

Five higher education institutions did not always send required disbursement notifications to all students or did not send those notifications in a timely manner.

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

Auditors identified findings related to six higher education institutions' return of unearned funds to the U.S. Department of Education. When a student who receives Student Financial Assistance withdraws from all classes, the higher education institution is required to determine the amount of Student Financial Assistance the student earned and return all unearned funds to the U.S. Department of Education. Six higher education institutions incorrectly calculated the amount of unearned Student Financial Assistance that some students received; as a result, they did not return all required funds to the U.S. Department of Education. Additionally, five of those six higher education institutions (1) did not identify the dates that all students withdrew from classes or (2) did not return unearned funds within the required time frames.

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 four higher education institutions. Specifically, at two higher education institutions, users had access to student financial assistance systems that exceeded their business needs. The other two higher education institutions did not have adequate segregation of duties related to code development and moving code into the production environment; this could result in unauthorized changes to systems.

Auditors followed up on higher education institutions' corrective action plans for 78 audit findings related to the Student Financial Assistance Cluster of federal programs from prior fiscal years.

Higher education institutions fully implemented corrective action plans for 36 (46 percent) of the 78 findings and partially implemented corrective action plans for 42 (54 percent) of the 78 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 involving inappropriate access to information technology systems.

Summary of Objectives, Scope, and Methodology

With respect to the Student Financial Assistance Cluster of federal programs, the objectives of this audit were to (1) obtain an understanding of 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, 2010, through June 30, 2011, 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 provided by each higher education institution and determined that the data provided 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, 2011

State Auditor's Office
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, 2011. 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, 2011. 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, 2011. The State does not meet the OMB Circular A-133 requirements for a program-specific audit and the presentation of the Schedule of Program Expenditures does not conform to the OMB Circular A-133 Schedule of Expenditures of Federal Awards. However, this audit was designed to be relied on for the State of Texas opinion on federal compliance, and in our judgment, the audit and this report satisfy the intent of those requirements. In addition, we have chosen not to comply with a reporting standard that specifies the wording that should be used in discussing restrictions on the use of this report. We believe that this wording is not in alignment with our role as a legislative audit function.

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In our opinion, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended August 31, 2011. However, the results of our auditing procedures disclosed 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
Angelo State University	Eligibility	12-104
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-105
Stephen F. Austin State University	Eligibility	12-120
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-121
Texas A&M University	Eligibility	12-122
	Reporting	12-123
	Special Tests and Provisions – Verification	12-124
	Special Tests and Provisions – Enrollment Reporting	12-125
	Special Tests and Provisions – Student Loan Repayments	12-126
Texas State University – San Marcos	Eligibility	12-131
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-132
	Special Tests and Provisions – Return of Title IV Funds	12-133
Texas Tech University	Eligibility	12-134
	Reporting	12-135
	Special Tests and Provisions – Verification	12-136
	Special Tests and Provisions – Return of Title IV Funds	12-137
	Special Tests and Provisions – Enrollment Reporting	12-138
	Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)	12-139
Texas Woman's University	Eligibility	12-140
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-141
University of Houston	Eligibility	12-150
	Special Tests and Provisions – Institutional Eligibility	
	Reporting	12-151

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions – Return of Title IV Funds	12-152
	Special Tests and Provisions – Enrollment Reporting	12-153
	Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)	12-154
University of North Texas	Eligibility	12-155
	Special Tests and Provisions – Institutional Eligibility	
University of Texas at Arlington	Eligibility	12-156
	Reporting	12-157
	Special Tests and Provisions – Verification	12-158
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-159
	Special Tests and Provisions – Return of Title IV Funds	12-160
	Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)	12-161
University of Texas at Austin	Eligibility	12-164
	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 Loan)	
	Reporting	12-165
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-166
	Special Tests and Provisions – Return of Title IV Funds	12-167
	Special Tests and Provisions – Student Loan Repayments	12-168

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at San Antonio	Eligibility	12-183
	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	
	Special Tests and Provisions – Return of Title IV Funds	12-184
	Special Tests and Provisions – Enrollment Reporting	12-185

Internal Control Over Compliance

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

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the State's internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies. 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
Angelo State University	Eligibility	12-104
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-105
Stephen F. Austin State University	Eligibility	12-120
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-121
Texas A&M University	Eligibility	12-122
	Reporting	12-123
	Special Tests and Provisions – Verification	12-124
	Special Tests and Provisions – Enrollment Reporting	12-125
	Special Tests and Provisions – Student Loan Repayments	12-126
Texas State University – San Marcos	Eligibility	12-131
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-132
	Special Tests and Provisions – Return of Title IV Funds	12-133
Texas Tech University	Eligibility	12-134
	Reporting	12-135
	Special Tests and Provisions – Verification	12-136
	Special Tests and Provisions – Return of Title IV Funds	12-137
	Special Tests and Provisions – Enrollment Reporting	12-138
	Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)	12-139
Texas Woman's University	Eligibility	12-140

Higher Education Institution	Compliance Requirement	Finding Number
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-141
University of Houston	Eligibility	12-150
	Special Tests and Provisions – Institutional Eligibility	
	Reporting	12-151
	Special Tests and Provisions – Return of Title IV Funds	12-152
	Special Tests and Provisions – Enrollment Reporting	12-153
	Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)	12-154
University of North Texas	Eligibility	12-155
	Special Tests and Provisions – Institutional Eligibility	
University of Texas at Arlington	Eligibility	12-156
	Reporting	12-157
	Special Tests and Provisions – Verification	12-158
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-159
	Special Tests and Provisions – Return of Title IV Funds	12-160
	Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)	12-161
University of Texas at Austin	Eligibility	12-164
	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 Loan)	
	Reporting	12-165
	Special Tests and Provisions - Disbursements To or On Behalf of Students	12-166
	Special Tests and Provisions – Return of Title IV Funds	12-167
	Special Tests and Provisions – Student Loan Repayments	12-168

Higher Education Institution	Compliance Requirement	Finding Number
University of Texas at San Antonio	Eligibility	12-183
	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	
	Special Tests and Provisions – Return of Title IV Funds	12-184
	Special Tests and Provisions – Enrollment Reporting	12-185

Schedule of Program Expenditures

The accompanying Schedule of Program Expenditures for the Student Financial Assistance Cluster (Schedule) of the State for the year ended August 31, 2011, 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, 2011*.

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, 2012

Schedule of Program Expenditures for
The Student Financial Assistance Cluster
For the State of Texas
For the Year Ended August 31, 2011

Schedule of Program Expenditures			
Higher Education Institution Audited	Expenditures from American Recovery and Reinvestment Act Funds	Expenditures from Funds Other Than the American Recovery and Reinvestment Act	Totals
Angelo State University	$ 0	$ 44,666,124	$ 44,666,124
Stephen F. Austin State University	0	108,396,945	108,396,945
Texas A&M University	0	213,868,436	213,868,436
Texas State University – San Marcos	0	247,863,590	247,863,590
Texas Tech University	0	186,702,724	186,702,724
Texas Woman's University	104,250	108,111,287	108,215,537
University of Houston	0	254,847,396	254,847,396
University of North Texas	0	237,799,553	237,799,553
University of Texas at Arlington	206,263	194,140,736	194,346,999
University of Texas at Austin	0	346,970,364	346,970,364
University of Texas at San Antonio	0	207,487,484	207,487,484
Total Audited Student Financial Assistance	$ 310,513	$ 2,150,854,639	$ 2,151,165,152

Note: Federal expenditures for the Student Financial Assistance Cluster at state entities not included in the scope of this audit totaled $1,901,206,327 for the year ended August 31, 2011. Of that amount, $1,661,348 was American Recovery and Reinvestment Act funds.

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, 2011

Section 1:

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 Fiscal Year Ended August 31, 2011*.

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

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

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: $86,555,601

Auditee qualified as low-risk auditee? No

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 Fiscal Year Ended August 31, 2011*.

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).

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

Questioned Cost: $ 0

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

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

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

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

Angelo State University (University) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student's actual or expected enrollment. As a result, for 4 (6.2 percent) of 65 students tested, the University based the students' COA on full-time enrollment, although the students indicated that they would attend less than full-time. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of awarding financial assistance that exceeds financial need.

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

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 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)).

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:

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

Management Response and Corrective Action Plan:

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.

Implementation Date: February 2012

Responsible Person: Michelle A. Bennett

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 Response and Corrective Action Plan:

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.

Implementation Date: May 2012

Responsible Person: Michelle A. Bennett

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

Management Response and Corrective Action Plan:

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.

Implementation Date: April 2012

Responsible Persons: Michelle A. Bennett and Jason Brake

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 Response and Corrective Action Plan:

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.

Implementation Date: December 2011

Responsible Persons: Michelle A. Bennett 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, CDFA 84.063 P063P112258, and CFDA 93.264 E10HP13020-01-00
Type of finding – Significant Deficiency and Non-Compliance

Questioned Cost: $ 0

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

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).

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:

RECOMMENDATION: Report actual disbursement dates to the COD System. Management Response and Corrective Action Plan:

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.

Implementation Date: August 2012

Responsible Person: Michelle A. Bennett

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

Management Response and Corrective Action Plan:

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.

Implementation Date: April 2012

Responsible Persons: Michelle A. Bennett and Jason Brake

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 Response and Corrective Action Plan:

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.

Implementation Date: December 2011

Responsible Persons: Michelle A. Bennett and Jason Brake

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

Questioned Cost: $ 0

U.S. Department of Education

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 1087ll).

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

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.

Recommendations:

The University should:

- Determine each student's COA and financial need based on the student's actual or anticipated enrollment.
- Implement controls to prevent awarding and disbursing Perkins loans to students in excess of the maximum amount allowed.

Management Response and Corrective Action Plan:

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.

Additional controls have been implemented for the Perkins loan program including additional training of SFA Financial Aid staff on the Perkins loan program. Perkins awards will be monitored on each award run.

Implementation Date: September 2011

Responsible Person: Mike O'Rear

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

Recommendations:

The University should:

- Send disbursement notifications to Direct Loan, Perkins Loan, and TEACH Grant recipients within the required time frame.
- Retain documentation showing when it sent Direct PLUS disbursement notifications.
- Send required disbursement notifications to all Direct Loan, Perkins Loan, and TEACH Grant recipients.

Management Response and Corrective Action Plan:

SFA will send disbursement notifications on a timely basis; retain documentation; and send required notifications.

Implementation Date: September 2011

Responsible Person: Mike O'Rear

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

Questioned Cost: $ 0

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

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

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.

Recommendations:

The University should:

- Ensure that its manual adjustments to a student's cost of attendance comply with its cost of attendance policy.
- Properly review midyear transfer students to ensure that it considers financial aid those students received at previous institutions when it determines the amount of financial aid to disburse.

Management Response and Corrective Action Plan:

Scholarships & Financial Aid acknowledges and agrees with the finding. Manual adjustments to students cost of attendance when exercising professional judgment to use actual tuition and fees resulted in the inaccuracy of fees in the cost of attendance. In this situation course fees were not being adjusted properly, estimated course fees were used instead of actual; when the actual course fees were available in the system. Scholarships & Financial Aid have clarified our policies and procedures and trained staff to follow the procedures when adjusting COA to ensure staff use actual cost and do not include course fees if exercising professional judgment to increase COA for actual charges. The two students noted were summer split budgets due major changes, Scholarships & Financial Aid did not have a report that would have identified a discrepancy for summer COA's. Scholarships & Financial Aid does have a report which identifies this type of discrepancy for fall or spring semesters.

Implementation Date: *September 2011*

Responsible Person: *Delisa Falks*

Scholarships & Financial Aid acknowledges and agrees with the finding. The advisor who worked the midyear transfer student inadvertently awarded the student over their annual limit; even though there was a midyear transfer hold placed on this student and the advisor reviewed this student prior to awarding. Scholarships & Financial Aid has clarified our policies and procedures and trained staff. No awarding will take place on a transfer student who has aid at another university until the advisor verifies through National Student Loan Database that the aid has been cancelled.

Implementation Date: *September 2011*

Responsible Person: *Delisa Falks*

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

Recommendation:

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

Management Response and Corrective Action Plan:

Scholarships & Financial Aid acknowledges and agrees with this finding. This issue was identified during the A-133 of the 2009-2010 award year. Scholarships & Financial Aid implemented Banner in 2009-2010. Scholarships & Financial Aid could not update Banner from a Just in Time payment school when the disbursement reporting date issues were identified during the AY 2009-2010 audit. Banner requires you wait until you set up a new academic year. In the interim, (beginning October 2010) changes were put into place to ensure the actual date of the disbursement is reflected in the COD system. The interim changes implemented were to run our disbursement process in the afternoon at 3:00p.m., to credit the disbursements we had received that business day. This eliminated the issue of discrepant disbursing dates between COD and Banner. In the spring of 2011 and the summer of 2011, our disbursement process (for the AY 09/10 payments still being released did not get updated to include the change in terms (semester) for running the 3:00p.m process, causing discrepancies between COD and Banner disbursement

dates. Going forward the change to the Banner set up that occurred in March 2011 for the new aid year (AY 11- 12) eliminated the discrepant COD reporting issues and the need for a disbursement process in the afternoon.

Implementation Date: *Original implementation October 2010 (updated System for new AY in March 2011)*

Responsible Person: *Delisa Falks*

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

Questioned Cost: $ 884

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

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).

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 FAFSFA, 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.

Recommendation:

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

Management Response and Corrective Action Plan:

Scholarships & Financial Aid acknowledges and agrees with the finding. Verification is primarily completed on files by one individual in the Scholarships & Financial Aid Office. At peak processing times we must have other staff in our office assist with verification. We have updated our policies and procedures manual and trained staff to follow up on corrections made during verification. We have also begun using a Banner form (RNAVRXX) for all verification files; this allowed us to develop and run a report of any non-matching items and identify discrepancies (this discrepancy report was put into place in October 2011). In training of staff we have emphasized the need to carefully review their work using the verification worksheets that are provided to assist with verification completion.

Implementation Date: *October 2011*

Responsible Person: *Delisa Falks*

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

Questioned Cost: $ 0

U.S. Department of Education

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)).

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.

Recommendation:

The University should ensure that student status changes are reported to NSLDS within the required time frame.

Management Response and Corrective Action Plan:

Enrollment transmissions for an immediate past semester sent after the semester has ended and before the beginning of the next semester overwrite the Graduated status on the enrollment history for students who have graduated in that immediate past semester and puts them back in Full-Time status. During the audit process, when this was discovered, I changed the way I am reporting enrollment between semesters. Because an enrollment status of Graduated certified on a Degree Verify transmission may be overwritten by a later enrollment transmission, the last enrollment transmission for a semester will be the last day of that semester. Up until the Friday before the start of the next semester, only Degree Verify transmissions will take place for the previous semester so all graduates are picked up and no status is overwritten by an enrollment transmission. If a non-graduated student's enrollment status for a semester changes after that semester ends and before the next semester begins, they will be reported manually by me to the Clearinghouse so they will be picked up on the next SSCR.

Implementation Date: September 2011

Responsible Person: *Cathy Littleton*

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

Questioned Cost: $ 0

U.S. Department of Education

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

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

Recommendations:

The University should:

- Perform and adequately document required contact and collection procedures.
- Ensure that it sends all grace period contact letters and billing notices to students within the required time frames.

Management Response and Corrective Action Plan:

Student Business Services acknowledges and agrees with the finding. The failure to send required notifications was the result of a delay in the development of a Banner process for identifying Perkins borrowers who were no longer enrolled. Once the process was developed, loans were exited and borrowers were notified; however, it was past the time frame of the first grace notification for some borrowers. Subsequently, it was discovered that the Banner process failed to identify all Perkins borrowers who were no longer enrolled. This resulted in some borrowers not receiving a series of required notifications. The process was corrected and affected borrowers were contacted on an individual basis by SBS staff

Implementation Date: *April 2011*

Responsible Person: *Bob Piwonka*

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

Questioned Cost: $ 0

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

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

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.

Recommendation:

The University should calculate each student's COA based on the student's actual or expected enrollment status.

Management Response and Corrective Action Plan:

This issue was addressed with the implementation of a new financial aid system (Banner) in fall 2011.

Implementation Date: *September 2011*

Responsible Person: *Dr. Christopher Murr*

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

Recommendation:

The University should implement controls to ensure that it initiates and sends disbursement notifications within required time frames.

Management Response and Corrective Action Plan:

To reduce the potential for such manual error, the disbursement rules and disbursement notification processes have been linked programmatically to ensure that the disbursement process will only go live once the disbursement notification process has been activated. In addition, a quality assurance plan is in place that samples student records at the beginning of each semester to verify the disbursement notification process is activated and sending out notifications within the prescribed timeframe.

Implementation Date: *September 2011*

Responsible Person: *Dr. Christopher Murr*

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

Questioned Cost: $ 0

U.S. Department of Education

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)).

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.

Recommendations:

The University should:

- Ensure that it uses an accurate number of days for spring break in its calculation of the number of days in a semester when determining the amount of Title IV funds to return.
- Begin its withdrawal date determination period for students with unofficial withdrawals on the last day of final exams.

Management Response and Corrective Action Plan:

The university will ensure that it uses an accurate number of days for spring break (i.e., exclude the Saturday before the break due to some classes meeting on that day) when determining the amount of Title IV funds to return. Also, the unofficial withdrawal policy has been revised to begin its withdrawal date determination period, for students with unofficial withdrawals, on the last day of final exams (as opposed to the date on which semester grades are posted).

Implementation Date: *Fall 2011*

Responsible Person: *Dr. Christopher Murr*

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 P379112328
Type of finding – Significant Deficiency and Non-Compliance

Questioned Cost: $ 0

U.S. Department of Education

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 1087ll).

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

Recommendations:

The University should:

- Develop and implement COA budgets for less than full-time enrollment and determine a student's COA budget based on the student's actual or anticipated enrollment.
- Ensure that it does not award students more in federal Pell Grants than the students are eligible to receive.
- Ensure that it assigns strikes to students who do not comply with the University's SAP policy.

Management Response and Corrective Action Plan:

- *Developed and implemented COA budgets for less than full-time enrollment beginning with the Fall 2011 semester based on the student's enrollment at disbursement.*
- *Security groups have been updated to restrict access to award form. Additional training has been conducted with staff regarding award procedures.*
- *Developed and implemented updated SAP policy effective July 1, 2011.*

Implementation Date: *August 2011*

Responsible Person: *Shannon Crossland*

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

Questioned Cost: $ 0

U.S. Department of Education

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)).

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.

Recommendations:

The University should:

- Report disbursements to the COD System within 30 days of disbursement.
- Resolve issues that cause the COD System to reject records in a timely manner.

Management Response and Corrective Action Plan:

- *Created an adhoc report to identify students with paid amounts on RPAAWRD not equal to YTD amount accepted by COD.*
- *Reject reports are printed weekly and reviewed for resolution. Will be assigning additional staff in COD reconciliation.*

Implementation Date: *September 2011*

Responsible Person: *Paul Blake*

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

Recommendations:

The University should:

- Retain all support for its verification calculations.
- Accurately update its records and ISIRs based on results of its FAFSA verification process.

Management Response and Corrective Action Plan:

- *Implemented an audit by student financial aid staff of verification documents retained to ensure compliance with record keeping and electronic storage.*
- *Educated staff on importance of accurately updated verification records.*

Implementation Date: *August 2011*

Responsible Person: *Shannon Crossland*

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

Questioned Cost: $ 5,157

U.S. Department of Education

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)).

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.

