November 26, 2012

Dr. Daniel:

We have completed an audit of Financial Aid as part of our Fiscal Year 2012 Audit Plan. The detailed report is attached for your review. The objective of this audit was to ensure that the Financial Aid department is complying with Federal Regulations related to the Return of Title IV Funds subsequent to the conversion to PeopleSoft Orion.

The audit resulted in one recommendation considered significant to University operations regarding compliance with federal regulations, and one other recommendation regarding improving access controls in Orion.

The majority of the issues noted appeared to have occurred right after the transition to the Orion system. Management should continue to ensure that employees continue to adhere to the business process that has been developed to ensure compliance with federal regulations. Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Please let me know if you have any questions or comments resulting from this audit.

Toni Messer Stephens
Executive Director of Audit and Compliance

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Mr. Agapito Garcia, Associate Director Financial Aid
Dr. Sue Taylor, Associate Vice President for Information Resources
Mr. Jaideep Chitkara, Manager PeopleSoft Access Controls

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AN EQUAL EMPLOYMENT/AFFIRMATIVE ACTION UNIVERSITY
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Executive Summary

Auditor: The objective of this audit was to ensure that the Financial Aid department is complying with Federal Regulations related to the Return of Title IV Funds (R2T4) subsequent to the implementation of PeopleSoft Orion.

Summary of Significant Audit Recommendations:
(1) Ensure Compliance with Federal Regulations – Areas of non-compliance were identified right after the transition to the new student system as follows:
   a) Ensure Accuracy of Return to Title IV Calculations – Management should ensure that the business process that has been developed to ensure accuracy of Return to Title IV (R2T4) calculations is consistently followed. A total of $70,141 in Federal Financial Aid funds were identified as disbursed when not yet earned by the students. The University is responsible for returning $51,649 of these funds to the Department of Education.
   b) Students Missing Title IV Calculations - Management should ensure that an appropriate process is in place to identify the correct student population on which R2T4 calculations must be performed. 18 students were identified as possibly requiring R2T4 calculations from prior semesters. Further research should be carried out to determine if R2T4 calculations should be performed on the students that were identified.
   c) Title IV Funds Not Returned in a Timely Manner – Management should continue to ensure that the business process that has been developed to ensure timely return of Title IV funds is consistently followed. 94 students were identified that did not have timely return of funds.

Summary of Other Audit Recommendations:
(2) Improve Access Controls in ORION – Management should consider strengthening controls around the public queries that are currently in use for R2T4 calculations. In addition, an access user listing that details ALL non-ARDC (Arlington Regional Data Center) users that have access to Financial Aid related pages should be provided by PeopleSoft Access Controls Department.

Conclusion: The majority of the issues noted appeared to have occurred right after the transition to the Orion system. Management should continue to ensure that employees continue to adhere to the business process that has been developed to ensure compliance with federal regulations.

Management’s Response: Management agrees to implement the recommendations.

Estimated Date of Implementation: Both recommendations will be implemented by July 2013.
Background

Title IV of the Higher Education Act (HEA) of 1965, as amended in 1998, (Title IV, and HEA program) establishes general rules that apply to the student financial assistance programs. For purposes of Return of Title IV Funds, these programs include:

- Pell Grant;
- Academic Competitive Grant (ACG)
- National SMART Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Direct Loans
- Federal Perkins Loans
- Federal PLUS Loans

The regulations mandate institutions that receive Title IV funds have a process in place for timely identification of all students who cancel, withdraw, or are dismissed from all classes after the first day of the term. Subsequently, a process must be in place for calculating earned and unearned percentages of aid for each student so that unearned funds can be returned back to the appropriate federal program in a timely manner.

We performed this audit to determine whether the Financial Aid department was complying with the requirements of CFR § 668.22 which relates to return of Title IV Funds.

At UT Dallas, the Director of Financial Aid, who reports to the Vice Provost for Enrollment Management, is responsible for ensuring compliance with CFR § 668.22. The Director of Financial Aid has delegated the duties related to the return of Title IV Funds to the Associate Director for Financial Aid. Financial Aid is designated as a high-risk area as part of the UT Dallas Compliance Program. As a high-risk area, a risk assessment of Financial Aid is performed annually. The Director of Financial Aid communicates monitoring, training, reporting procedures, and results to the Compliance Committee on a quarterly basis through the UT Dallas Compliance Office. The Financial Aid department relies on functionality in the PeopleSoft Student System (Orion) to ensure that UTD maintains compliance with the regulations. The Orion system was implemented in the fall of 2009.

Audit Objective

The audit objective was to ensure that the Financial Aid department is complying with Federal Regulations related to the Return of Title IV Funds subsequent to the implementation of PeopleSoft Orion.

1 http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=09c4f7a1d8c279a7b5c7453a194eddd2&rgn=div5&view=text&node=34:3.1.3.1.34&idno=34
Scope and Methodology

The scope of this audit included students that had received federal financial aid funds for the period starting from Fiscal year 2010 through March 2012. This particular audit was conducted as part of the FY 2012 Audit Plan.

