Academic Excellence Scholarships

Audit Report No. R2306 | *January 4, 2023*

Executive Summary

Audit Objective
To determine if controls over Academic Excellence Scholarship (AES) processes are effective.
Controls and Strengths
The University has implemented a review system with revised tiers to help ensure the accuracy of scholarship awards.
Overall Conclusion
Controls over Academic Excellence Scholarship processes are generally effective; however, implementing additional review processes for continuing students will help enhance the controls.
Observations by Risk Level
Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.

Recommendation	Risk Level	Management's Implementation Date
1. Improve Continuing Students Academic Excellence Scholarship Review Process	**Medium**	January 31, 2023

For details about the audit and methodology, explanation of risk levels, and report distribution,
please see Appendices A, B, and C, respectively, in the attached report.

Detailed Audit Results

Observation	Risk Level/Effect	Recommendation[1]
1. Improve Continuing Students Academic Excellence Scholarship Review Process		*Medium*
To maintain an Academic Excellence Scholarship, continuing students are required to maintain a 3.0 grade point average (GPA) and adhere to the UT Dallas Student Code of Conduct.[2] In testing for compliance with these criteria, the following was noted: • One scholarship recipient's GPA fell below the 3.0 required threshold[3] but still received the AES the following semesters. Amounts awarded total over $7,000. • Two students were found responsible by the Office of Community Standards and Conduct for Student Code of Conduct violations. These students received the AES the semester after the code of conduct ruling. • Of note, the freshman criteria do not include Code of Conduct violations.	Without proper review and monitoring, continuing students not meeting the AES criteria may receive awards for which they are no longer eligible.	Additional review procedures should be implemented for students who continue to receive Academic Excellence Scholarships.

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[1] See Appendix B on page 7 for definitions of observation risk rankings. Minimal risk observations were communicated to management separately.

[2] https://enroll.utdallas.edu/affordability/freshman-scholarships/academic-excellence-scholarship/aes-for-current-recipients/

Observation	Risk Level/Effect	Recommendation[1]

Management's Action Plan: AES allows for students who are not meeting renewal criteria to be put on probation. The student who was listed with a GPA violation received AES after falling below renewal criteria was on probation and was added to the Student Success program in June of 2021. From the AES site: *Students who do not enroll full-time, maintain satisfactory academic progress, and/or achieve a 3.0 GPA or better at the conclusion of each semester are placed on probation. Violations of the UT Dallas Code of Conduct in current or previous semesters may also result in probation. Students on scholarship probation will be required to participate in the AES Student Success Program.* The Office of Financial Aid will make sure that students on probation are more clearly noted as such in the PeopleSoft system.

The Office of Financial Aid, in conjunction with the Dean of Students Office, have updated its procedures for reviewing AES students who may have violated the Code of Conduct. This process will be in place for review at the end of fall semester, 2022. It is possible for AES students who have violated the Code of Conduct to continue with AES on probation, but a cleaner process for review and documentation will be in place for this.

The AES site allows a viewer to select either AES for Prospective Freshmen or AES for Current Recipients. There are no renewal criteria on the AES for Prospective Freshmen as that is covered by the AES for Current Recipients. On that page, it does state "Adhere to the UT Dallas Student Code of Conduct, and then it provides more detail.

Responsible Party Name and Title: Robert Clarke, Senior Director of Financial Aid

Estimated Date of Implementation: January 2023

Overall Conclusion

Controls over Academic Excellence Scholarship processes are generally effective; however, implementing additional review processes for continuing students will help enhance the controls.

Appendix A: Information Related to the Audit

Background

Academic Excellence Scholarships (AES) are available to incoming freshman and continuing students who meet certain academic requirements. Currently, there are five tiers of AES an incoming freshman could earn based on their high school academic performance. The lowest tier is $1,500 per semester, and the highest tier is $8,000 per semester. This tiered model was implemented in 2020. The previous model included three levels: Distinguished, Honors and Achievement Scholars. With this model the student earns $1,500 per semester for the lowest tier, and the highest tier covered full tuition and fees with an additional $3,000 stipend for additional costs. In FY21, over 4,200 students were awarded AES scholarships that totaled over $51 million.

Non-compliance with AES policies and procedures and state laws over scholarships as well as ineffective/inefficient processes could result in:
- reputational risks for awarding scholarships to ineligible students
- Increases in expenditures
- decreased enrollment causing reduced revenues

Objective

To determine if controls over Academic Excellence Scholarship processes are effective.

Scope

The scope of the audit was FY21-22. Fieldwork was conducted from May 5, 2022, and the audit concluded on September 14, 2022.

Methodology

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they require that we plan and perform the audit to

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Office of Audit and Consulting Services is independent per both standards for internal auditors.

GAGAS also requires that auditors assess internal control when it is significant to the audit objectives. We used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in assessing internal controls[4].

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing. The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

Audit Area	Methodology	Observations Related to the Audit Area
AES Freshman and Continuing Recipient Testing	Tested a sample of students to confirm criteria is followed when awarding the AES	Recommendation #1
Texas Education Code (TEC) Section 54.213 Testing	Examined processes to ensure compliance with TEC 54.213	N/A
Variance Analysis of AES	Analyzed expenses for unusual variances	N/A
Access Controls	Reviewed access controls for selected employees to ensure appropriate segregation of duties	N/A

Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.

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[4] https://www.coso.org/Documents/990025P-Executive-Summary-final-may20.pdf

Appendix B: Observation Risk Rankings

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC).
High	High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Medium	Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Low	Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Minimal	Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting.

Appendix C: Report Submission and Distribution

We thank the Offices of Financial Aid and Enrollment Management for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

Distribution List
Members and ex-officio members of the UT Dallas Institutional Audit Committee

Responsible Vice President
- Dr. Inga Musselman, Provost and Vice President for Academic Affairs

Persons Responsible for Implementing Recommendations:
- Robert Clarke, Senior Director of Financial Aid

Other Interested Parties
- Heather Burge, Associate Provost
- Ingrid London, Assistant Provost
- Sara Foxworthy, Director
- Sarah Dorsey, Director

External Parties
- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office

Engagement Team
Project Leader: Chris Robinette, Internal Auditor III
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