Recommendations:

The University should:

- Develop and implement controls to ensure that it returns the correct amount of Title IV funds.
- Develop and implement controls to ensure that it accurately determines the payment or enrollment period and institutional charges.
- Develop and implement controls to ensure that it determines unofficial withdrawal dates within 30 days of the end of the period.

Management Response and Corrective Action Plan:

- *Implemented and created new internal policy and procedure for administering Return of Title IV Funds based on federal regulations. Updates included using correct dates for reporting and updating the correct policy for unofficial withdrawals.*
- *Educated staff on importance of accurately updating dates for Return of Title IV Funds with regards to Spring Break week.*

Implementation Date: *August 2011*

Responsible Person: *Shannon Crossland*

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

Questioned Cost: $ 0

U.S. Department of Education

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)).

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.

Recommendations:

The University should:

- Establish and implement policies and procedures to monitor the enrollment status changes reported to NSLDS on the University's behalf.

- Consistently report the date a student completed course requirements as the enrollment change date transmitted to NSLDS.

- Report changes in student status to NSLDS, guaranty agencies, and lenders within required time frames.

Management Response and Corrective Action Plan:

The following are procedures following by the Texas Tech University Office of the Registrar for ensuring the information uploaded is accurate and timely.

- *The university does not report to the NSLDS. The National Student Clearinghouse (NSC) reports that data to NSLDS on behalf of Texas Tech University (TTU). We upload data five times per long term according to a schedule. TTU has no control over the timeline NSC reports to NSLDS.*

- *TTU uploads all eligible student data with a social security number to the NSC five times per long term. All data is checked for errors an average of five times prior to sending to the NSC. We also view and process error reports for each upload based on information sent back to TTU from the NSC.*

Implementation Date: *August 2011*

Responsible Person: *Bobbie Latham*

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

Recommendations:

The University should:

- Ensure that it performs monthly reconciliations between its financial aid system and DLSS consistently throughout the award year.
- Establish controls over the reconciliation process to ensure that reconciliations will effectively identify and resolve discrepancies between its financial aid system and DLSS.

Management Response and Corrective Action Plan:

- *Employed a full-time staff member to administer direct loan reconciliations.*
- *Employee was reclassified as part of the loan team in order to better assist with Direct Loan processing and reconciliation.*
- *Reconciliations began occurring on a consistent basis monthly beginning in January 2011.*

Implementation Date: *January 2011*

Responsible Person: *Paul Blake*

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

Questioned Cost: $ 4,972

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

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)).

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 1087ll).

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.

Recommendations:

The University should:

- Implement a process to ensure that it awards Pell grants only to eligible undergraduate students.
- Enforce financial aid limits established in Colleague or establish a process to monitor students receiving financial aid to help ensure that it does not overaward aid.
- Improve controls to ensure that it calculates COA based on accurate student enrollment, classification, and other applicable factors.
- Review COA budgets it enters into Colleague to ensure that they agree with published budgets.
- Design and implement a formal, periodic process to review user access to the Colleague application.

Management Response and Corrective Action Plan:

Pell Grant

Management will strengthen the current awarding process by providing additional training to financial aid staff. Procedures for manual overrides will be modified to include additional eligibility verification to ensure that only eligible undergraduate students receive Pell Grant awards and to prevent ineligible awards of Pell Grant funds. The ineligible Federal Pell Grant disbursement of $2,775 has been returned to the federal Pell Grant account.

Federal Supplemental Education Opportunity Grant (FSEOG)

Management will enforce financial aid limits established in Colleague and establish a process to monitor annual and term award amount limits to ensure that the University does not overaward aid. The overawarded FSEOG funds of $2,197 have been returned to the federal SEOG account.

Cost of Attendance

Management will improve controls by providing additional financial aid staff training, updating written procedures, and strengthening automated edits to ensure that the University calculates COA based on accurate student enrollment, classification, and other applicable factors.

Reviews will be made each year of budgets entered into Colleague to ensure that they agree with published budgets.

Implementation Date: *February, 2012*

Responsible Person: *Governor Jackson*

General Controls

Management has developed a report that allows the data owners to review Colleague access by person or by mnemonic. Departments have implemented a process to periodically review the report and take necessary action. User accounts are also automatically disabled upon termination. The user in question has had access removed and only has access to job appropriate functions.

Implementation Date: *May, 2011*

Responsible Person: *Donnie McNutt*

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, 1011
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

Questioned Cost: $ 0

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

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).

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.

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.

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.
- Improve oversight to ensure that it sends disbursement records containing correct information for all Direct Loan and Pell Grant disbursements to the COD System in accordance with federal requirements.
- Design and implement a formal, periodic process to review user access to the Colleague application.

Management Response and Corrective Action Plan:

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.

Implementation Date: *February, 2012*

Responsible Person *Governor Jackson*

Management has developed a report that allows the data owners to review Colleague access by person or by mnemonic. Departments have implemented a process to periodically review the report and take necessary action. User accounts are also automatically disabled upon termination. The user in question has had access removed and only has access to job appropriate functions.

Implementation Date: *May, 2011*

Responsible Person: *Donnie McNutt*

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

Questioned Cost: $ 5,591

U.S. Department of Education

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

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.

Recommendations:

The University should:

- Ensure that the COA budgets in the financial aid system match published budgets.
- Ensure that it correctly calculates and reviews Pell Grant awards based on enrollment.
- Ensure that it disburses FSEOG funds to eligible students who have already received Pell Grant funds.
- Establish a review process to identify students who have recently graduated prior to disbursing financial assistance.
- Update its SAP policy to meet minimum federal requirements.
- Establish a review process to ensure that its SAP policy meets minimum federal requirements.

Management Response and Corrective Action Plan:

We have modified our procedures to maintain an archive of all published budgets in the event the estimated COA is adjusted subsequent to the Financial Aid packaging process. We have reviewed the budgeting functionality within the Financial Aid System and have made adjustment to help ensure that student COA calculations match with the published budgets. We determined that the incorrect Pell Grant awards resulted from the Financial Aid System's use of an incorrect university census date. We have modified the Financial Aid System to help ensure that the correct university census date is used in the calculation. This modification in addition to the budgeting adjustment will help ensure that Pell Grant awards are accurately calculated and reviewed. We will modify our procedures to generate and review a report of all students scheduled to graduate prior to disbursing financial assistance. We have implemented reconciliation procedures for FSEOG to ensure that these funds do not disburse to students who do not receive Pell and to help ensure that all Pell recipients are awarded. We have updated our Satisfactory Academic Progress (SAP) policy to comply with Federal requirements and we have developed a periodic review process to help ensure that the SAP minimum Federal requirements are continuously met.

Implementation Date: *December 2011*

Responsible Persons: *Sal Loria, Izzy Anderson and Jessica Thomas*

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

Questioned Cost: $0

U.S. Department oF Education

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)).

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.

Recommendations:

The University should:

- Submit Pell disbursement reports to the COD System within the required 30-day time frame.
- Report the actual disbursement date of Pell disbursements to the COD System.

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 help ensure that the actual disbursement date is transmitted to the COD System within the same file. 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: *December 2011*

Responsible Persons: *Izzy Anderson and Claudia Guzman*

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

Questioned Cost: $17,365

U.S. Department of Education

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)).

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.

Recommendations:

The University should:

- Use the correct withdrawal dates in its Title IV fund return calculations.
- Return Title IV funds no later than 30 days after it becomes aware that a student will not or has not begun attendance.
- Update its written procedures to clarify the time line to use for determining a student's withdrawal date and for returning Title IV funds. 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 it should ensure that this date is no later than 30 days after the end of the semester. The University also should ensure that it identifies all unofficial student withdrawals in a timely manner to help ensure the completeness of Title IV fund returns processing.
- Implement additional review controls to ensure that it consistently applies its written guidelines for (1) sending out proof of course completion form requests to all students with unofficial withdrawals, (2) enforcing deadlines it grants to students for returning acceptable proof of course completion documentation, and (3) processing the documentation it receives.

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. 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 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. Additionally, staff are now required to implement procedures for managing the Proof of Course Completion Forms (PCCF) process by sending them out timely, enforcing deadlines and processing the documentation provided to the Financial Aid Office.

Implementation Date: *December 2011*

Responsible Persons: *Jessica Thomas and Candida DuBose*

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

Questioned Cost: $ 0

U.S. Department of Education

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)).

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.

Recommendation:

The University should ensure that it has a process to report all students status changes accurately to NSLDS within the required time frame.

Management Response and Corrective Action Plan:

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.

Implementation Date: *December 2011*

Responsible Persons: *Jessica Thomas and Candida DuBose*

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

Recommendations:

The University should:

- Submit Direct Loan disbursement reports to the COD System within the required 30-day time frame.
- Report the actual disbursement date of Direct Loan disbursements to the COD System.
- Implement a process to reconcile SAS data files to its financial records on a monthly basis.

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. Procedures are in place to help ensure that the actual disbursement date is transmitted to the COD System within the same file. 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 reconcile financial records of loan disbursements against SAS data files on a monthly basis.

Implementation Date: *December 2011*

Responsible Persons: *Jessica Thomas and Lear Hickman*

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

Questioned Cost: $ 0

U.S. Department of Education

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

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

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

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.

Recommendations:

The University should:

- Determine each student's COA and financial need based on the student's expected or actual enrollment.
- Ensure that its SAP policy for graduate students receiving financial assistance is at least as strict as its institutional requirements to remain in good academic standing.

Management Response and Corrective Action Plan:

Management acknowledges the recommendation of the auditors to base each student's COA and financial need on the student's expected or actual enrollment.

Implementation Date: *December 2011*

Responsible Persons: *Zelma DeLeon and Lacey Thompson*

Management acknowledges the necessity to revise and update its Satisfactory Academic Progress Policy for graduate students to have a cumulative grade point average of 3.0 to receive financial assistance and be as strict as UNT's requirements for students to remain in good academic standing.

Implementation Date: *August 2011*

Responsible Persons: *Zelma DeLeon and Lacey Thompson*

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

Questioned Cost: $ 188

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

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

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.

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.

Recommendations:

The University should:

- Calculate each student's COA based on the student's actual or expected enrollment status.
- Ensure that it awards ACG only to students who also received a federal Pell Grant for the same award period.

Management Response and Corrective Action Plan:

Cost of Attendance

The University has contacted all spring 2012 financial recipients and requested information if the student intended to enroll in less than full time hours at UT Arlington. Spring COA budgets have been calculated based on expected enrollment information provided by the student and aid adjusted if necessary.

We are working with the Office of Information Technology (OIT) to implement a process so that students will enter their enrollment plans into a page that will automatically update the Financial Aid system. Once identified, COA budgets and aid for these students will be adjusted prior to enrollment.

Implementation Dates: *November 1, 2011 for spring 2012*
February 15, 2012 for 2012-2013

Responsible Persons: *Karen Krause and Beth Reid*

Academic Competitiveness Grant

The Federal Pell Grant for this student was cancelled due to a Multiple Reporting Record situation with another school. The ACG should have been cancelled at the same time. Upon discovery of the error, UT Arlington cancelled the ACG award and returned the funds to the U.S. Department of Education. The ACG Program was not funded beyond the 2010-2011 award year, so this error cannot occur in the future.

Implementation Date: *November 1, 2011*

Responsible Person: *Karen Krause*

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

Questioned Cost: $ 0

U.S. Department of Education

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)).

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.

Recommendations:

The University should:

- Adjust and report Pell disbursement amounts in a timely manner.
- Identify and correct reporting errors in a timely manner.

Management Response and Corrective Action Plan:

To ensure timeliness of reporting, the financial aid staff has developed a series of reports to identify students whose records do not transmit to COD due to the disbursed award being prorated for less than full time enrollment.

Correcting the awards to match the disbursed amounts is a staff priority as is evidenced by the fact that there were no errors in the 2011 spring term. We are also working with OIT toward an automated solution to update the awards through a batch process.

Implementation Date: January 1, 2011 for the 2011 spring term – UT Arlington recognized the problem from the fall, 2010 and resolved the issue for the 2011 spring term

Responsible Persons: Karen Krause, Beth Reid, Jason Young, and Ron Taylor

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

Questioned Cost: $ 0

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

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).

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.

Recommendations:

The University should:

- Implement controls to verify FASFA information, correctly update its records, and request an updated ISIR when required.
- Ensure that its verification policies and procedures include all required elements.

Management Response and Corrective Action Plan:

The university has conducted additional training with the verification staff to ensure that they have sufficient knowledge to complete the verification process accurately. We have also implemented a process to review a large sample of verified records for accuracy for all verification components. Such review will take place in November each year.

Implementation Date: *November 15, 2011*

Responsible Persons: *Jason Young, Margaret Humphries, and Norma Canter*

The University has always met all of the required verification policies and procedures in terms of notifying students of the verification components; however, the components were written in multiple places. They have now all been combined into one policy and procedure statement that meets the requirements.

Implementation Date: *October 1, 2011*

Responsible Persons: *Jason Young and Karen Krause*

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

Recommendation:

The University should ensure that it notifies all TEACH Grant recipients of their disbursements within 30 days of crediting their account.

Management Response and Corrective Action Plan:

Due to a change in staffing, the TEACH Grant right to cancel disclosures were not sent to students. The query was in place to identify TEACH Grant recipients, and all TEACH Grant recipients beginning with the fall, 2011 term have been sent the appropriate notice. A copy of the notice is electronically kept in each individual student's file.

Implementation Date: *October 1, 2011*

Responsible Person: *Jon Rodriguez*

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

Questioned Cost: $7,060

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

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)).

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.

Recommendations:

The University should:

- Ensure that it performs calculations and returns funds in a timely manner.
- Ensures that it returns all necessary funds.
- Establish and implement a sufficient review process to ensure that it calculates and processes manually initiated returns in a timely manner.
- Correctly identify and return funds for students who never attended classes.

Management Response and Corrective Action Plan:

To ensure that the university performs the R2T4 calculations and returns funds in a timely manner, we have worked with the Office of Admissions, Records and Registration to establish the term beginning, ending, and 60% dates for the next two calendar years. These dates have been shared with the FAO staff.

Additional training has occurred to ensure that staff understands the R2T4 calculation process. The training included information regarding the required timeframe to return funds and the R2T4 calculation process itself.

We have verified that the reports currently being used indicating students who have withdrawn are working properly.

Beginning with the fall, 2011 term, we have changed our policy regarding students who receive term grades of all Fs so that we will assume that the student never began attendance in calculating the appropriate amount of funds to return unless the student can prove that he/she began attendance in the term. Such proof will include graded class assignments, tests, verifiable group project work, verification from faculty of attendance, or other reasonable means that will prove the students attendance in the course. The latest date that can be verified from such documentation will be used as the last date of enrollment for R2T4 calculations.

UT Arlington has returned the required funds for the students found by the audit team.

Implementation Date: *August 25, 2011 for handling students who receive grades of all F*
October 25, 2011 additional training and review of withdrawal report

Responsible Persons: *Lea Anne Sikora, Karen Krause, Beth Reid, and Jon Rodriguez*

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

Recommendations:

The University should:

- Identify DLSS submission errors in a timely manner.
- Report Direct Loan disbursements to the COD System within required time frames.
- Reconcile SAS data files to its financial records on a monthly basis.

Management Response and Corrective Action Plan:

The errors concerning incorrect disbursement dates were limited to the first semester that we participated in the Federal Direct Loan Program as cited by the audit review team. We have created sufficient reports and developed appropriate processes to identify such situations that there were no such incidences after the initial term.

Steps have been put into place to ensure that in addition to the internal reconciliation that has occurred each month, we are also reconciling the Direct Loan records with the SAS data files on a monthly basis. Staff has attended in person and webinar training to assist in learning best practices in completing this process.

Implementation Date: *October 1, 2011*

Responsible Persons: *Lea Anne Sikora and Amber Holcomb*

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

Questioned Cost: $ 48,271

U.S. Department of Education

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)).

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.

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.

Recommendations:

The University should:

- Continue to ensure that its SAP program code assesses all students' compliance with its SAP policy.
- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from making code changes and also migrating those changes to the production environment.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and we are on schedule with a two-year plan to enact enhanced change management controls. Systems in the Office of Accounting and the Office of Student Financial Services will be in compliance by March 1, 2012. As noted in last year's response to this same finding, this is a two-year plan and we are in the second year.

While not fully controlled by an automated process until March, 2012, in practice the university has already begun to segregate software development and deployment duties. At present, all change requests within the Office of Student Financial Services and the Office of Accounting are logged and monitored through an incident and change management tool. Only select, senior members of the OSFS and Office of Accounting IT teams are able to deploy code to production, and the offices maintain logs that allow for post-deployment review.

The Office of Student Financial Services (OSFS), after conducting its own annual SAP program review in May, 2011, discovered the SAP program errors. An immediate analysis was made of the problem, program updates were made, and OSFS re-evaluated 100% of all Title IV recipients for the 2010-11 award year with the updated SAP logic. All affected Title IV recipients were notified and had their eligibility status updated. Of all Title IV recipients, only 5 were identified and deemed ineligible for Title IV during that period.

Our office now has controls in place to monitor SAP compliance, which determine any inconsistencies and report them to auditors.

Implementation Date: *Design of software deployment tools and procedures – March 2012*
SAP compliance updates - August 2011

Responsible Person: *Design of software deployment tools and procedures – Glenn Friedrich*
SAP compliance - Gloria De Leon

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

Questioned Cost: $ 0

U.S. Department of Education

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)).

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.

General Controls

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

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

Recommendations:

The University should:

- Report origination and disbursement records to the COD System within 30 calendar days in accordance with federal requirements.
- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from making code changes and also migrating those changes to the production environment.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and we are on schedule with a two-year plan to enact enhanced change management controls. Systems in the Office of Accounting and the Office of Student Financial Services will be in compliance by March 1, 2012. As noted in last year's response to this same finding, this is a two-year plan and we are in the second year.

While not fully controlled by an automated process until March, 2012, in practice the university has already begun to segregate software development and deployment duties. At present, all change requests within the Office of Student Financial Services and the Office of Accounting are logged and monitored through an incident and change management tool. Only select, senior members of the OSFS and Office of Accounting IT teams are able to deploy code to production, and the offices maintain logs that allow for post-deployment review.

The University concurs with the finding. Files that missed the 30-day reporting window were caused by two programming issues and by a human error that miscalculated the window deadline date. Once the designated OSFS personnel discovered what caused the errors, actions were taken immediately to fix the issues; and files were successfully re-transmitted. The OSFS is working with its IT section to have more user-friendly, internal Pell error reports delivered to designated personnel on a weekly basis. To avoid future human error, the window deadline date will be confirmed by the area supervisor.

Implementation Date: *Design of software deployment tools and procedures – March 2012*
Pell Programming – June 2012

Responsible Person: *Design of software deployment tools and procedures – Glenn Friedrich*
Pell reporting - Gloria De Leon

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

Questioned Cost: $ 0

U.S. Department of Education

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).

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.

General Controls

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

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

Recommendations:

The University should:

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

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and we are on schedule with a two-year plan to enact enhanced change management controls. Systems in the Office of Accounting and the Office of Student Financial Services will be in compliance by March 1, 2012. As noted in last year's response to this same finding, this is a two-year plan and we are in the second year.

While not fully controlled by an automated process until March, 2012, in practice the university has already begun to segregate software development and deployment duties. At present, all change requests within the Office of Student Financial Services and the Office of Accounting are logged and monitored through an incident and change management tool. Only select, senior members of the OSFS and Office of Accounting IT teams are able to deploy code to production, and the offices maintain logs that allow for post-deployment review.

The OSFS reviewed processes set in place for disbursement notifications and identified the population that was not being properly notified. The missed population consisted of students whose disbursements were to be applied to a previous academic term. IT has already modified the program to include this population.

Implementation Date: *Design of software deployment tools and procedures – March 2012*
Disbursement Notification – October 2011

Responsible Person: *Design of software deployment tools and procedures – Glenn Friedrich*
Disbursement Notification - Gloria De Leon

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

Questioned Cost: $ 3,354

U.S. Department of Education

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)).

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.

General Controls

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

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

Recommendations:

The University should:

- Verify that all students who unofficially withdrew actually began attendance.
- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from making code changes and also migrating those changes to the production environment.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and we are on schedule with a two-year plan to enact enhanced change management controls. Systems in the Office of Accounting and the Office of Student Financial Services will be in compliance by March 1, 2012. As noted in last year's response to this same finding, this is a two-year plan and we are in the second year.

While not fully controlled by an automated process until March, 2012, in practice the university has already begun to segregate software development and deployment duties. At present, all change requests within the Office of Student Financial Services and the Office of Accounting are logged and monitored through an incident and change management tool. Only select, senior members of the OSFS and Office of Accounting IT teams are able to deploy code to production, and the offices maintain logs that allow for post-deployment review.

The OSFS re-examined its withdrawal policy and concluded that, even as an 'institution not required to take attendance,' we had a responsibility to verify whether a Title IV recipient, who failed to earn at least one passing grade, even began the classes. Our institution initiated this policy change when evaluating summer 2011 unofficial withdrawals. Since then, the institution considers any Title IV recipient who failed to earn at least one passing grade to have 'never attended' and therefore cancels all Title IV aid unless academic participation can be documented.

Implementation Date: *Design of software deployment tools and procedures – March 2012*
Title IV review – August 2011

Responsible Person: *Design of software deployment tools and procedures – Glenn Friedrich*
Title IV review- Gloria De Leon

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

Questioned Cost: $ 0

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

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 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 cancelation 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.

Recommendations:

The University should:

- Improve controls to ensure that all students receive an exit interview.
- Improve controls to ensure that both its manual and automated processes grant deferment and cancellation of loans only to eligible students.
- Retain supporting documentation for students' loan deferment qualifications.
- Send all required notices and letters to borrowers within the required time frames and contain all necessary information.
- Improve controls to ensure that it reports all students whom it is required to report to a credit bureau.
- Establish a formal change management process that prevents programmers in the Office of Accounting and Office of Student Financial Services from making code changes and also migrating those changes to the production environment.

Management Response and Corrective Action Plan:

We agree with the principle that controls surrounding programmer access to alter and deploy software are necessary, and we are on schedule with a two-year plan to enact enhanced change management controls. Systems in the Office of Accounting and the Office of Student Financial Services will be in compliance by March 1, 2012. As noted in last year's response to this same finding, this is a two-year plan and we are in the second year.

While not fully controlled by an automated process until March, 2012, in practice the university has already begun to segregate software development and deployment duties. At present, all change requests within the Office of Student Financial Services and the Office of Accounting are logged and monitored through an incident and change management tool. Only select, senior members of the OSFS and Office of Accounting IT teams are able to deploy code to production, and the offices maintain logs that allow for post-deployment review.

The University agrees deferment periods should be accurately recorded for students. A programming error was found that impacted the deferment period if a student was enrolled during consecutive semesters. Procedures have been implemented to review and correct, if necessary, the deferment dates of all students enrolled in consecutive semesters. Testing of the programming change is currently being conducted.

We concur that credit information should be reported to students and credit bureaus within the required time frame. Our process was changed as of October 1, 2011 to send the correct warning letters and make the required two collection calls prior to sending loans previously in forbearance to a collection agency. Corrections to the credit reporting program are being conducted now ensuring loans will continue being reported to the credit bureau until paid in full. Also first grace letter change updates have been implemented since December 8, 2011, that now include the estimated amount of interest paid over the life of a loan. This interest information has been part of the Consumer Cost Disclosure that is part of the exit interview packet.

Implementation Date: *Design of software deployment tools and procedures – March 2012*
Required notices to borrowers and loan deferment changes - January 2012
Design of software updates –January 2012

Responsible Person: *Design of software deployment tools and procedures – Glenn Friedrich*
Required notices to borrowers on loan deferment changes - Karen DeRouen
Design of software updates - Charles Jones

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

Questioned Cost: $ 4,000

U.S. Department of Education

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)).

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.

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.

Recommendations:

The University should:

- Ensure that students do not receive more than one SMART Grant per year and do not receive more than the maximum for which they are eligible each year.
- Restrict database administrator access for application development staff and management.

Management Response and Corrective Action Plan:

Beginning with the 2011-12 award year, the SMART grant program is no longer in existence. In the 2010-11 year, students could receive more than 1 SMART grant based on eligibility and advancement in grade level. The awarding rule was adjusted to ensure students did not receive above the maximum grant for the year even though the student moved to a new grade level. The questioned cost of $4000 has been returned.

Implementation Date: August 2011

Responsible Person: Lisa Blazer

The database administrator role was removed from the IT Managers accounts on 12/2/11. The database administrators will upload code and package changes. Programming staff will submit code changes to be reviewed by the appropriate IT manager. Once the IT manager has reviewed the proposed changes, the IT manager will submit a move request to a DBA in order to move the code into production. We are still working on fully implementing the process, but it will be completed by 2/28/12.

Implementation Date: February 2012

Responsible Person: Anthony Espinoza

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

Questioned Cost: $ 166

U.S. Department of Education

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)).

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.

Recommendations:

The University should:

- Develop and implement controls to ensure that it correctly determines student withdrawal dates and the amount of Title IV funds due to the U.S. Department of Education.
- Restrict database administrator access for application development staff and management.

Management Response and Corrective Action Plan:

To ensure return of title IV is processed correctly and to implement additional controls, our compliance officer will be performing a 100% quality review of all students who receive federal title IV aid and withdraw from the university during the 2011-12 award year. The questioned cost of $166 has been returned.

Implementation Date: November 2012

Responsible Person: Lisa Blazer

The database administrator role was removed from the IT Managers accounts on 12/2/11. The database administrators will upload code and package changes. Programming staff will submit code changes to be reviewed by the appropriate IT manager. Once the IT manager has reviewed the proposed changes, the IT manager will submit a move request to a DBA in order to move the code into production. We are still working on fully implementing the process, but it will be completed by 2/28/12.

Implementation Date: February 2012

Responsible Person: Anthony Espinoza

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

Questioned Cost: $ 0

U.S. Department of Education

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 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 Rooster 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.

Recommendations:

The University should:

- Report student status changes to NSLDS within the required time frame.
- Restrict database administrator access for application development staff and management.

Management Response and Corrective Action Plan:

The compliance team within the Financial Aid and Enrollment Services Office had reviewed the SSCR information and found this error prior to the audit in June 2011 and reported it to the Registrar. The Registrar's office then implemented new processes as of February 2011 to ensure the student status changes are reported within the appropriate timeframes. A sample of students was reviewed and no additional issues have appeared. The compliance team in Financial Aid and Enrollment Services will continue to perform sample audits during 2011-12 to ensure the process is followed appropriately and that student status changes are reported correctly and within the appropriate timeframe.

Implementation Date: August 2012

Responsible Person: Joe DeCristoforo

The database administrator role was removed from the IT Managers accounts on 12/2/11. The database administrators will upload code and package changes. Programming staff will submit code changes to be reviewed by the appropriate IT manager. Once the IT manager has reviewed the proposed changes, the IT manager will submit a move request to a DBA in order to move the code into production. We are still working on fully implementing the process, but it will be completed by 2/28/12.

Implementation Date: February 2012

Responsible Person: Anthony Espinoza

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 2010 Schedule of Findings and Questioned Costs.
- Each finding in the 2010 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, 2011) has been prepared to address these responsibilities.

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

Initial Year Written: 2010
Status: Paritally Implemented

U.S. Department of Education

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

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.

Implementation Date: July 1, 2011

Responsible Persons: Lisa W. Schroeder

General Controls

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

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

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

- At the database level, the Institute assigned database administrator privileges to a programmer and to the administrative coordinator of the director of computer services. Additionally, three vendor programmers had access to the Banner production database.

- At the server level, the Institute has a high number of accounts with access to a job scheduler server, including 1 terminated Lamar University employee, 12 current employees of Lamar University, and 3 vendor employees.

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

Corrective Action:

Corrective action was taken.

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

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

For 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.

Recommendations:

The Institute should:

- Establish a process to send disbursement notifications within 30 days before or after crediting a student's account with a Direct Loan.

Management Response and Corrective Action Plan 2010:

Management concurs with recommendations related to disbursements to or on behalf of students, specifically related to disbursement notification letters.

Disbursement Notification Letters

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

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

Management Response and Corrective Action Plan 2011:

Corrective actions have been established to satisfy the requirement that all student borrowers receive timely notification of actual loan disbursements and of their right to cancel all or a part of any student loan. Immediately following each disbursement cycle (RPEDISB), a Population Selection (query) will be executed to identify all students with recent loan disbursements. An electronic notification will be created for each student borrower via letter/email generation options within Banner software (ROREMAL). Notices will be transmitted to inform students that loan funds have recently been disbursed /applied to their LIT student accounts. Students will be provided access to their actual disbursement information, loan amounts, loan types, date of disbursement and the right to cancel all or any part of a student loan within 14 days of the date of such notice.

Implementation Date: July 1, 2011

Responsible Persons: Lisa W. Schroeder

COD System Reporting

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

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

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

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

- At the database level, the Institute assigned database administrator privileges to a programmer and to the administrative coordinator of the director of computer services. Additionally, three vendor programmers had access to the Banner production database.

- At the server level, the Institute has a high number of accounts with access to a job scheduler server, including 1 terminated Lamar University employee, 12 current employees of Lamar University, and 3 vendor employees.

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

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

Satisfactory Academic Progress

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

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

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

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

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

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

Corrective Action:

Corrective action was taken.

Cost of Attendance

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

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

Recommendations:

The College should determine each student's COA and financial need based on the student's expected enrollment.

Management Response and Corrective Action Plan 2010:

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

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

Management Response and Corrective Action Plan 2011:

The recommendations for correcting this finding mention determining each student's COA and financial need based on the student's expected enrollment. With the elimination of the expected enrollment question on the FAFSA, we have no efficient way of determining a student's expected enrollment in advance. Our plan is to continue awarding students based on full time enrollment. For the 2011-12 award years we have developed three-quarter and half-time budgets. We will adjust the student budgets after the census date each semester. This is the point at which a student's enrollment and awards become static. As we adjust budgets, we will make any necessary adjustments to awards at that time. Since we already adjust all of our grant awards based on enrollment, this should only affect loan or scholarship funds.

Implementation Date: *July 2011*

Responsible Person: *Kerry Olson*

General Controls

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

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

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

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

Disbursement Notification Letters

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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).

Prior to June 3, 2010, Lamar State College – Orange (College) did not send 2009-2010 award year disbursement notifications to students. The College did not have a process to identify students requiring disbursement notifications when it began using a new financial aid application in Fall 2009. The College received

procedures for this process in May 2010 and was able send notifications beginning in June 2010. This issue affected all students who received FFEL loans for the Fall 2009 or Spring 2010 semesters.

Corrective Action:

Corrective action was taken.

Reporting Requirements

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

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

Recommendations:

The College should report all Pell disbursement records to the COD System in a timely manner.

Management Response and Corrective Action Plan 2010:

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

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

Management Response and Corrective Action Plan 2011:

The move to the Direct Loan program has necessitated a more regular flow of information between the school and COD. Between August of 2010 and June of 2011, 124 craa11in.xml files have been exported to COD, and the corresponding craa11op.dat files have been imported back into Banner. This is an average of over twice a week. These files contain both grant and loan origination and disbursement information so the reporting of all origination and disbursement information is being done in a timely manner. Reconciliations prepared by the Finance Office on behalf of Financial Aid identify differences between COD and campus financial aid system. Campus will expedite reconciliations and subsequent discovery to facilitate timely corrections of files.

Implementation Date: *September 2011*

Responsible Person: *Kerry Olson*

General Controls

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

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

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

Corrective Action:

Corrective action was taken.

Lamar State College – Port Arthur

Reference No. 10-31

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

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.268 P268K094241, CFDA 84.063 P063P084241, CFDA 84.007 P007A086986, CFDA 84.033 P033A086986, and CFDA 84.375 P375A084241
Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notices

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

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

To help ensure compliance with federal disbursement notification requirements, Lamar State College - Port Arthur (College) staff use a voucher summary report from the previous night's refund process to identify loan disbursements. However, students who receive loans but who do not receive refunds are not on that report. Based on the review of the voucher summary report, the College creates and sends a disbursement notification to the student. However, it is possible that a student could have a loan disbursement that covered only tuition and fees. In these instances, identifying the disbursement would require checking the detailed disbursement report, rather than the refund report. The College's current process for disbursement notification does not include this review. Auditors did not identify any instances of non-compliance as a result of this control weakness.

In addition, the College's loan disbursement notifications for all seven students tested who received federal direct student loans did not include some of the required information. Specifically, the notifications did not inform the students or parents of their right to cancel loans, either in full or in part, including corresponding procedures by which the students or parents must notify the College that they wish to cancel the loan. The College sent the loan notifications within the required time frame, and the notifications contained the correct information about the disbursement amounts and dates. The College began offering Direct Loans during the Spring 2009 semester, and College staff assert that the notifications lacked required information as a result of an unintentional omission.

Corrective Action:

Corrective action was taken.

Midwestern State University

Reference No. 11-105
Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.063 P063P092291, CFDA 84.007 P007A094071, CFDA 84.375 P375A092291, CFDA 84.376 P376S092291, CFDA 84.379 P379T102291, CFDA 84.033 P033A094071, CFDA 84.038 P038A044071, and CFDA 84.268 P268K102291
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

Eligibility and Cost of Attendance

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

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

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

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

General Controls

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

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

- The University does not have a policy or policy-level statement regarding segregation of duties for high profile users.

- The account for managing user access to the financial aid application is shared by five information systems personnel.

- One database administrator is inappropriately assigned system administrator rights to the operating system(s) for the servers supporting the financial aid system. Upon notification of the issue, the University removed the root access for the database administrator.

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

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

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

Corrective Action:

Corrective action was taken.

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

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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).

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.

Recommendations:

The University should implement controls to ensure that it sends disbursement notifications no earlier than 30 days before and no later than 30 days after crediting the student's account.

Management Response and Corrective Action Plan 2010:

Disbursement Notification Letters:

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

Management Response and Corrective Action Plan 2011:

The Financial Aid Office has corrected this in June 2010 by utilizing the electronic Microsoft Outlook calendar to serve as a 'reminder' every 21 days to send the Disbursement Notification Letter; the 21 days allows a 'cushion' of time to ensure the letters are sent within 30 days. Once the electronic 'reminder' is initiated, the Financial Aid Office will begin the Banner process to originate the letters which are printed and mailed to the students. However, effective JUNE 2011, the FAO began sending Notification EMAILS (in lieu of paper letters) via the Banner 'letter generation' process; those students without/undeliverable email addresses will continue to receive Disbursement Notification Letters via paper letters. ***And, effective August 2011, the Financial Aid Office will ensure the Disbursement Notification Letters are generated at the close of the business day to ensure all loans are disbursed prior to Disbursement Notification Letters being generated. Additionally, the Financial Aid Office has implemented an 'exception report' which identifies loans that were disbursed without a Disbursement Notification Letter being automatically generated; via information from the 'exception report', the Financial Aid Office will ensure Disbursement Notification Letters are sent to those students in which a Disbursement Notification Letter was not automatically generated****. And, a future enhancement entails the implementation of AppWorx, tentatively within 1-2 years, to automate this process so e-letters can be sent to students in lieu of paper letters.*

Implementation Date: August 2011

Responsible Person: Kathy Pennartz

General Controls

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

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

- The University does not have a policy or policy-level statement regarding segregation of duties for high-profile users.

- Five information systems personnel share the account for managing user access to the financial aid application.

- One database administrator is inappropriately assigned system administrator rights to the operating system(s) for the servers supporting the financial aid application. When auditors brought this to the University's attention, the University removed the root access for this database administrator.

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

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

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

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

Initial Year Written: 2009
Status: Partially Implemented

U.S. Department of Education

U.S. Department of Health and Human Services

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

When entering students' cost of attendance (COA) budgets into its financial aid system tables, the University included incorrect loan fee amounts for three budget groups. The University entered $200, when the correct amount was $100. This was limited to the following three budget groups: (1) student was a full-time undergraduate from out of state entering the University in the Spring semester; (2) student was a three-quarter time undergraduate in-state resident entering the University in the Spring semester; and (3) student was a full-time undergraduate from out of state entering the University for the Spring and Summer 1 semesters. A total of 42 students were affected by the incorrect cost of attendance budgets. As a result, the University included incorrect loan fee amounts within all Pell-based budgets that it reported to the U.S. Department of Education's *Common Origination and Disbursement* (COD) system. Reporting incorrect COA budgets could result in students being underawarded or overawarded financial assistance. None of the items tested resulted in incorrect award amounts.

Awards of Pell Grants

The Federal Pell Grant Program awards grants to help financially needy students meet the cost of their post-secondary education (Title 34, Code of Federal Regulations, Section 690.1). In selecting among students for the Federal Pell Grant program, an institution must determine whether a student is eligible to receive a Federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study (Title 34, Code of Federal Regulations, Section 690.6(a)). For each payment period, an institution may pay a federal Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student (Title 34, Code of Federal Regulations, Section 609.75 (a)(2)). In selecting eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10(a)).

Based on a review of the full population of student financial aid recipients, the University awarded FSEOG to three students who did not receive Pell Grants. These three students were eligible for Pell Grants, but incorrect changes to their student classification data in the University's financial aid system had removed their Pell Grant eligibility in error. The students' classification status was undergraduate when initially awarded, but the students' classification status changed to graduate and Pell funds were removed from the students' funding. When auditors brought this to the University's attention, the University corrected the three students' award packages so they would receive the Pell Grants to which they were eligible. The amount of the new Pell funds awarded totaled $4,238.

Satisfactory Academic Progress Policy

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

The University's satisfactory academic progress policy requires an undergraduate student receiving federal aid to (1) maintain a minimum 2.00 cumulative GPA, (2) successfully complete at least 75 percent of the student's credit hours, and (3) meet the student's degree objectives within 180 total attempted hours. If a student does not meet these requirements, the student may be placed on financial aid probation or financial aid suspension. If the student is placed under financial aid suspension, the student may appeal the suspension. All appeals that are denied could be awarded in error if the manual adjustment is not made to the automated system.

The University disbursed financial assistance to 1 (2.5 percent) of 40 students tested, even though that student did not meet the University's satisfactory academic progress policy. The University awarded the student a total of $8,880 in assistance because the University did not manually adjust its automated system to reflect that the student's satisfactory academic progress appeal was denied. The University later detected this error and canceled the assistance, but it had already disbursed $8,800 for the Spring semester to this student. The University cleared the student's account with the U.S. Department of Education after canceling the funds; therefore, there is no questioned cost associated with the error.

COA Calculation

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

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

Implementation Date: October 1, 2011

Responsible Person: Kelvin Francois, Director of Student Financial Aid

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.

Implementation Date: *October 1, 2011*

Responsible Person: *Kelvin Francois, Director of Student Financial Aid*

Sam Houston State University

Reference No. 10-43
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award number - CFDA 84.032 Award Number Not Applicable, 84.007 P007A084110, 84.033 P033A084110, 84.038 Award Number Not Applicable, 84.063 P063P082301, 84.376 P3765082301, and 84.379 P379T092301
Type of finding -Significant Deficiency and Non-Compliance

General Controls

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

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

Sam Houston State University (University) did not maintain appropriate user access to the SIS Plus Financial Aid Management (FAM) system, its financial aid application. Specifically, University programmers have access to production code, and one programmer is responsible for migrating code from test to production. The University should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. Additionally, the University does not perform formal, periodic reviews of user access rights in FAM. Allowing employees inappropriate or excessive access to areas in FAM that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregations of duties.

Corrective Action:

Corrective action was taken.

Reference No. 10-44
Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award number - CFDA 84.032 Award Number Not Applicable, 84.007 P007A084110, 84.033 P033A084110, 84.038 Award Number Not Applicable, 84.063 P063P082301, 84.376 P3765082301, and 84.379 P379T092301
Type of finding -Significant Deficiency and Non-Compliance

General Controls

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

Initial Year Written: 2009
Status: Partially Implemented

U.S. Department of Education

Sam Houston State University (University) did not maintain appropriate user access to the SIS Plus Financial Aid Management (FAM) system, its financial aid application. Specifically, University programmers have access to production code, and one programmer is responsible for migrating code from test to production. The University should appropriately restrict access to migrate code changes to the

production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. Additionally, the University does not perform formal, periodic reviews of user access rights in FAM. Allowing employees inappropriate or excessive access to areas in FAM that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregations of duties.

Corrective Action:

Corrective action was taken.

Pell Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (OMB Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

The University's financial aid system automatically reports Pell disbursements to the COD system. However, the financial aid system reports the estimated disbursement amount and the estimated disbursement date. The estimated disbursement date used to report to the COD System is defined separately from, and is unrelated to, the date the financial aid system is scheduled to actually disburse Pell awards. The financial aid system does not update the disbursement information in the COD System when the actual disbursement is made. As a result, the University reported incorrect disbursement dates to the COD System for all 18 students tested.

Recommendations:

The University should strengthen controls to ensure that it 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.

Implementation Date: *November 07, 2011*

Responsible Person: *Lisa Tatom*

Stephen F. Austin State University

Reference No. 10-48
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.007 P007A084129, CFDA 84.033 P033A084129, CFDA 84.063 P063P082315, CFDA 84.375 P375A082315, CFDA 84.376 P376S082315, and CFDA 84.379 P379T092315
Type of finding - Significant Deficiency and Non-Compliance

General Controls

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

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)).

Stephen F. Austin University (University) did not maintain appropriate user access to PLUS, its financial aid application. Auditors identified several areas within PLUS that enabled employees to have excessive modify access privileges. Specifically:

- Eleven users had excessive access to modify the minimum/maximum aid limits for the various federal funds.
- One user had excessive access to modify the disbursement date tables.

Additionally, the University has not performed a review of user access to PLUS or its Enterprise Resource Platform (ERP). Allowing employees inappropriate or excessive access to areas in PLUS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate PLUS code changes to the production environment based on an individual's job function to help ensure that adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 20 users, including programmers, have access to an application that provides them excessive access to migrate code into PLUS's production environment. The University's current change management procedures do not promote segregation of duties and do not comply with the University's change management policy. The University also does not maintain consistent documentation of authorization, testing, and approval of changes to PLUS.

Calculation of the Cost of Attendance

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

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

For 1 (2.5 percent) of 40 students tested, the University calculated COA incorrectly based on the wrong residency status. The University has tuition rates for Texas residents, non-residents, and Arkansas and Louisiana residents. This student was not on the Office of Admission's change in residency report submitted to the Financial Aid office for determining residency status for COA. Consequently, the student was classified as a non-resident for the COA calculation when the student was actually a Louisiana resident. As a result of this misclassification, the student's COA was overstated, and the student was overawarded $4,456 in subsidized Stafford loans.

Corrective Action:

Corrective action was taken.

Reference No. 10-49

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

Student Financial Assistance Cluster
Award year – July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.007 P007A084129, CFDA 84.033 P033A084129, CFDA 84.063 P063P082315, CFDA 84.375 P375A082315, CFDA 84.376 P376S082315, and CFDA 84.379 P379T092315
Type of finding - Significant Deficiency and Non-Compliance

General Controls

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

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

Stephen F. Austin University (University) did not maintain appropriate user access to PLUS, its financial aid application. Auditors identified several areas within PLUS that enabled employees to have excessive modify access privileges. Specifically:

- Eleven users had excessive access to modify the minimum/maximum aid limits for the various federal funds.
- One user had excessive access to modify the disbursement date tables.

Additionally, the University has not performed a review of user access to PLUS or its Enterprise Resource Platform (ERP). Allowing employees inappropriate or excessive access to areas in PLUS that are outside of their job functions increases the risk of inappropriate changes and does not allow for segregation of duties.

The University also should appropriately restrict access to migrate PLUS code changes to the production environment based on an individual's job function to help ensure that adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 20 users, including programmers, have access to an application that provides them excessive access to migrate code into PLUS's production environment. The University's current change management procedures do not promote segregation of duties and do not comply with the University's change management policy. The University also does not maintain consistent documentation of authorization, testing, and approval of changes to PLUS.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (OMB Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

The University did not accurately report the disbursement dates for Pell awards to the COD System. PLUS has an automated procedure that reports estimated disbursement information, including the date and amount of the award, to the COD System electronically. Due to changes in PLUS, the system had an incorrect estimated disbursement date for the Spring 2009 semester, and the University was not aware of this prior to the PLUS system reporting the estimated disbursement date to the COD System. Additionally, the PLUS system does not update the COD System with the actual disbursement date.

As a result of this issue, the University reported incorrect Pell disbursement dates reported to the COD System for 13 (65 percent) of 20 students tested. Twelve students had incorrect disbursement dates caused by the changes that were made to the PLUS system and one had an estimated disbursement date reported that could not be corrected when the actual disbursement was delayed.

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

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Education

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).

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 1087ll).

Sul Ross State University (University) incorrectly calculated the COA for 2 (4 percent) of 50 students tested. University staff performed manual adjustments to the system-programmed COA, resulting in incorrect COA calculations. However, the incorrect COA calculations did not have an effect on the amount of assistance awarded to students.

Recommendations:

The University should establish controls over manual adjustments it uses in determining financial need.

Management Response and Corrective Action Plan 2008:

The University has implemented an internal office auditing process by which no budget adjustments can be made by Financial Counselors without verification of calculations by another staff member.

Management Response and Corrective Action Plan 2009:

The University had implemented an internal office auditing process by which budgets were not to be manually calculated without another staff member overseeing this change. Additional monitoring will be done to make sure that this is does not happen.

Management Response and Corrective Action Plan 2010:

Certain changes in the administrative reporting structure have come about with the retirement of Rena Gallego, Director of Financial Aid, effective June 1, 2010, and the Financial Aid Office is under the supervision of the Executive Director of Enrollment Services.

A new policy outlining documentation, data entry, and approval policies has been drafted and approved. A minimum of two staff members are required to process a budget adjustment, one to document and calculate the requested adjustment and another to review, approve, and enter the adjustment in management computer system (BANNER). The Budget Adjustment Worksheet must be completed and signed by both staff members and, in some cases, approved by the Executive Director of Enrollment Services. The Budget Adjustment Worksheet and all supporting documents will be scanned into the electronic imaging system.*

** The Executive Director of Enrollment Services will approve these adjustments until a permanent Director of Financial Aid is in place as the Interim Director is also serving as a full-time Financial Aid Specialist.*

We believe the administrative support is now in place that acknowledges the serious nature of this finding and that appropriate procedures have been put in place to ensure corrective action is enforced.

Management Response and Corrective Action Plan 2011:

Due to the change of Administration, effective in January 2011, implementation of this policy has been delayed but is in progress.

A minimum of two staff members are required to process a budget adjustment, one to document and calculate the requested adjustment and another to review, approve, and enter the adjustment in the management computer system (BANNER). The Budget Adjustment Worksheet must be completed and signed by both staff members and, in some cases, approved by the Executive Director of Enrollment Services. The Budget Adjustment Worksheet and all supporting documents will be scanned into the electronic imaging system

Implementation Date: 08/01/2011

Responsible Person: Michael Corbett

Tarleton State University

Reference No. 10-50
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

Cost of Attendance

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) that is provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student financial need (Federal Work Study and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations (CFR), Section 673.5; Federal Family Education Loans (FFEL), Title 34, CFR, Section 682.603(d)(2)).

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).

Furthermore, Title 34, CFR, Section 668.2, defines a full-time student as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. The student's workload may include any combination of courses, work, research, or special studies that the institution considers sufficient to classify the student as a full-time student. However, for an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours or 12 quarter hours per academic term for a program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters). Additionally, a half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

For 1 (3 percent) of 40 students tested, Tarleton State University (University) overestimated the student's COA. The University uses full-time COA budgets to determine COA for students receiving loans, regardless of students' expected enrollment according to their ISIRs. Therefore, if a student indicates on the ISIR that he or she expects to enroll half-time or three-quarter time, the University still uses the COA associated with a full-time COA budget. Using a full-time COA budget to estimate the COA for students who attend less-than-full-time increases the risk of awarding financial assistance that exceeds financial need. For the one student for whom the University overestimated COA, the ISIR showed that the student expected to attend half-time for the 2008-2009 school year. The University estimated this student's COA at $17,180 (which includes tuition and fees of $5,590) based on full-time enrollment. Based on the University's published estimated cost of tuition and fees schedule, the COA for half-time enrollment (in 6 hours) would be $13,469 (which includes tuition and fees of $2,438). The difference between the tuition and fees for full-time enrollment and a half-time enrollment is $3,152.

It is important to note that for the 40 student files tested, the University's estimated COA did not lead the University to award student financial assistance that exceeded financial need for the 2008-2009 school year. Therefore, there were no questioned costs. A total of 5,630 students at the University received federal student financial assistance for

the 2008-2009 school year. Of those 5,630 students, 181 (3 percent) indicated on their ISIRs that they expected to enroll half-time. The University's total loan expenditures for the 2008-2009 school year were $39,656,259.

Corrective Action:

Corrective action was taken.

Texas A&M Health Science Center

Reference No. 11-116
Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.0007 P007A095144, CFDA 84.063 P063P092583, CFDA 84.268 P268K102583, CFDA 93.342 Award Number Not Applicable, and CFDA 93.925 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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).

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

Cost of Attendance

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-117

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A095144, CFDA 84.063 P063P092583, CFDA 84.268 P268K102583, CFDA 93.342 Award Number Not Applicable, and CFDA 93.925 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notifications

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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

For 21 (22 percent) of 96 loans tested, Texas A&M Health Science Center (Health Science Center) did not send the required disbursement notification letter to the student or parent after crediting the student's account with FFEL funds. All 21 exceptions were for College of Medicine December loan disbursements. For these loans, the Health Science Center entered the date parameter for the notification process incorrectly into its financial aid application, Banner. Not receiving these notifications can impair loan recipients' ability to cancel their awards.

Common Origination and Disbursement System Reporting

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

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

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

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

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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).

Texas A&M International University (University) disbursed ACG grants to 78 students who were enrolled as third-year or fourth-year students and, therefore, were not eligible to receive the grants. The University awarded a total of $64,097 in ACG funds to those ineligible students. Those students met the eligibility requirements during the Spring 2009 semester, when the University initially awarded the grants. However, the students were classified as third-year or fourth-year students at the time of the disbursement of the grants. The edit checks in the University's financial aid application prevented the awarding of ACG grants to third-year or fourth-year students, but they did not prevent the disbursement of ACG grants to third-year or fourth-year students.

Corrective Action:

Corrective action was taken.

Satisfactory Academic Progress

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

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

- The documented cumulative GPA included grades earned from non-institutional courses. According to the University's SAP policy, the cumulative GPA should include only institutional courses.

- The documented cumulative GPA, course completion rate, and total cumulative hours attempted did not incorporate courses completed in the Fall 2008 and/or Spring 2009 semesters. According to the University's SAP policy, SAP determinations are made at the end of the academic year.

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

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

Recommendations:

The University shouldimprove 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

Implementation Date: February 2011

Responsible Persons: Laura Elizondo and Isabel Woods

Reference No. 11-119

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award number – CFDA 84.032 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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).

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

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

Corrective Action:

Corrective action was taken.

Texas A&M University

Reference No. 11-120
Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.063 P063P095286, CFDA 84.033 P033A094136, CFDA 84.375 P375A095286, CFDA 84.376 PP376S095286, CFDA 84.379 P379T105286, CFDA 84.268 P268K105286, CFDA 84.007 P007A094136, CFDA 93.925 TH08HP13301-01-00 and T0AHP15858-01-00, CFDA 93.342 E15HP17893, CFDA 84.038 Award Number Not Applicable, and CFDA 84.032 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-122

Reference No. 11-121

Reporting

Student Financial Assistance Cluster
Award year - July 1, 2009 to June 30, 2010
Award number – CFDA 84.063 P063P082293
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-123

Reference No. 11-122

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.268 P268K105286, and CFDA 84.379 P379T105286
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2010
Status: Implemented

U.S. Department of Eudcation

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).

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-123

Special Tests and Provisions – Return of Title IV Funds

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award number – CFDA 84.063 P063P090387
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-124

Special Tests and Provisions – Student Loan Repayments

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award number – CFDA 84.038 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2008
Status: Paritally Implemented

U.S. Department of Education

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

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

If the borrower does not satisfactorily respond to the final demand letter or following telephone contact, the institution is required to report the account as being in default to a national credit bureau and either use its own personnel to collect the amount due or engage a collection firm to collect the account (Title 34, Code of Federal Regulations, Section 674.45(a)).

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

- For 1 (10 percent) of 10 defaulted students tested, the University did not provide evidence that it attempted to contact the borrower by phone before beginning collection procedures.

- For 7 (70 percent) of 10 defaulted students tested for which the University was required to make the first effort to collect, the University did not provide evidence that it made the required efforts.

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

Corrective Action:

This finding was reissued as current year reference number: 12-126

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

Initial Year Written: 2009
Status: Partially Implemented

U.S. Department of Education

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

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

For 2 (5 percent) of 40 students tested, the University incorrectly calculated the COA budget. Specifically, it incorrectly calculated the COA budget for two students who attended the Summer semester as a percentage of the Fall and Spring semesters combined. When the students attended only the Fall or Spring semester, and then attended the Summer semester, their COA budgets were inflated. In these instances, the COA equaled the budget for the Fall semester plus the Spring semester, rather than for only one semester (Fall or Spring, as applicable) plus the Summer semester. For these two students combined, the COA budgets were overstated by $5,903. Although University staff assert that they use an automated overaward program on a daily basis to ensure that each student's total award does not exceed his or her need, it was unable to produce an archived copy of the report generated by that program with evidence that appropriate University personnel reviewed that report. When COA budgets are inflated for students who attend only the Fall or Spring semester (but not both) and the Summer semester, this increases the risk of overawarding financial assistance to these students. However, the COA errors auditors identified did not result in financial assistance that exceeded financial need for these two students.

Recommendations:

The University should:

- Correct COA budget calculations for students who attend only the Fall semester and the Summer semester or students who attend only the Spring semester and the Summer semester.

- Document and maintain its review of the report generated by its automated overaward program to ensure that it calculates COA correctly.

Management Response and Corrective Action Plan 2009:

Testing of budget calculations will occur during the setup of a new academic year. Budget calculations will be tested for the following combinations; Fall and Spring, Fall only, Spring only, Fall-Summer, and Spring-Summer terms. Each will be reviewed in the Banner test system and signed off by an Information Technology Office representative, Assistant Financial Aid Director for Technology, with final signoff by Director of Financial Aid prior to moving to Banner production. Upon migration to Banner production, a final review by Assistant Director for Technology with signoff by Director of Financial Aid will occur. This process will be utilized for this summer 2010 term.

Beginning February 1, 2010, all financial aid exception reports will be archived in the financial aid shared drive; folder "Exception Reports".

Management Response and Corrective Action Plan 2010:

Financial aid reports are archived and continue to be archived since implementation date of 2/2010; responsible party is Assistant Director for Technology and Reporting.

Cost of education budgets for the fall and spring 2010-2011 were tested throughout months of April and May; signed off on June 14th prior to awarding for fall and spring 2010-2011 cycles. Testing of cost of education budgets for the summer 2011 year, and to comply with auditor's recommendations requires the implementation of BANNER financial aid module 8.9 released by SunGuard in September, 2010. This module is scheduled to be installed in test environment on January 8, 2011 with testing to conclude in early February and rolled into production on February 15th, 2011. Full implementation in production is scheduled for March 21st, 2011; sign off March 31St, 2011prior to awarding for summer 2011 terms.

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.

Management Response and Corrective Action Plan 2011:

Based on the documentation from SunGuard, vendor of BANNER system, released in September, 2010 the implementation of BANNER financial aid module 8.9 would have satisfied the recommendations related to determining summer cost of education. Implementation of BANNER financial aid module 8.9 occurred as stated in the response. Upon implementation it was found that the summer updates were not in the 8.9 module. At the March 20th SunGuard BANNER conference, the announcement was made that the summer update release would not be occurring until BANNER financial aid module 8.12 was released. The schedule release would be at the earliest August, 2011. The reason stated at the conference by SunGuard was due to all the unknowns happening at the federal level with the management and how to award the federal programs for the summer, SunGuard had made the decision to hold off on doing an earlier release. Our office runs an overaward exception report to monitor activity and take corrective steps. To work around the limitations as they currently exist and are inherent in the BANNER system. The Financial Aid Office implemented part-time budgets in processing financial aid for the 2011-2012 processing cycle. The part time budgets for undergraduate students are full time (12 hours or more), ¾ time (9 to 11 hours) ½ time (6-9 hours) and less than ½ time budget applicable only to the Federal Pell Grant program. Graduate student budgets will be full time (9 or more hours) and ½ time budget (6 – 8 hours). In addition there are Resident and Non-resident budgets within each category. Student enrollment during the semester will be monitored as of census date for the semester and adjustments will be made to reflect enrollment records as of census date.

Implementation Date: *August, 2011*

Responsible Person: *Maria Ramos*

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

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

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.

Implementation Date: September 2011

Responsible Person: Linda Ballard

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.

Implementation Date: October 3rd, 2011

Responsible Person: Kathy Booker

Awards of Pell Grants

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

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

Corrective Action:

Corrective action was taken.

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

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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).

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.

Reporting Requirements

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

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

General Controls

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

The University has not configured its Banner enterprise software to enforce rules regarding password length or complexity. Banner can be configured to enforce any standards specified in the University's information security

policy. Not enforcing password rules increases the risk of unauthorized access to key financial aid processes, student records, and University financial data.

Recommendations:

The University should:

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

Management Response and Corrective Action Plan 2010:

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

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

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

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

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:

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

The procedures have been updated and to ensure all dates for all terms are captured in the letter generation process. A manual review of the disbursed grants and the disbursement letters will be conducted each month to ensure all students have been captured.

Implementation Date: October 1, 2011

Responsible Person: Linda Ballard

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

Implementation Date: October 3rd, 2011

Responsible Person: Kathy Booker

Returning Funds to Lender

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

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

Corrective Action:

This portion of the finding is no longer valid. The University no longer participates in the Federal Family Education Loan (FFEL) Program.

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

Initial Year Written: 2007
Status: Partially Implemented

U.S. Department of Education

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)).

Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the U.S. Department of Education or the appropriate Federal Family Educational Loan Program lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more

than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

Texas Southern University (University) incorrectly calculated the amounts of Title IV aid to be returned for 46 (92 percent) of 50 students tested. The cause for the inaccurate calculations varies, including:

- The Spring semester return calculations did not take into account the days off for spring break, making the semester nine days longer for the calculation. Nineteen (38 percent) of the 50 tested were from the Spring semester

- The University's financial aid system (Banner) showed that the students' had earned a portion of their Title IV funds; however, the calculation for returning funds was based on the student not being enrolled.

- Banner system data did not match data used on the paper return of Title IV calculation which, in turn, did not match auditors' recalculation.

Questioned costs could not be determined with accuracy due to the extensive nature of the erroneous calculations.

Additionally, there is a lack of controls over the University's entire Return of Title IV calculation process.

The University did not calculate or consistently calculate the students' portion of the return and did not consistently return the student's portion. The University does not have policies and procedures for the returning of the student's portion of the return.

Recommendation:

The University should establish controls to ensure that the amount of Title IV funds to be returned is calculated correctly and returned.

Management Response and Corrective Action Plan 2008:

The Financial Aid Accountant has recalculated all information based on the identification of the omission of the Spring Break Week in the calendar and has conducted a full scope review and corrected all calculations. The university is currently realigning the Financial Aid Accountant position to report to the Financial Aid Office. The university has increased the Financial Aid staff by 2. One new accountant will work with compliance issues, such as this finding. Additional new operating procedures will require weekly updates. The position will be directly supervised by the Director of Financial Aid. A comprehensive spreadsheet and calendars are being developed to assist with the review process.

Management Response and Corrective Action Plan 2009:

The auditor reviewed a sample of students that received Title IV funds and withdrew from the University. In one instance, a student withdrew and TSU calculated the refund amount correctly; however, the funds were not returned within the required timeframe. TSU implemented new procedures in 2009. Additionally, the University did a 100% recalculation of Title IV refunds for academic years 2008 and 2009. The one exception in the audit sample occurred prior to the implementation of the new procedures. Of the sample tested there were no exceptions in calculations, eligibility, and student status changes. We believe that our revised procedures adequately address the audit issue. TSU will continue to review procedures and transactions to ensure that the current procedures are working as planned.

Management Response and Corrective Action Plan 2010:
Effective November 15, 2010, TSU has modified the processes for performing R2T4 calculations since the recent audit. We strongly believe that these changes bring TSU into compliance by increasing the calculation accuracy and timing of return funds. The measures we have taken include (but are not limited to) the re-establishment of the R2T4 processes that were intended to become institutionalized. Currently, the manual process includes the following:

- *Student Accounting performs the R2T4 calculations on a weekly basis. This begins with a Banner query to identify all students who have withdrawn from the term after the first day of the term through the last date of the term. A separate query is run to identify any students that have been retroactively withdrawn from a previous term.*

- *Student Accounting enters the data into an internal Master (Excel) Critical Spreadsheet, restricted to authorized financial personnel and equipped with the appropriate formulas and compares the results to the Department of Education worksheet. All financial aid information, term and withdrawal dates, and institutional costs used in the calculation are extracted from Banner. Student Accounting coordinates with the Registrar's Office and confirms the accuracy of the term dates disclosed in Banner.*

- *Student Accounting works in conjunction with the Financial Aid Accountant to ensure that all funds are adjusted from the student's account and returned as soon as possible but not later than 45 days from the date of the withdrawal. Student Accounting returns the funds for the institution's portion. Student Accounting receives verification from Financial Aid that the Direct Loans information was updated in COD for the student.*

- *Student Accounting sends the student a letter notifying them of the amount to be returned and their obligations. Copies of these letters are maintained electronically.*

- *Student Accounting keeps an RT24 Activity Log which details the following: the students withdrawn, withdraw date, calculated return amount, student account adjustment date (date that the account was adjusted), funds return date (the date the funds were returned), and where the funds were returned.*

The optimal internal control of which the University intends to place reliance upon full implementation is the automation of the RT24 calculation in the Banner application. As of calendar Q4 2010, this process is in progress and being tested in conjunction with the Banner 8 Upgrade Project which is planned for go live in late December 2010. Subsequent to the upgrade, Student Accounting will parallel the manual process with the automated Banner process and validate/reconcile for a period of three (3) to six (6) months to confirm the validity, accuracy and completeness of the automated process- in production post Banner 8 upgrade. (Upon six consecutive parallels of manual-to-automated validation, the manual process may be decommissioned upon concurrence of the Student Accounting and Financial Aid functions).

Management Response and Corrective Action Plan 2011:

TSU should ensure that the amount of Title IV funds to be returned is calculated correctly and returned timely:

For the remainder of the Fall semester, we will parallel the manual calculation and Banner automated calculation processes. Comparisons will be made between outputs from both processes throughout the semester and any corrections made. At the end of the semester, a full cutover will be made to the Banner.

Implementation Completion Date: January, 2012

Responsible Person: Beverly Ruffin

Texas State Technical College – West Texas

Reference No. 08-65

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

Student Financial Assistance Cluster
Award year - July 1, 2006 to June 30, 2007
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

Initial Year Written: 2007
Status: Implemented

U.S. Department of Education

Access to the Student Information System

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

The College does not have appropriate controls over access to its Student Information System (System). The College's financial aid staff has inappropriate access to the System, which gives them the ability to post disbursement transactions and process refunds.

Corrective Action:

Corrective action was taken.

Texas State University – San Marcos

Reference No. 11-129
Eligibility
Activities Allowed or Unallowed
Cash Management
Period of Availability of Federal Funds
Special Tests and Provisions - Separate Funds
Special Tests and Provisions - Verification
Special Tests and Provisions - Disbursements To or On Behalf of Students
Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)
(Prior Audit Issues 10-70 and 09-65)

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.063 P063P090387, CFDA 84.033 P007A094122, CFDA 84.375 P375A090387, CFDA 84.376 P376S090387, CFDA 84.379 P379T100387, CFDA 84.268 P268K100387, CFDA 84.007 P033A094122, CFDA 93.925 T08HP13066, CFDA 84.038 Award Number Not Applicable, and CFDA 84.032 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Education

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

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

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

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

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

Other Compliance Requirements

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

General Controls

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

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-131

Reference No. 11-130

Reporting

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.063 P063P090387, CFDA 84.007 P007A094122, CFDA 84.268 P268K100387, CFDA 84.033 P033A094122, CFDA 84.375 P375A090387, CFDA 84.376 P376S090387, CFDA 84.379 P379T100387, CFDA 93.925 T08HP13066 and T0AHP15819, CFDA 84.038 Award Number Not Applicable, and CFDA 84.032 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Common Origination and Disbursement System Reporting

Initial Year Written: 2008
Status: Implemented

U.S. Department of Education

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office

of Management and Budget (OMB) Compliance Supplement A-133, June 2010, Part 5, Student Financial Assistance Cluster, III.L.1.f, page 5-3-19). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3, page 5-3-30).

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

For 11 (14 percent) of 81 Pell disbursements to 40 students tested, the Fall 2009 disbursement date in the COD System did not match the disbursement date shown on the students' institutional accounts. For the Fall 2009 semester, Texas State University – San Marcos (University) reported the date it credited institutional funds to the students' accounts as the disbursement date to the COD System, instead of the 10th day before the first day of classes. According to the University, this issue was the result of a software issue it corrected after the Fall 2009 disbursement period. For all Spring 2010 Pell disbursements tested, the University reported the correct disbursement date to the COD System.

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

General Controls

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

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

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-131

Special Tests and Provisions - Return of Title IV Funds

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094122, CFDA 84.033 P033A094122, CFDA 84.063 P063P090387, CFDA 84.268 P268K100387, CFDA 84.375 P375A090387, CFDA 84.376 P376S090387, and CFDA 84.379 P379T100387
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2008
Status: Partially Implemented

U.S Department of Education

Return of Title IV Funds

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

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

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

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

General Controls

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

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

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

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-133

Reference No. 11-132

Special Tests and Provisions – Student Status Changes

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers –CFDA 84.007 P007A094122, CFDA 84.033 P033A094122, CFDA 84.063 P063P090387, CFDA 84.268 P268K100387, CFDA 84.375 P375A090387, CFDA 84.376 P376S090387, and CFDA 84.379 P379T100387
Type of finding – Significant Deficiency and Non-Compliance

Student Status Changes

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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

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

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

date as the date the students completed all course requirements. Instead, the University incorrectly reported the students' commencement date.

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

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

General Controls

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

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

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-133

Special Tests and Provisions – Student Loan Repayments

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award number – CFDA 84.038 Award Number Not Applicable
Type of finding – Material Weakness and Material Non-Compliance

Initial Year Written: 2008
Status: No Longer Valid

U.S. Department of Education

Student Loan Repayments

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

the grace period; the second contact should be 150 days after the beginning of the grace period; and the third contact should be 240 days after the beginning of the grace period (Title 34, Code of Federal Regulations, Section 674.42(c)(2)).

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

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

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

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

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

- For 3 (25 percent) of 12 defaulted students tested, the University did not provide evidence that it sent the second grace period notice. For an additional 8 (67 percent) of 12 defaulted students tested, the University did not send the second grace period notice within 150 days.

- For 3 (25 percent) of 12 defaulted students tested, the University did not provide evidence that it sent the third grace period notice. For an additional 4 (33 percent) of 12 defaulted students tested, the University did not send the third grace period notice within 240 days.

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

- For all 12 defaulted students tested, the University did not provide evidence that it sent billing statements to the students.

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

- For 2 (13 percent) of 16 defaulted loans tested for which the University was required to send second overdue notices, the University did not provide evidence that it sent the second overdue notice. For an additional 3 (19

percent) of those 16 defaulted loans, the University did not send second overdue notices within 30 days after the first overdue notice.

- For 5 (45 percent) of 11 defaulted loans tested for which the University was required to send a final demand letter, the University did not provide evidence that it sent the final demand letter. For an additional 6 (55 percent) of those 11 defaulted loans, the University did not send final demand letters within 15 days after second overdue notices.

- For 3 (38 percent) of 8 defaulted loans tested for which the University was required to attempt to contact the borrower by telephone, the University did not provide evidence that it attempted this contact prior to beginning collection procedures.

- For 2 (33 percent) of 6 defaulted loans for which the University was required to contact a national credit bureau, the University did not provide evidence that it made the required contacts.

- For 4 (67 percent) of 6 defaulted loans for which the University was required to make the first effort to collect, the University did not provide evidence that it made the required efforts.

- For 2 (100 percent) of 2 defaulted loans for which the University was required initiate litigation or make a second effort to collect on these loans, the University did not provide evidence that it made the required efforts.

- For 2 (100 percent) of 2 loans in default for more than one year, the University did not conduct a yearly attempt to collect.

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

General Controls

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

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

- Two programmers had super user access to the production mainframe supporting the FAM system.

- One programmer had access rights to move program code changes into the production environment.

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

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

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

Corrective Action:

This finding is no longer valid. The Univeristy liquidated its Federal Perkins Loan portfolio during the 2010-2011 award year.

Texas Tech University

Reference No. 11-134
Eligibility
Activities Allowed or Unallowed
Cash Management
Period of Availability of Federal Funds
Special Tests and Provisions – Separate Funds
Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094151, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094151, CFDA 84.063 P063P092328, CFDA 84.375 P375A092328, CFDA 84.376 P376S092328, and CFDA 84.379 P379T092328
Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department oF Education

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

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

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

- The University overstated one student's COA by $350. This occurred because of a data entry error in Banner related to an approved budget increase for car repairs.

- The University understated two students' COAs by a total of $1,040. This occurred because the University did not update these students' COA calculations after the board of regents approved an increase to the budgets on which the University bases its COA calculations. Due to Banner restrictions, the batch posting process to automatically update the budget amounts for all students did not work for some students. As a result, the University understated the COA by $520 for each student, for a total of $1,040.

- The University overstated two students' COAs by a total of $7,782. This occurred because the University erroneously factored tuition and fees for both the Fall and Spring semesters into its COA calculations for those two students. However, the students only attended either the Fall or Spring semester. Banner automatically recalculated the students' tuition and fees based on the adjusted budgets approved by the board of regents. However, Banner recalculated the COA based on planned attendance for both semesters. As a result, the COA was overstated by $3,891 for each student, for a total of $7,782.

- The University understated one student's COA by $704. This occurred because the University erroneously omitted the student from the Summer budget group in Banner, yet it included the student in the Summer aid period. As a result, the student's COA was calculated at 140 percent of the full year amounts, rather than on the summer rates established in the University's budget.

- The University understated one student's COA by $19,385. This occurred because that student's COA included only tuition and fees and a loan fee. The COA erroneously omitted books, transportation, room and board, and miscellaneous components. As a result, the student's COA was understated by $19,385.

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

Pell Awards

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

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

- The University did not load two students' EFC/ISIR information properly into Banner; therefore, Pell funds were not awarded. The two students were eligible for Pell awards of $3,600 and $1,800, for a total of $5,400.

- The University coded the student financial assistance period for one student incorrectly in Banner; therefore Pell funds were not awarded. The student was eligible for a Pell award of $1,200.

- The University had requested additional documents from one student; as a result, the University did not award Pell funds while that request was pending. However, the University requested the documents in error, and it never awarded Pell funds to the student. The student was eligible for a Pell award of $5,350.

Satisfactory Academic Progress (SAP)

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

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

Two (4 percent) of 50 students tested did not comply with the University's SAP policy, but the University did not give those students a strike. The University's former financial aid system determined compliance with the SAP policy, and the University converted SAP statuses from that system to the new financial aid system (Banner) at the

beginning of the award year. However, the SAP status information for these two students was calculated and converted incorrectly. The University did not perform adequate reconciliations to ensure that SAP status information was properly calculated and converted into Banner. These two students had no previous strikes and were still eligible to receive assistance for the award year; therefore, there are no questioned costs. However, not appropriately assigning strikes to students in accordance with University policy increases the risk that the University could award assistance to an ineligible student.

Other Compliance Requirements

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

General Controls

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

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-134

Reference No. 11-135

Reporting

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.063 P063P092328, CFDA 84.007 P007A094151, CFDA 84.033 P033A094151, and CFDA 84.038 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department oF Education

Supplement A-133, June 2010, Part 5, Student Financial Assistance Cluster, III.L.1.f (page 5-3-19)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-30)).

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

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

Fiscal Operations Report and Application to Participate (FISAP)

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

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

The University reviewed the FISAP prior to submitting it; however, that review was not adequate to ensure that the University followed the FISAP reporting instructions. The U.S. Department of Education considers state grant and scholarship expenditures as a resource when determining the amount of FSEOG an institution may be eligible for. Therefore, erroneously reporting state grant and scholarship expenditures has the potential to affect the amount of FSEOG the University is awarded.

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

General Controls

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

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-135

Reference No. 11-136

Special Tests and Provisions - Verification

(Prior Audit Issue 09-72)

Student Financial Assistance Cluster
Award year - July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094151, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094151, CFDA 84.063 P063P092328, CFDA 84.375 P375A092328, CFDA 84.376 P376S092328, and CFDA 84.379 P379T092328
Type of finding – Significant Deficiency and Non-Compliance

Verification

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department oF Education

An institution may participate under a U.S. Department of Education-approved quality assurance program (QAP) that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. An institution not participating under a U.S. Department of Education-approved QAP is required to establish written policies and procedures that incorporate the provisions of Title 34, Code of Federal Regulations, Sections 668.51 through 668.61, for verifying applicant information. Such an institution shall require each applicant whose application is selected by the central processor, based on edits specified by the U.S. Department of Education, to verify the information specified in Title 34, Code of Federal Regulations, Section 668.56. Policies and procedures for verification must include: (1) the time period within which an applicant shall provide the documentation; (2) the consequences of an applicant's failure to provide required documentation within the specified time period; (3) the method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's expected family contribution (EFC) changes and results in a change in the applicant's award or loan; (4) the procedures the institution requires an applicant to follow to correct application information determined to be in error; and (5) the procedures for making referrals under Title 43, Code of Federal Regulations, Section 668.16. The procedures must provide that the institution shall furnish, in a timely manner, to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirements and (2) the applicant's responsibilities with respect to the verification of application information, including the deadlines for completing required actions and the consequences of failing to complete any required action (Title 34, Code of Federal Regulations, Section 668.53).

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

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

General Controls

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

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-136

Reference No. 11-137

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094151, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094151, CFDA 84.063 P063P092328, CFDA 84.375 P375A092328, CFDA 84.376 P376S092328, and CFDA 84.379 P379T092328
Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

Initial Year Written: 2010
Status: Implemented

U.S. Department oF Education

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).

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

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

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

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

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

General Controls

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-138

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue 09-74)

Student Financial Assistance Cluster
Award year - July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094151, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094151, CFDA 84.063 P063P092328, CFDA 84.375 P375A092328, CFDA 84.376 P376S092328, and CFDA 84.379 P379T092328
Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department oF Education

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

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of

enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (Title 34, Code of Federal Regulations, Section 668.22(e)).

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

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

- For 2 (6 percent) of 33 withdrawals tested, the University incorrectly calculated either the amount of Title IV funds earned or the amount to be returned. This occurred because of data input errors.

- For 1 (5 percent) of 21 withdrawals tested, the University did not return the correct amount of unearned Title IV funds. This occurred because of a data input error.

- For 11 (52 percent) of 21 withdrawals tested, the University did not return all Title IV funds within the required time frame.

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

- For 8 (47 percent) of 17 withdrawals tested, the University did not return all Title IV funds within the required time frame.

- For 2 (12 percent) of 17 withdrawals tested, the University did not return all Title IV funds. For those student withdrawals, the University did not return a total of $4,230 in Title IV funds, including $747 in Direct Subsidized loans, $747 in Direct Unsubsidized loans, $1,741 in Subsidized FFELP, and $995 in Unsubsidized FFELP.

- For 2 (100 percent) of 2 withdrawals tested for which Title IV funds were not returned, the University did not notify the lender that the student would not be attending.

General Controls

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

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-137

Reference No. 11-139

Special Tests and Provisions – Student Status Changes

(Prior Audit Issue 09-75)

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award number – CFDA 84.032 Award Number Not Applicable
Type of finding – Significant Deficiency and Non-Compliance

Student Status Changes

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department oF Education

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

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

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

- 12 (24 percent) of 50 student status changes tested were not reported to NSLDS within the required 60-day timeframe.

- 3 (6 percent) of 50 student's status changes were not reported to NSLDS. These students graduated in May 2010, but they were not reported as graduated.

- 1 (2 percent) of 50 students had no enrollment history reported to NSLDS.

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

General Controls

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

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-138

University of Houston

Reference No. 11-150

Cash Management
Activities Allowed or Unallowed
Eligibility
Period of Availability of Federal Funds
Special Tests and Provisions - Separate Funds
Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094166, CFDA84.033 P033A084166 and P033A094166, CFDA 84.063 P063P072333 and P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333
Type of finding – Significant Deficiency

Cash Management

Initial Year Written: 2010
Status: Implemented

U.S. Department oF Education

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

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

Other Compliance Requirements

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

General Controls

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-151
Reporting
(Prior Audit Issues 10-94 and 09-83)

Student Financial Assistance Cluster
Award year- July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094166, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333
Type of finding – Significant Deficiency and Non-Compliance

Common Origination and Disbursement System Reporting

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department oF Education

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

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

General Controls

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-151

Reference No. 11-152

Special Tests and Provisions – Verification

(Prior Audit Issue – 10-95)

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094166, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333
Type of finding – Significant Deficiency and Non-Compliance

Verification

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

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

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

- For 1 student tested, the University did not correctly update its records and the ISIR to reflect information on the household members enrolled at least half-time in college; however, the student's eligibility was not affected by this error.

- For 1 student tested, the University did not correctly update its records and the ISIR to reflect information on the parent's untaxed income and benefits. Auditors could not determine whether the student's financial assistance was affected because the University stated it no longer had the ability to make corrections to the student's financial assistance.

- For 1 student tested, the University did not correctly update its records and the ISIR to reflect information on the student's adjusted gross income; however, the student's eligibility was not affected by this error.

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

General Controls

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-153

Special Tests and Provisions - Return of Title IV Funds

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333
Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department oF Education

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

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

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

- For eight students, the University erroneously used nine days instead of eight days for Spring break in its computation of the enrollment period.

- For one student, the University used an incorrect withdrawal date in its return calculation, resulting in an incorrect determination that it did not need to return any funds. Based on the correct withdrawal date, the University should have returned $1,307.

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

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

- For all 28 unofficial withdrawals tested, the University did not determine the withdrawal date within 30 days of the end of enrollment period as required. The University explained that it delayed running the query it uses to identify unofficial withdrawals after the end of the term until all student grades were posted. One of the colleges within the University posts grades significantly later than other colleges. The University has revised its procedures to account separately for the grading policy of this college in its query for unofficial withdrawals.

- For 2 (6 percent) of 36 students tested for whom the University was required to return Title IV funds, the funds were not returned within 45 days after the date the University determined that the students withdrew.

General Controls

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-152

Reference No. 11-154

Special Tests and Provisions – Student Status Changes

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094166, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333
Type of finding – Significant Deficiency and Non-Compliance

Student Status Changes

Initial Year Written: 2006
Status: Partially Implemented

U.S. Department oF Education

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

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

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

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

General Controls

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

The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system. The University of Houston System (System) is responsible for

granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System's attention, it reduced the number of users with this access to 44.

Corrective Action:

This finding was reissued as current year reference number: 12-153

Reference No. 11-155

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A094166, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092333, CFDA 84.268 P268K102333, CFDA 84.375 P375A092333, CFDA 84.376 P376S092333, and CFDA 84.379 P379T102333
Type of finding – Significant Deficiency and Non-Compliance

Direct Loan Reporting

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department oF Education

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

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

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

General Controls

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

The University did not properly maintain high-profile user accounts in the security module of the PeopleSoft Enterprise Resource Planning (ERP) system. The University of Houston System (System) is responsible for granting access to that system. A total of 7 PeopleSoft administrator accounts and 145 other user accounts had the ability to manually create user accounts and assign roles to users. The ability to create user accounts and assign user roles should be very limited and should be provided only to users who need this ability as part of their job

responsibilities. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to systems. After auditors brought this to the System's attention, it reduced the number of users with this access to 44.

Corrective Action:

This finding was reissued as current year reference number: 12-154

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

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

The 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 shouldensure 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:

Cost of Attendance

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

Management Response and Corrective Action Plan 2011:

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

Implementation Date: June 6, 2011

Responsible Person: LaTasha Goudeau

General Controls

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-159

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A094118, CFDA 84.033 P033A094118, CFDA 84.063 P063P20092306, CFDA 84.375 P375A20092306, and CFDA 84.376 P376S20092306
Type of finding – Significant Deficiency and Non-Compliance

Returning Funds to a Lender

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

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

Corrective Action:

This portion of the finding is no longer valid. The University no longer participates in the Federal Family Education Loan (FFEL) Program.

Financial Assistance History

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

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

Common Origination and Disbursement System Reporting

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

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

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

Recommendations:

The University should:

- Maintain documentation supporting its review of NSLDS financial assistance history for mid-year transfer students.

- Report actual disbursement dates to the COD System in a timely manner.

Management Response and Corrective Action Plan 2010:

Financial Assistance History

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

Common Origination and Disbursement Reporting

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

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

Management Response and Corrective Action Plan 2011:

Financial Assistance History

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.

Implementation Date: January, 2012

Responsible Person: LaTasha Goudeau

Common Origination and Disbursement Reporting

Implementation of Banner Financial Aid will ensure accurate reporting of disbursement dates to Department of Ed. Powerfaids system did not allow for the reporting of actual disbursement dates as part of the reporting processes. Banner Financial Aid pulls actual disbursement date for reporting to COD. We have also implemented a procedure to monitor origination files to ensure they are sent in a timely manner. Director will spot check origination and disbursement files to make sure the files are sent regularly.

Implementation Date: September, 2011

Responsible Person: LaTasha Goudeau

General Controls

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

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

Corrective Action:

Corrective action was taken.

University of Houston - Victoria

Reference No. 11-160
Eligibility
Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.268 Award Number Not Applicable, CFDA 84.007 P007A04901, CFDA 84.063 P063P093632, CFDA 84.033 P033A094901, CFDA 84.376 P376S093632, and CFDA 84.379 P379T10632
Type of finding – Significant Deficiency and Non-Compliance

Financial Need

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

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 aid to ensure that total aid is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Sections 673.5, 673.6 and 682.603).

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

- For one student, the University awarded direct unsubsidized loans in excess of the student's COA. This occurred due to changes in the student's enrollment level for the Spring 2010 semester. The University initially awarded the student financial assistance based on full-time enrollment. However, the student dropped to three-quarter time enrollment for the Spring 2010 semester prior to the disbursement of financial assistance. The University did not repackage the student's financial assistance to reflect the change in COA, which caused the student to be awarded $2,372 more than the student's COA.

- For the other student, the University initially awarded the student financial assistance based on three-quarter time enrollment, but the student dropped to half-time enrollment for the Spring 2010 semester prior to the disbursement of financial assistance. The University did not repackage the student's financial assistance, which could have resulted in an overaward of financial assistance. In this case, the student was not overawarded financial assistance because the student was co-enrolled at another institution during the Spring 2010 semester; however, the University did not have correct documentation in its system to reflect the student's co-enrollment status.

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

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

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

General Controls

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

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

Corrective Action:

Corrective action was taken.

University of North Texas

Reference No. 11-161
Cash Management

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

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-162

Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094085, CFDA 84.033 P033A094085, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092293, CFDA 84.268 P268K102293, CFDA 84.375 P375A092293, CFDA 84.376 P376S092293, and CFDA 84.379 P379T102293
Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance (COA)

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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

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

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

National SMART Grant

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-163
Reporting

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award number – CFDA 84.063 P063P082293
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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

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

Corrective Action:

Corrective action was taken.

Reference No. 11-164
Special Tests and Provisions - Return of Title IV Funds
(Prior Audit Issue 10-103)

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094085, CFDA 84.063 P063P092293, CFDA 84.268 P268K102293, CFDA 84.375 P375A092293, CFDA 84.376 P376S092293, and CFDA 84.379 P379T102293
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

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)).

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

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

- For four students, the University incorrectly used seven days instead of eight days for Spring break in its computation of the enrollment period.

- For one student, the University incorrectly reinstated the financial aid that it had returned per its initial return calculation, based on instructors' confirmation that the student had begun attendance. However, instructors did not provide a last date of attendance supporting the assumption that the student had earned all of the Title IV funds.

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

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

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

Corrective Action:

Corrective action was taken.

University of Texas at Arlington

Reference No. 10-108
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.376 P375A082335 and P376S082335, CFDA 84.007 P007A084172, and CFDA 84.032 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

Financial Need

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 108711).

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

The University of Texas at Arlington (University) incorrectly calculated the COA for 3 (8 percent) of 40 students tested, resulting in one overaward. Specifically:

- For one of these three students, the University incorrectly used non-resident status to calculate the student's COA, resulting in an overaward of $2,005.76.

- For the other two students, the University understated the students' COA by not factoring the students' majors into the calculation. The University subsequently adjusted the students' COA, which did not result in any changes to their awards.

The University used an incorrect EFC to calculate financial need for 2 (5 percent) of 40 students tested, resulting in two overawards. Specifically:

- For one student, the University incorrectly used the difference between the student's 12-month EFC and the student's 3-month EFC to perform the student financial need calculation, instead of using the 9-month EFC. As a result, the student's need was overstated by $4,185. Upon notification that the student would not enroll in the Summer 2008 term, the University failed to comply with its policy to recalculate the EFC.

- For the other student, the University incorrectly used the student's 3-month EFC instead of the 4-month EFC in the student's Spring 2009 financial need calculation due to a data entry error. As a result, the student's need was overstated by $2,519.

Questioned costs for the three overaward situations were $5,985 and were associated with FFEL subsidized loans.

Corrective Action:

Corrective action was taken.

Reference No. 10-109

Reporting

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.063 P063P082335, CFDA 84.007 P007A084172, CFDA 84.033 P033A084172, and CFDA 84.038 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

Pell Payment Data Reporting

Initial Year Written: 2009
Status: Partially Implemented

U.S. Department of Education

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).

The University of Texas at Arlington (University) complied with the reporting requirements for Pell payment data, with the following exceptions:

- For one (3 percent) of 40 students tested, the Summer 2008 disbursement date of July 1, 2008, the University reported to the COD System did not match the actual disbursement date of May 19, 2008, in the student's account. The University indicated that it could not report disbursements for students enrolled in Summer 2008 until the start of the federal financial aid year on July 1, 2008. As a result, the University also did not report the disbursement record within 30 days of disbursement.

- For 7 (18 percent) of 40 students tested, the University did not successfully report disbursement records to the COD System within 30 days of disbursement. In six instances, the University made multiple attempts to transmit the students' disbursement information to the COD System in a timely manner. However, the University's financial aid system, PeopleSoft, produced error messages stating that the disbursements had not been made to the students' accounts yet, even though partial disbursements had already been credited to the students' accounts. The other instance was due to the issue noted above.

- For 4 (10 percent) of 40 students tested, the University reported the incorrect enrollment date to the COD System for the Spring 2009 semester. The University reported the enrollment date as December 15, 2008, even though the Spring semester began on January 20, 2009. This occurred because the University's Spring 2009 semester included a Winter inter-session that began on December 15, 2008. To correctly capture and report students who attend the Winter inter-session, the University recorded the Spring 2009 session start date as December 15, 2008, in PeopleSoft. This issue affected all students who began attendance in the Spring 2009 semester.

Fiscal Operations Report and Application to Participate (FISAP)

To apply for and receive funds for the campus-based federal student aid programs (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant), institutions must complete and submit a *Fiscal Operations Report and Application to Participate* (FISAP) by October 1 of each year. The U.S. Department of Education uses the information institutions provide in the FISAP to determine the amount of funds they will receive for each campus-based program. The institution must provide accurate data and must retain accurate and verifiable records for program review and audit purposes (Title 34, Code of Federal Regulations, Section 673.3).

The FISAP the University submitted on October 1, 2009 reported on the University's campus-based program participation for the 2008–2009 award year. Through this FISAP, the University also applied for campus-based program funding for the 2010 - 2011 award year. However, due to insufficient review procedures prior to submission, the FISAP the University submitted on October 1, 2009 contained the following errors:

- The $10,715,947 amount the University reported for the Federal Perkins Loan program loan principal collected as of June 30, 2009, (Part III Section A Field 5) was incorrect. The correct amount was $10,755,946. This error occurred because of a transposition error for the prior year FISAP amount used in the calculation.

- The $549,317 amount the University reported for the loan principal canceled for all other authorized pre-K or K-12 teaching service (Part III Section A Field 9) was incorrect. The correct amount was $554,748. This error occurred because of an incorrect calculation. This error and the error described above resulted in an understatement of the amount reported for cash on hand as of June 30, 2009 (Part III Section A Field 1.1) by a net amount of $45,430 and an overstatement by the same amount of the principal amount outstanding of borrowers not in repayment status reported on Part III Section C Field 3.

- The numbers of borrowers the University reported under Part III, Section A Fields 4, 8, 9, and 26 were incorrect because of calculation errors, incorrect transposition of prior year FISAP numbers, or the inclusion of duplicate recipients in current year number. These errors also affected the calculated field in Part III Section C Field 1.1(b).

- The $101,508 amount the University reported for institutional expenditures for the federal Work Study Job Location and Development Program (Part V, Section E, Field 21) was incorrect and did not agree with amounts in the University's accounting records. The correct amount was $104,697. This error occurred because of the omission of an allowable expense. Total expenditures on Part V, Section E, Field 20 should have been $154,697.

The University submitted a revised FISAP correcting these errors on December 2, 2009.

Corrective Action:

This finding was reissued as current year reference number: 12-157

Reference No. 10-111

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

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.007 P007A084172, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084172, CFDA 84.063 P063P082335, CFDA 84.375 P375A082335, CFDA 84.376 P376S082335, and CFDA 84.038 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

Disbursement Notification Letters

Initial Year Written: 2009
Status: Partially Implemented

U.S. Department of Education

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

The University could not provide evidence that it sent disbursement notification letters to 37 (100 percent) of 37 students tested. Additionally, the University provided a sample disbursement notification letter, but the notification letter did not include three required elements: (1) the date and amount of the disbursement, (2) a clause informing the student or parent of his or her right to cancel a portion of that loan and to have the loan proceeds returned to the holder of that loan, and (3) the time by which the student must notify the school that he or she wishes to cancel the loan or disbursement.

Corrective Action:

This finding was reissued as current year reference number: 12-159

Reference No. 10-112

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.007 P007A084172, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084172, CFDA 84.063 P063P082335, CFDA 84.375 P375A082335, CFDA 84.376 P376S082335, and CFDA 84.038 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

Initial Year Written: 2009
Status: Partially Implemented

U.S. Department of Education

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

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

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

For 12 (29 percent) of 42 students tested, the University of Texas at Arlington (University) incorrectly calculated the percentage of enrollment period completed, resulting in incorrect return calculations for 11 students. The University used 116 days for the length of the Spring 2009 semester instead of 108 days because the University's automated return calculation worksheet did not account for the scheduled Spring break days. The University's annual review of its worksheet calculations did not identify that the holiday schedule was incorrectly configured, and annual test calculations were only performed for the Fall 2008 semester. As a result of this error, the University returned $426.65 in excess funds for 10 of 42 students tested. Six students tested also returned $166.40 in excess funds. For 1 student, the incorrect calculation resulted in the University and the student not returning any funds, even though a return of $3,764.18 was required. This issue affected a total of 109 students who withdrew during the Spring 2009 semester.

In addition, for 1 (33 percent) of 3 students tested who never began attendance and for whom $6,187.50 in funds were required to be returned to the lender, the University did not capture tuition funds from the loans and return them to the lender. Instead, the University notified the lender that the student failed to attend any classes and that the lender should collect the disbursed funds immediately from the student.

Further, for 1 (3 percent) of 40 students tested for eligibility requirements, the University canceled the entire Spring 2009 semester Pell award, even though the return calculation reflected that the student earned a portion of the award. The student completed 6.5 percent of the enrollment period and earned $45.83. When auditors brought this to the University's attention, the University credited the student's account $42.30. The difference between these two amounts, $3.53, is included as a questioned cost.

Corrective Action:

This finding was reissued as current year reference number: 12-160

University of Texas at Austin

Reference No. 11-165
Reporting
Activities Allowed or Unallowed
Cash Management
Eligibility
Period of Availability of Federal Funds
Special Tests and Provisions - Separate Funds
Special Tests and Provisions - Verification
Special Tests and Provisions - Return of Title IV Funds
Special Tests and Provisions - Student Status Changes
Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)

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

Common Origination and Disbursement System Reporting

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

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

Other Compliance Requirements

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

General Controls

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-165

Reference No. 11-166

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

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

Disbursement Notifications

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

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

General Controls

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-166

Reference No. 11-167

Special Tests and Provisions – Student Loan Repayments

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

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

Defaulted Borrowers

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Education

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

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

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

General Controls

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

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

Corrective Action:

This finding was reissued as current year reference number: 12-168

University of Texas at Dallas

Reference No. 09-96
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2007 to June 30, 2008
Award numbers - CFDA 84.032 P063P073234, P375A073234, P376S073234, P033A074174, and P007A074174
Type of finding - Significant Deficiency and Non-Compliance

Access to the Student Information System

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

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

The University of Texas at Dallas (University) did not maintain appropriate access to its Student Information System (SIS). Employees in the financial aid office had excessive access, with the capability of registering, dropping, and adding students; deleting and modifying student identification numbers; modifying the disbursement schedule and fund budget tables; and modifying the students' accounts screen. In addition, employees in the bursar's office had excessive access, with the capability of issuing refunds and modifying students' personal records (such as physical mailing addresses). Three individuals who were no longer employed in the bursar's office still had active access to SIS.

Corrective Action:

Corrective action was taken.

University of Texas at El Paso

Reference No. 11-170
Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.007 P007A094176, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A94176, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P092338, CFDA 84.375 P375A092338, CFDA 84.376 P376S092338, and CFDA 84.379 P379T102338
Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

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

For 1 (2 percent) of 50 students tested, the University of Texas at El Paso (University) awarded assistance in excess of the student's COA. The University originally awarded assistance to the student based on expected full-time enrollment for the entire academic year. However, when the student enrolled only three-quarter time, the University updated the student's COA budget to reflect this enrollment level for the Fall semester only. Because the student's awards did not exceed the COA for the full year, the University did not adjust the student's awards. However, the student attended only the Fall semester. As a result, the University overawarded the student $879.

Corrective Action:

Corrective action was taken.

Aggregate Loan Limits

For independent students who have not already received an undergraduate degree, the aggregate unpaid principal amount of all subsidized and unsubsidized Stafford Loan Program loans, excluding the amount of capitalized interest, may not exceed $57,500 (Title 34, Code of Federal Regulations, Section 682.204(b)).

For 1 (2 percent) 50 students tested, the University awarded Stafford loans in excess of the aggregate loan limit. The University awarded the student loans for the Fall semester based on the most recent aggregate loan amounts on the student's ISIR; however, the ISIR did not include loans that were awarded late in the prior year's Summer term. When the University received an updated ISIR, which noted that the student exceeded the aggregate loan limit, the University incorrectly determined that the student was eligible for Stafford loans. As a result, the University awarded $1,344 in Stafford loans to the student, and that student's loans exceeded the aggregate limit. The prior year's award also exceeded the aggregate limit by $1,000.

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.

Recommendations:

The University should:

- Remove access to Banner in a timely manner when individuals' employment is terminated.

- Periodically review user access to Banner and appropriately limit user access based on job responsibilities.

Management Response and Corrective Action Plan 2010:

General Controls

In order to assure BANNER access is removed in a timely manner when an employee is terminated we have set up a more formal procedure. Upon separation/termination our administrative assistant will send a notice to our Help Desk requesting the removal of access.

In order to maintain appropriate access to BANNER, the number of users with access to modify student budgets and fund rules in BANNER has been reduced to members of the office's management team. Currently, only the Financial Aid Director, Associate Director, and Assistant Director (accounting) have access to modify budgets. Only the Associate Director and Financial Aid Analyst have access to modify d fund rules in BANNER. A periodical review of user access will be conducted during a staff member's annual performance evaluation.

Management Response and Corrective Action Plan 2011:

The University's Enterprise Computing (EC) is currently developing a process to automate the process of removing information system access from terminated employees. No specific time line has been determined as of yet. In the meantime, in order to assure BANNER access is removed in a timely manner, when an employee is terminated UTEP has set up a more formal procedure which will incorporate a checklist to be included in the separated employees file. Upon separation/termination UTEP's administrative assistant will send a notice ot the instituion's Help Desk requesting the removal of access and then mark off "banner access terminated" on the master checklist. The checklist will be reviewed and verified by the Interim Financial Aid Director.

In order to maintain appropriate access to BANNER, the number of users with access to modify student budgets and fund rules in BANNER has been reduced to members of the Financial Aid Office's management team. Currently, only the Interim Financial Aid Director and Assistant Director (for accounting) have access to modify budgets. Only the Interim Financial Aid Director and the Financial Aid Analyst have access to modify d fund rules in BANNER. Limited access was originally requested in October 2010 and processed by Enterprise Computing (EC). A periodical review of user access will be conducted during a staff member's annual performance evaluation.

Also a quarterly report of current banner access will be reviewed by the Financial Aid Office's management team.

Implementation Date: December 2011

Responsible Person: Ron Williams, Lorena Morales, Enterprise Computing

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

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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).

The University of Texas at El Paso (University) sent disbursement notifications containing the anticipated date and amount of the disbursement to all 267 TEACH Grant recipients. However, **none of those disbursement notifications included required language** informing the recipients of (1) the student's right or parent's right to cancel all or a portion of that TEACH Grant or TEACH Grant disbursement or (2) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the grant. University staff assert that they informed TEACH Grant recipients of this information verbally and that they were unaware of the requirement to send such disbursement notifications in writing to TEACH Grant recipients.

Additionally, in two instances, the University did not initiate the disbursement notification letter generation process in time to ensure that it sent notifications within the required time frames. As a result, the University sent 37 disbursement notifications more than 30 days after the disbursement date.

Not sending disbursement notifications in a timely manner or not including all of the required information in the notifications could impair TEACH Grant recipients' ability to cancel their awards.

General Controls

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

The University did not maintain appropriate access to its financial aid application, Banner. Specifically, the University did not remove the access of one former employee to Banner in a timely manner. Additionally, 12 users had excessive access to modify student budgets and fund rules in Banner. Not maintaining appropriate access to Banner increases the risk of unauthorized access to key financial aid processes and student records.

Recommendations:

The University should:

- Send, either in writing or electronically, disbursement notifications containing all required language within the required time frame to loan and TEACH Grant recipients.

- Remove access to Banner in a timely manner when individuals' employment is terminated.

- Periodically review user access to Banner and appropriately limit user access based on job responsibilities.

Management Response and Corrective Action Plan 2010:

Disbursement Notifications

Written disbursement notices are being sent out containing all required language within the required time frame to loan and now TEACH Grant recipients. This is being done as these awards are disbursed.

General Controls

In order to assure BANNER access is removed in a timely manner when an employee is terminated we have set up a more formal procedure. Upon separation/termination our administrative assistant will send a notice to our Help Desk requesting the removal of access.

In order to maintain appropriate access to BANNER, the number of users with access to modify student budgets and fund rules in BANNER has been reduced to members of the office's management team. Currently only the financial aid director, associate director, and assistant director (accounting) have access to modify budgets and fund rules in BANNER. A periodic review of user access will be conducted during a staff member's annual performance evaluation.

Management Response and Corrective Action Plan 2011:

Disbursement Notifications:

Written disbursement notices are being sent out containing all the required language, within the required time frame, to loan and now TEACH Grant recipients. These communications are being sent as these awards are disbursed. The original process for TEACH Grant notification was erroneously summing-up any multiple disbursement which occurred in a weekly time period. The process has been corrected to pick up individual disbursements.

Implementation Date: October 2011

Responsible Person: Maria Carrizales, Silvia Pena

General Controls:

The University's Enterprise computing (EC) is currently developing a process to automate the process of removing information system access from terminated employees. No specific time line has been determined as of yet. In the meantime, in order to assure BANNER access is removed in a timely manner, when an employee is terminated UTEP has set up a more formal procedure which will incorporate a checklist to be included in the separated employees file. Upon separation/termination UTEP's administrative assistant will send a notice ot the instituion's Help Desk requesting the removal of access and then mark off "banner access terminated" on the master checklist. The checklist will be reviewed and verified by the Interim Financial Aid Director.

In order to maintain appropriate access to BANNER, the number of users with access to modify student budgets and fund rules in BANNER has been reduced to members of the Financial Aid Office's management team. Currently, only the Interim Financial Aid Director and Assistant Director (for accounting) have access to modify budgets. Only the Interim Financial Aid Director and the Financial Aid Analyst have access to modify d fund rules in BANNER. Limited access was originally requested in October 2010 and processed by Enterprise Computing (EC). A periodical review of user access will be conducted during a staff member's annual performance evaluation.

Also a quarterly report of current banner access will be reviewed by the Financial Aid Office's management team.

Implementation Date: December 2011

Responsible Person: Ron Williams, Lorena Morales, Enterprise Computing

University of Texas Health Science Center at Houston

Reference No. 10-121
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.038 Award Number Not Applicable, CFDA 93.364 Award Number Not Applicable, CFDA 93.342 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A085159, and CFDA 84.063 P063P082584
Type of finding - Significant Deficiency and Non-Compliance

Cost of Attendance

Initial Year Written: 2009
Status: Implemented

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

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

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

The Health Science Center did not use the correct EFC when calculating financial need for students who were enrolled for more than nine months during the award year. SAMS used the nine-month EFC for students enrolled for more than nine months during the award year, instead of the correct EFC. As a result, for 2 (5 percent) of 40 students tested, the Health Science Center used an incorrect EFC amount when calculating the students' financial need. However, the Health Science Center did not overaward funds as a result of this error.

Corrective Action:

Corrective action was taken.

Reference No. 10-122

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

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.038 Award Number Not Applicable, CFDA 93.364 Award Number Not Applicable, CFDA 93.342 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable, CFDA 84.007 P007A085159, and CFDA 84.063 P063P082584
Type of finding - Significant Deficiency and Non-Compliance

Early Disbursement of Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period (Title 34, Code of Federal Regulations, Section 668.164 (f)(1)).

Initial Year Written: 2009
Status: Implemented

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

The Health Science Center manually tracks disbursement dates and then runs an automated disbursement job in its student information system. That job uses the system date to date the transactions. However, Health Science Center personnel submitted that job early, causing disbursement to occur two days early. The Health Science Center does not have a compensating control in place, such as a review of disbursement reports, to ensure that it does not disburse funds earlier than 10 days before the start of each semester.

The Health Science Center disbursed funds more than 10 days in advance of the first day of classes for 2 (1 percent) of 152 disbursements tested (representing 2 of 40 students) for the 2009 Spring semester. Due to the holidays involved at the end of December and beginning of January, the Health Science Center disbursed Perkins loan funds and Nursing Student loan funds at the same time as other institutional funds, which resulted in these funds being disbursed 12 days in advance of the first day of classes. This issue also affected an additional 38 students who received Perkins loans and an additional 5 students who received Nursing Student Loans in the Spring semester.

Corrective Action:

Corrective action was taken.

University of Texas Medical Branch at Galveston

Reference No. 09-105

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

Student Financial Assistance Cluster
Award year - July 1, 2007 to June 30, 2008
Award number - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P070485
Type of finding - Significant Deficiency and Non-Compliance

Initial Year Written: 2008
Status: Partially Implemented

U.S. Department of Education

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)).

For 40 of 40 students (73 of 73 disbursements) (100 percent) tested at the Medical Branch for the Fall 2007 and/or Spring 2008 semesters, the date of Pell and Direct Loan disbursement did not match the disbursement date in the COD System. For 1 of these 40 students (3 percent) (1 of 73 disbursements), the disbursement amount was not reported correctly.

Recommendations:

The Medical Branch should:

- Ensure that it includes all required information in the disbursement notification letters.
- Develop a control process to ensure that it reports the appropriate dates and amounts to the COD System.

Management Response and Corrective Action Plan 2008:

In response to this finding, corrective action has been taken to develop a notification procedure to the students via email and maintain copies of the correspondence. Additionally, a process will be developed to ensure all amounts and dates are appropriately reported in the COD System.

Management Response and Corrective Action Plan 2009:

Due to the impact of Hurricane Ike, the process for maintaining notification documentation electronically was not placed into production until 2/17/2009, with additional testing and automation occurring prior to the FY09/10 award year.

We provided additional training to staff about the importance of reporting accurately the dates and amounts in COD, and random checks of the reported disbursements since February 2009 have been accurate. For the 2009-2010 academic year, disbursements and reporting to COD are being handled through a single system, the Regent Financial Aid system. Since this disbursement period will be the first using the new reporting process to COD, we established an additional review process to ensure accurate reporting.

Management Response and Corrective Action Plan 2010:

We maintain electronic copies of the disbursement notification send to students each time a disbursement is processed and perform random checks of these notifications to ensure that they are produced correctly and accurately. Additionally, we perform random checks in COD to ensure that the disbursement dates are reported accurately. Although, the auditors identified an error related to reported date during their follow-up testing of our corrective actions taken, we've noted significant improvement in this area since the prior audit testing and enhancement of our controls. We will continue our current process to ensure that disbursements are reported correctly and that disbursement notifications are sent to students timely. Additionally, we are implementing a new student system in the Fall 2011 (Oracle Campus Solutions) which should greatly enhance our reporting capabilities.

Management Response and Corrective Action Plan 2011:

For award years prior to 2011/12 all reporting of disbursements to COD for Pell and Direct Loans involved a manual process due to the limitations of the Regent financial aid system. Although the staff performed audits of dates to ensure that the disbursement dates were reported accurately, there was human error and some dates were reported incorrectly by 1-3 days.

Beginning with award year 2011/12, UTMB implemented Campus Solutions and the date we disburse funds is truly the date the funds are available to the student. Additionally, the reporting of actual disbursement dates is now automated resulting in accurate reporting. As has been our practice in past years, we continue to send an electronic notification to students each time disbursements are processed.

Implementation Date: *June 20, 2011*

Responsible Person: *Carol Cromie*

University of Texas – Pan American

Reference No. 10-133

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

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.007 P007A084091, 84.268 P268K092296, 84.033 P033A84091, 84.038 Award Number Not Applicable, 84.063 P063P082296, 84.375 P375A082296, and 84.376 P376S082296
Type of finding - Material Weakness and Non-Compliance

Disbursement Notification Letters

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

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

For 1 (5 percent) of 21 students tested who received Direct Loans, the University sent disbursement notifications 33 days after the disbursement date, instead of within the required 30 days, for one semester disbursement. The University sent the disbursement notifications late because a verbal request for a computer report that identifies students' loan disbursements was not made in time to generate the notifications within the required 30 days. Not receiving these notifications promptly could impair the students' or parents' ability to cancel their loans.

In addition, manual overrides to the process that records the date that the University sent disbursement notification letters in the student financial aid system allow staff to manipulate the recorded date to reflect a date other than the actual date that the University sent the notification letters. Manually changing the date could result in the system reflecting a date that is within the 30-day requirement, even though the notification may have been sent outside of the 30-day requirement.

Corrective Action:

Corrective action was taken.

University of Texas of the Permian Basin

Reference No. 09-106
Eligibility
(Prior Audit Issue - 07-74)

Student Financial Assistance Cluster
Award year - July 1, 2007 to June 30, 2008
Award number - CFDA 84.063 PO63PO63265
Type of finding - Significant Deficiency and Non-Compliance

Financial Need and Total Awards Should Not Exceed Need

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

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Education Opportunity Grant, Title 34, Code of Federal Regulations (CFR), Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, CFR, Section 682.603).

COA refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, subchapter IV, Section 108711).

For the federal Pell Grant program, the payment and disbursement schedules provided each year by the U.S. Department of Education are used for determining award amounts. These schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter time, half-time, and less-than-half-time students, as well as students with low-assessed tuition. All of the schedules, however, are based on the COA of a full-time student for a full academic year.

For 1 (2 percent) of 50 students tested, the University of Texas of the Permian Basin (University) awarded total assistance that exceeded the student's calculated financial need by $1,089. In October 2008, the University returned the over award plus interest to the lender.

In addition, for 3 (6 percent) of 50 students tested, the University calculated the COA budgets incorrectly, and the budgets did not match the student financial aid budget schedule. As a result, COA was overstated for two students and understated for one student. Specifically:

The University did not adjust two students' spring 2008 COA calculations to reflect that they were enrolled half-time instead of full-time. As a result, these students were over awarded Pell grants by $480 and $540, respectively. The University returned an amount equal to the overpayment to the U.S. Department of Education in July 2008.

The University did not adjust another student's COA calculation to reflect the student's actual living status. As a result, this student was under awarded a Pell grant by $345.

Corrective Action:

Corrective action was taken

Reference No. 09-107

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

(Prior Year Issue 07-75)

Student Financial Assistance Cluster
Award year - July 1, 2007 to June 30, 2008
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Material Weakness and Material Non-Compliance

Notification Letters

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

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

The University did not send the required disbursement notifications to FFELP loan recipients during the 2007-2008 award year within the 30-day requirement for the Fall Semester and did not retain documentation that notification letters were sent for the Spring Semester. The University does not participate in the FPL program.

Pell Payment Reporting

Institutions submit payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System. Origination records can be sent in advance of any disbursement, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data 1) within 30 calendar days after they make a payment or 2) when they become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget Circular A-133 Compliance Supplement, Part 5, Section L.1.e) and the Secretary of the U.S. Department of Education accepts a student's payment data that is submitted in accordance with procedures established through publication in the Federal Register, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution (Title 34, Code of Federal Regulations, Section 690.83.(a)(2).

In a sample of 33 students tested at the University, 33 students (100 percent) received Pell Grant awards. However, the University did not report the date of at least one disbursement of Pell Grant awards to the COD System for any of those 33 students.

Corrective Action:

Corrective action was taken.

Returning Funds to a Lender

When an institution receives FFELP funds from the lender by electronic funds transfer (EFT) or master check, it usually must disburse the funds within three business days. If a student is temporarily not eligible for a disbursement but the institution expects the student to become eligible for disbursement in the immediate future, the institution has an additional 10 business days to disburse the funds. An institution must return FFELP funds that it does not disburse by the end of the initial or conditional period, as applicable, promptly but no later than 10 business days from the last day allowed for disbursement (Title 34, Code of Federal Regulations, Section 668.167).

For 1 (8 percent) of 13 students tested, the University held student loan funds for significantly more than three business days and did not return funds to the lender within the required 10-day time frame.

Corrective Action:

This portion of the finding is no longer valid. The University no longer participates in the Federal Family Education Loan (FFEL) Program.

University of Texas at San Antonio

Reference No. 11-180
Eligibility
Activities Allowed or Unallowed
Cash Management
Period of Availability of Federal Funds
Reporting
Special Tests and Provisions - Separate Funds
Special Tests and Provisions - Student Status Changes
Special Tests and Provisions - Institutional Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093294, CFDA 84.268 P268K103294, CFDA 84.007 P007A094169, CFDA 84.033 P033A094169, CFDA 84.375 P375A093294, CFDA 84.376 P376S093294, and CFDA 84.379 P379T103294
Type of finding – Significant Deficiency and Non-Compliance

Satisfactory Academic Progress

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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 of Texas at San Antonio's (University) satisfactory academic progress policy requires an undergraduate student receiving federal aid to (1) maintain a minimum 2.00 cumulative GPA, or 1.80 GPA for freshman students; (2) successfully complete at least 67 percent of the student's attempted credit hours; and (3) meet the student's degree objectives without attempting more than 150 percent of the published length of the program of study. If a student does not meet these requirements, the student may be placed on financial aid termination. If the student is placed on financial aid termination, the student may appeal the termination. For students who are readmitted to the University after satisfactory academic progress is measured for the award year, the University considers the satisfactory academic progress measured when the student was last enrolled in the University.

The University disbursed $16,324 in financial assistance to 1 (2.5 percent) of 40 students tested, even though that student did not meet the University's satisfactory academic progress policy. This occurred because of an error in data migration from the prior financial aid application to Banner. When the student was last enrolled, the student failed to make satisfactory academic progress, and information regarding the student's failed satisfactory academic progress status was recorded correctly in the prior financial aid application. However, that information was not transferred correctly from the prior financial aid application to Banner; as a result, information in Banner indicated the student had made satisfactory academic progress. The student was readmitted after the University began using Banner, and the University relied on information in Banner to award assistance. As a result, the University incorrectly awarded $16,324 in assistance to the student.

A total of 22 students who received assistance during the award year had last enrolled when the University was still using the prior financial aid application but were readmitted after the University had started using Banner.

Other Compliance Requirements

Although the general control weakness described below applies to activities allowed or unallowed, cash management, period of availability of federal funds, reporting, special tests and provisions - separate funds, special tests and provisions - student status changes, and special tests and provisions - institutional eligibility, auditors identified no compliance issues regarding these compliance requirements.

General Controls

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

The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment. Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

Additionally, the University does not perform formal reviews of user accounts at the server level. Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 11-181

Special Tests and Provisions - Verification

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093294, CFDA 84.268 P268K103294, CFDA 84.007 P007A094169, CFDA 84.033 P033A094169, CFDA 84.375 P375A093294, CFDA 84.376 P376S093294, and CFDA 84.379 P379T103294
Type of finding – Significant Deficiency and Non-Compliance

Verification

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

An institution shall require each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification on the basis of edits specified by the Secretary of the U.S. Department of Education, to verify all of the applicable items, which include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits,

child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, Code of Federal Regulations, Section 668.56).

The University of Texas at San Antonio (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop and implement a quality improvement approach to federal student assistance program administration and delivery. The QAP provides participating institutions with an alternative management approach to develop verification that fits their population. As a part of quality improvement for the verification process, the University's policy requires verifying wages and income exclusions, in addition to all of the items required by Title 34, Code of Federal Regulations, Section 668.56.

For 1 (2 percent) of 50 students tested, the University did not accurately verify all required items on the FAFSA. Specifically, for that student, the University incorrectly identified the household size as five and the number of household members who are in college as one. Based on review of the student's tax return and verification worksheet, the correct household size was four and the correct number of household members in college was two. As a result of this error, the University understated the student's expected family income and overawarded the student $137 in Pell grants. The University corrected the error in September 2010 and reduced the student's Pell award accordingly.

General Controls:

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

The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment. Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

Additionally, the University does not perform formal reviews of user accounts at the server level. Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 11-182

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093294, CFDA 84.268 P268K103294, CFDA 84.007 P007A094169, CFDA 84.033 P033A094169, CFDA 84.375 P375A093294, CFDA 84.376 P376S093294, and CFDA 84.379 P379T103294
Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notifications

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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).

The University of Texas at San Antonio (University) did not send disbursement notifications to 37 (62 percent) of the 60 students who received TEACH Grant funds for award year 2009-2010 within the required time frame. The University disbursed TEACH Grant funds to one of these students on February 25, 2010, but it did not send the disbursement notification until July 15, 2010. For the remaining 36 students, the University disbursed funds between February 26, 2010, and March 30, 2010, but it did not send the disbursement notifications until May 10, 2010. The University relied on a manual process for sending TEACH Grant disbursement notifications, and it did not perform that process within 30 days for the February 2010 and March 2010 TEACH Grant disbursements. Not receiving these notifications within the required time frame can impair TEACH Grant recipients' ability to cancel their awards.

General Controls

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

The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment. Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

Additionally, the University does not perform formal reviews of user accounts at the server level. Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

Reference No. 11-183

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093294, CFDA 84.268 P268K103294, CFDA 84.007 P007A094169, CFDA 84.033 P033A094169, CFDA 84.375 P375A093294, CFDA 84.376 P376S093294, and CFDA 84.379 P379T103294
Type of finding – Significant Deficiency and Non-Compliance

Return of Title IV Funds

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account, or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan Program (FFELP) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

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

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

For 1 (2 percent) of 46 students tested, the University of Texas at San Antonio (University) did not return the proper amount of funds. The University correctly calculated the amount of funds to return using the Return of

Title IV worksheet; however, the University returned $39 more in Pell grant funds than required due to a manual error. By returning more funds than required, the University disbursed less financial aid to the student than the student had earned.

For 1 (3 percent) of 31 students tested, the University did not return Pell grant funds within 45 days after the date the University determined that the student withdrew. The University initially removed the grant funds from the student's account within the required time frame, but it erroneously redisbursed the funds to the student a few days later because it had not locked that student's account. The University returned the funds several months later when it identified the error during a supervisory review of the student's account.

For 19 (63 percent) of 30 students who unofficially withdrew from the University, the University did not determine the withdrawal date within 30 days after the end of the semester, as required. The University did not begin the process to identify these potential unofficially withdrawn students and to determine their withdrawal dates until after the required 30-day timeframe. Not determining withdrawal dates in a timely manner delays the return of Title IV funds.

General Controls

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

The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment. Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

Additionally, the University does not perform formal reviews of user accounts at the server level. Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

Corrective Action:

This finding was reissued as current year reference number: 12-184

Reference No. 11-184

Special Tests and Provisions – Borrower Data Transmission and Reconciliations (Direct Loans)

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award number – CFDA 84.268 P268K103294
Type of finding – Significant Deficiency and Non-Compliance

Initial Year Written: 2010
Status: Implemented

U.S. Department of Education

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

For 23 (58 percent) of 40 students tested at the University of Texas at San Antonio (University), the disbursement date shown in the DLSS did not match the date the University disbursed the funds. The University disbursed the funds on January 2, 2010; however, the DLSS showed the disbursement date as December 30, 2009. For disbursements made on January 2, 2010, the University incorrectly programmed the disbursement date as December 30, 2009, in its student financial aid system; it also loaded the incorrect date into the DLSS. This issue affected disbursement date reporting for 9,697 students. Reporting incorrect disbursement dates increases the risk of overawards being made to students and limits the University's monitoring capabilities.

General Controls

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

The University did not maintain appropriate access to its financial aid application, Banner, and its associated operating environment. Specifically:

- Auditors were unable to associate 82 active Banner accounts with current University personnel.
- Three information technology (IT) managers had database administrator roles within the Banner database that allowed them to introduce unauthorized changes into the production environment.
- Two accounts assigned to the database administrator role belonged to individuals who did not require that level of access.

Additionally, the University does not perform formal reviews of user accounts at the server level. Auditors identified four accounts on the server that hosts the Banner database that were associated with individuals whose employment had been terminated.

The weaknesses described above increase the risk of inappropriate changes and do not allow for proper segregation of duties.

Corrective Action:

Corrective action was taken.

University of Texas Southwestern Medical Center at Dallas

Reference No. 11-185
Eligibility

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093281, CFDA 84.007 P007A094161, and CFDA 84.033 P033A094161
Type of finding – Significant Deficiency

Satisfactory Academic Progress

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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 of Texas Southwestern Medical Center at Dallas's (Medical Center) published satisfactory academic progress (SAP) policy requires that graduate students maintain at least a 3.0 cumulative grade point average (qualitative standard) and earn at least 9 hours per academic semester (quantitative standard). However, **the Medical Center's SAP determination process was insufficient to ensure that the Medical Center identified and flagged in its student financial aid application all graduate students who did not meet the quantitative standard of the SAP policy.** The SAP determination query was set to identify students who earned fewer than six hours in a semester, rather than students who earned fewer than nine hours in a semester. As a result, the Medical Center's SAP determination query did not identify nine graduate students who did not meet the SAP quantitative requirement. The Medical Center asserted that all nine students met the SAP requirements or would have been granted aid upon appeal; however, incorrect SAP query parameters could result in ineligible students receiving financial assistance.

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 Medical Center did not appropriately restrict access to its student financial aid application. Specifically, three users had excessive access to the student financial aid application database. Two of these users were programmers and one was a former temporary employee.

Additionally, auditors identified the following situations in which multiple users shared a generic user ID:

- Four users shared a generic user ID to migrate code to the production environment for the student financial aid application. Two of these individuals were programmers for that application.

- A group of 28 individuals shared a generic high-profile user ID for the student financial aid application server.
- The domain administrators group, which included 28 individuals, shared a generic high-profile user ID for the network.

Allowing employees inappropriate or excessive access to Medical Center systems increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing a user ID and password does not allow for user accountability and does not follow the Medical Center's published password policy.

Additionally, two user accounts for the student financial aid application were still active but were unused or were not assigned to a specific individual. Inactive or unassigned user accounts should be deactivated. Leaving inactive or unassigned accounts active can lead to possible unauthorized entry into the application.

Recommendations:

The Medical Center should:

- Limit high-profile access to the student financial aid database to the appropriate users based on their responsibilities.
- Define user access for migrating student financial aid application code to the production environment in a manner that promotes separation of duties and is based on users' responsibilities.
- Assign each user a unique user ID and password for all logins.
- Disable inactive or unused user accounts for the student financial aid application.

Management Response and Corrective Action Plan 2010:

General Controls

It is important to note that all of the access control issues are unique to an existing proprietary mainframe computer system (SIS) which will be retired in March of 2012 in favor of more modern system architecture (Oracle/PeopleSoft).

b) High-profile access to the student financial aid database has been limited to the appropriate users based on their responsibilities.

The audit team identified situations where three users shared administrative access to the database and 28 individuals shared generic high-profile user stat us for the Network and Application Server.

The three users with administrative access to the main database were high-level users whose responsibilities required high access levels to perform system tasks. Inherent within the system architecture is the storage of working files that are maintained for exclusive use by the specific User ID. Therefore, to avoid conflicted data, the users are required to work with a shared generic login. This need will be removed once more modern system architecture and security is implemented in March 2012.

SIS runs on an Open VMS system, not a Windows System. Due to the cost of hardware and hardware maintenance, we have implemented the Open VMS system that runs the SIS product on a virtualization technology called Charon. This technology is very much like VMWare, except that the emulated hardware layer is VAX and the Operating System is Open VMS instead of Windows or Linux. The Domain administrator account and groups have elevated access to the HOST system, but do not have authority on the Open VMS GUEST named SWVX12 where SIS runs. System account access on the Open VMS system is limited to the three Open VMS system administrators. Due to the age of the Open VMS/VAX operating system, many of the more modern methods of implementing policy-based access controls are not available. The access to the Windows server is governed by Active Directory Authentication

and the administrator role is assigned to members of the Systems and Operations Group that have System/Database support as their primary role. As a mitigating control, all personnel within the division of Systems and Operations (the 28) possess successfully adjudicated NACI High background investigations performed by the federal Office of Personnel Management.

c) Change management procedures have been implemented for migrating student financial aid application code to the production environment to mitigate risks created by limited resources and the system functionality. Access for this purpose is already tightly restricted to the extent the size of the technical support team allows. However, application code change management procedures were changed immediately to require documentation of 1) a summary of all changes made, 2) itemized approval of the changes prior implementation in production mode, and 3) final system change approval by the primary business owner.

d) Unique logins for the self-contained database system are already standard in all cases except where temporary working files are utilized that must remain in a common access directory for consistent processing. Shared logins are only used where the common access directory is required. This functionality is inherent to the existing proprietary system which is being retired in March 2012 in favor of more modern architecture.

e) The inactive or unused user accounts in the student financial aid application have been deleted. The accounts identified in the finding were for two former employees of the Institution who were expected to provide occasional on-going contract work where the access levels would have been required. Their access rights within the system were tightly contained within the system and would have required two additional gateway access points to reach and the individual's login passwords within the system which had been changed following non-employment. Their access rights were retained largely as a template within the system to aid in future setup.

Management Response and Corrective Action Plan 2011:

a) See Management Response and Corrective Action Plan 2010. The recommendation will be fully addressed with the implementation of the PeopleSoft Campus Solutions (student system) modules of Student Records, Financial Aid and Student Financials which are slated to go "live" in February or March 2012.

Implementation Date: March 2012
Responsible Person: Charles Kettlewell, Registrar and Director of Student Financial Aid

b) See Management Response and Corrective Action Plan 2010. Corrective Action was taken. Manual change management procedures have been implemented until improved system controls are available.

The PeopleSoft Campus Solutions implementation in March 2012 will provide additional system controls and functionality, which are not available in the current student financial aid application, necessary to fully implement corrective action to address this recommendation.

Implementation Date: March 2012
Responsible Person: Charles Kettlewell, Registrar and Director of Student Financial Aid

c) See Management Response and Corrective Action Plan 2010. The recommendation will be fully addressed with the implementation of the PeopleSoft Campus Solutions (student system) modules of Student Records, Financial Aid and Student Financials which are slated to go "live" in February or March 2012.

Implementation Date: March 2012
Responsible Person: Charles Kettlewell, Registrar and Director of Student Financial Aid

d) Corrective Action has been taken. All inactive or unused accounts for the student financial aid application have been deleted.

Implementation Date: January 2011
Responsible Person: Charles Kettlewell, Registrar and Director of Student Financial Aid

Reference No. 11-186

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

Student Financial Assistance Cluster
Award year – July 1, 2009 to June 30, 2010
Award numbers – CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P093281, CFDA 84.007 P007A094161, and CFDA 84.033 P033A094161
Type of finding – Significant Deficiency and Non-Compliance

Disbursement Notification Letters

Initial Year Written: 2010
Status: Partially Implemented

U.S. Department of Education

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).

For 11 (28 percent) of 39 students tested who received loans, the University of Texas Southwestern Medical Center at Dallas (Medical Center) did not retain evidence that it sent the required disbursement notification letters. These 11 students received loan funds, but these funds did not result in credit balances on the students' accounts. The Medical Center asserts that when students do not have credit balances on their accounts, the Medical Center mails loan disbursement notifications to the student, but it does not retain copies of those notifications.

Additionally, when a student receives loan funds that result in a credit balance to the student's account, the Medical Center e-mails the disbursement notification to the student. However, the **e-mail notifications do not contain the actual disbursement date of the loan.**

Not receiving the disbursement notifications or not being notified of the actual loan disbursement dates could impair students' and parents' ability to cancel their loans.

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 Medical Center did not appropriately restrict access to its student financial aid application. Specifically, three users had excessive access to the student financial aid application database. Two of these users were programmers and one was a former temporary employee.

Additionally, auditors identified the following situations in which multiple users shared a generic user ID:

- Four users shared a generic user ID to migrate code to the production environment for the student financial aid application. Two of these individuals were programmers for that application.

- A group of 28 individuals shared a generic high-profile user ID for the student financial aid application server.

- The domain administrators group, which included 28 individuals, shared a generic high-profile user ID for the network.

Allowing employees inappropriate or excessive access to Medical Center systems increases the risk of inappropriate changes and does not allow for segregation of duties. Sharing a user ID and password does not allow for user accountability and does not follow the Medical Center's published password policy.

Additionally, two user accounts for the student financial aid application were still active but were unused or were not assigned to a specific individual. Inactive or unassigned user accounts should be deactivated. Leaving inactive or unassigned accounts active can lead to possible unauthorized entry into the application.

Recommendations:

The Medical Center should:

- Limit high-profile access to the student financial aid database to the appropriate users based on their responsibilities.

- Define user access for migrating student financial aid application code to the production environment in a manner that promotes separation of duties and is based on users' responsibilities.

- Assign each user a unique user ID and password for all logins.

- Disable inactive or unused user accounts for the student financial aid application.

Management Response and Corrective Action Plan 2010:

General Controls

It is important to note that all of the access control issues are unique to an existing proprietary mainframe computer system (SIS) which will be retired in March of 2012 in favor of more modern system architecture (Oracle/PeopleSoft).

c) High-profile access to the student financial aid database has been limited to the appropriate users based on their responsibilities.

The audit team identified situations where three users shared administrative access to the database and 28 individuals shared generic high-profile user stat us for the Network and Application Server.

The three users with administrative access to the main database were high-level users whose responsibilities required high access levels to perform system tasks. Inherent within the system architecture is the storage of working files that are maintained for exclusive use by the specific User ID. Therefore, to avoid conflicted data, the users are required to work with a shared generic login. This need will be removed once more modern system architecture and security is implemented in March 2012.

SIS runs on an Open VMS system, not a Windows System. Due to the cost of hardware and hardware maintenance, we have implemented the Open VMS system that runs the SIS product on a virtualization technology called Charon. This technology is very much like VMWare, except that the emulated hardware layer is VAX and the Operating System is Open VMS instead of Windows or Linux. The Domain administrator account and groups have elevated access to the HOST system, but do not have authority on the Open VMS GUEST named SWVX12 where SIS runs. System account access on the Open VMS system is limited to the three Open VMS system administrators. Due to the age of the Open VMS/VAX operating system, many of the more modern methods of implementing policy-based access controls are not available. The access to the Windows server is governed by Active Directory Authentication and the administrator role is assigned to members of the Systems and Operations Group that have System/Database

support as their primary role. As a mitigating control, all personnel within the division of Systems and Operations (the 28) possess successfully adjudicated NACI High background investigations performed by the federal Office of Personnel Management.

d) Change management procedures have been implemented for migrating student financial aid application code to the production environment to mitigate risks created by limited resources and the system functionality. Access for this purpose is already tightly restricted to the extent the size of the technical support team allows. However, application code change management procedures were changed immediately to require documentation of 1) a summary of all changes made, 2) itemized approval of the changes prior implementation in production mode, and 3) final system change approval by the primary business owner.

e) Unique logins for the self-contained database system are already standard in all cases except where temporary working files are utilized that must remain in a common access directory for consistent processing. Shared logins are only used where the common access directory is required. This functionality is inherent to the existing proprietary system which is being retired in March 2012 in favor of more modern architecture.

f) The inactive or unused user accounts in the student financial aid application have been deleted. The accounts identified in the finding were for two former employees of the Institution who were expected to provide occasional on-going contract work where the access levels would have been required. Their access rights within the system were tightly contained within the system and would have required two additional gateway access points to reach and the individual's login passwords within the system which had been changed following non-employment. Their access rights were retained largely as a template within the system to aid in future setup.

Management Response and Corrective Action Plan 2011:

a) See Management Response and Corrective Action Plan 2010. The recommendation will be fully addressed with the implementation of the PeopleSoft Campus Solutions (student system) modules of Student Records, Financial Aid and Student Financials which are slated to go "live" in February or March 2012.

Implementation Date: March 2012
Responsible Person: Charles Kettlewell, Registrar and Director of Student Financial Aid

b) See Management Response and Corrective Action Plan 2010. Corrective Action was taken. Manual change management procedures have been implemented until improved system controls are available.

The PeopleSoft Campus Solutions implementation in March 2012 will provide additional system controls and functionality, which are not available in the current student financial aid application, necessary to fully implement corrective action to address this recommendation.

Implementation Date: March 2012
Responsible Person: Charles Kettlewell, Registrar and Director of Student Financial Aid

c) See Management Response and Corrective Action Plan 2010. The recommendation will be fully addressed with the implementation of the PeopleSoft Campus Solutions (student system) modules of Student Records, Financial Aid and Student Financials which are slated to go "live" in February or March 2012.

Implementation Date: March 2012
Responsible Person: Charles Kettlewell, Registrar and Director of Student Financial Aid

d) Corrective Action has been taken. All inactive or unused accounts for the student financial aid application have been deleted.

Implementation Date: January 2011
Responsible Person: Charles Kettlewell, Registrar and Director of Student Financial Aid

University of Texas at Tyler

Reference No. 10-134
Eligibility

Student Financial Assistance Cluster
Award year - July 1, 2008 to June 30, 2009
Award number - CFDA 84.032 Award Number Not Applicable
Type of finding - Significant Deficiency and Non-Compliance

General Controls

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

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 of Texas at Tyler (University) did not have controls to ensure adequate segregation of duties within its financial aid system. The University should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, two University programmers had access to move code into the production environment. In addition, the information technology users and the financial aid staff had similar access profiles to the financial aid system. A lack of segregation of duties may result in inappropriate changes to production code or inappropriate or excessive access to University systems.

The student financial aid system in use during the award year did not provide staff with the capability of operating in a test environment. The limited capabilities of that system, combined with the small information technology staff at the University, resulted in these segregation of duties issues. The University has since implemented a new student financial aid system. The new system has increased capabilities and will allow the University to improve controls over segregation of duties.

Cost of Attendance

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

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

The University of Texas at Tyler (University) incorrectly calculated the COA for 1 (2.5 percent) of 40 students tested. This occurred because the University calculated the COA based on undergraduate student status; however, the student was a graduate student. As a result of this error, the amount of financial assistance the student was offered was less than the amount of financial assistance for which the student was eligible. The difference between

the University's COA budget for a graduate student and undergraduate student of the same status (half-time, residing off-campus, and a Texas resident) is $396.

Corrective Action:

Corrective action was taken.

Reference No. 10-135

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

Student Financial Assistance Cluster
Award Year - July 1, 2008 to June 30, 2009
Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P083426
Type of finding - Significant Deficiency and Non-Compliance

General Controls

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

Initial Year Written: 2009
Status: Implemented

U.S. Department of Education

The University of Texas at Tyler (University) did not have controls to ensure adequate segregation of duties within its financial aid system. The University should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, two University programmers had access to move code into the production environment. In addition, the information technology users and the financial aid staff had similar access profiles to the financial aid system. A lack of segregation of duties may result in inappropriate changes to production code or inappropriate or excessive access to University systems.

The student financial aid system in use during the award year did not provide staff with the capability of operating in a test environment. The limited capabilities of that system, combined with the small information technology staff at the University, resulted in these segregation of duties issues. The University has since implemented a new student financial aid system. The new system has increased capabilities and will allow the University to improve controls over segregation of duties.

Disbursement Notices

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

To help ensure compliance with federal disbursement notification requirements, when the University of Texas at Tyler (University) runs its loan disbursement program, it sends an email informing students or parents of the details of the disbursement and their right to cancel the loan. The email includes the student's or parent's right to cancel all or a portion of a loan or loan disbursement and have the loan proceeds returned to the holder of the loan, the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement, and the amount of the loan or loan disbursement. However, the e-mails for all 50 FFELP loans

tested did not include or reference the date of the loan or loan disbursement as required. University personnel stated that the omission of this required information was an oversight.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 18 (94.7 percent) of 19 Pell Grant disbursements tested at the University, the actual date of the disbursement did not match the disbursement date the University reported to the COD System. The University explained that, on a monthly basis, a file is generated from POISE, the University's Financial Aid Application, for submission to the COD System through the Department of Education's (DOE) EDExpress and EDConnect software programs. Although the POISE process generating the file picks up the actual dollar amount disbursed for each student, it does not have the capability to pick up the corresponding disbursement date. This requires that the University enter a generic date that is used on all disbursement records in the file. The University stated that it generally uses a disbursement date that is in the range of the month prior to the submission.

The University's total Pell Grant expenditures for the 2008-2009 school year were $5,136,617.79.

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, 2010, through June 30, 2011, 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 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 provided by each higher education institution and determined that the data provided 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.
- Office of Management and Budget Circular A-133.
- The American Recovery and Reinvestment Act.
- Higher education institution policies and procedures.
- *Federal Student Aid Handbook*.

Project Information

Audit fieldwork was conducted from June 2011 through January 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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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