UT Dallas Internal Audit performed a risk assessment to identify the areas that would be covered during the audit. The following procedures were performed during the audit:
- Gained an understanding of the Title IV regulations.
- Gained an understanding of the business process in place in the department to ensure compliance with the regulations.
- Reviewed departmental policies.
- Gained an understanding of the process in place to identify the student population.
- Performed data analysis procedures to:
  - Identify untimely returns
  - Identify calculations errors
  - Identify students that may potentially be missing Title IV calculations
  - Determine timeliness of notifications that are provided to students
- Reviewed PeopleSoft Access controls related to the Return to Title IV process.

Where applicable, we conducted our examination in accordance with guidelines set forth in The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. The Standards set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department.

Audit Results and Management’s Responses

Overall, we found that UT Dallas *generally* complies with Federal regulations related to Return of Title IV Funds. The issues identified appear to have occurred in the period right after the transition to the new student system. Our audit work indicated that the following controls currently exist:

- The Director of Financial Aid is the designated responsible person to monitor compliance with Federal regulations related to Title IV.
- Management is extremely concerned with ensuring compliance with the Federal regulations.
- There is a process to appropriately train staff members on the relevant rules and regulations.
Automated processes are utilized in Orion as much as possible.

A business process exists that provides reasonable assurance of compliance with Federal regulations.

**Recommendations Significant to University Operations**

According to The UT System, a significant recommendation is one that may be material to operations, financial reporting, or legal compliance. This would include an internal control weakness that does not reduce the risk of irregularities, illegal acts, errors, inefficiencies, waste, ineffectiveness, or conflicts of interest to a reasonable low level.

Despite the above controls, the following recommendation is considered significant to University operations.

(1) **Ensure Compliance with Federal Regulations**

   a) **Ensure Accuracy of Return to Title IV Calculations**

   According to 34 C.F.R. § 668.22², “The percentage of title IV grant or loan assistance that has been earned by the student is— (i) Equal to the percentage of the payment period or period of enrollment that the student completed (as determined in accordance with paragraph (f) of this section) as of the student's withdrawal date, if this date occurs on or before.

   (4) Total amount of unearned title IV assistance to be returned. The unearned amount of title IV assistance to be returned is calculated by subtracting the amount of title IV assistance earned by the student as calculated under paragraph (e)(1) of this section from the amount of title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.”

   Based on the audit procedures that were performed, 125 R2T4 calculations were identified where the disbursed amount of Federal aid on the student’s account did not equal the amount of aid that was earned by the student. According to federal regulations, the responsibility of unearned funds is divided between the student and the institution. The university has a business practice of returning unearned aid that is designated as the responsibility of its students. In total, $70,141 in federal financial aid remained disbursed on student accounts though the aid had not been earned by the students. From the $70,141 disbursed, $51,649 is the responsibility of the university.
In addition, six students were identified that did not have the correct institutional charges on their R2T4 calculation. The institutional charges for these students did not match up with the budgetary information for the semester. This occurred as a result of two financial aid budgets being erroneously created for the students. According to 34 C.F.R. § 668.22, “institutional charges are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution.”

b) **Students Missing Title IV Calculations**

The Financial Aid department relies on PeopleSoft queries to identify the correct student population for Return to Title IV (R2T4) calculations. The following students were identified as possibly missing R2T4 calculations even though they appeared on the queries that are used by Financial Aid:

- Eight students were identified that appeared to have failed all their classes in a semester. Documentation that could show the students last day at an academic activity was not consistently available in On-Base.

- Ten students were identified that appeared to have withdrawn from all their classes before the sixty percent point of the term.

According to DCL-GEN-04-03³, “If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period. For a student who unofficially withdrew from an institution that is not required to take attendance, the student's withdrawal date is either the last date of attendance at an academically-related activity or the midpoint of the period”.

The queries that are used to identify the student population have been improved since the implementation of the student system. It is possible that the original queries did not identify the entire student population for R2T4 calculations.

³ Dear College Letter, Return of Title IV Aid- [http://www.ifap.ed.gov/dpcletters/GEN0403Revised.html](http://www.ifap.ed.gov/dpcletters/GEN0403Revised.html)
c) **Title IV Funds Not Returned in a Timely Manner**

94 students were identified who did not have their Title IV funds returned in a timely manner. Further research indicated the following breakdown:

<table>
<thead>
<tr>
<th>Financial Aid Year</th>
<th>Number of Students with Untimely Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>86</td>
</tr>
<tr>
<td>2011</td>
<td>7</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
</tr>
</tbody>
</table>

It appears that the majority of the untimely returns were right after the implementation of the new Student system. According to 34 C.F.R. § 668.22(j)(1) “An institution must return the amount of title IV funds for which it is responsible . . . as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.”

**Recommendations:**

a) **Ensure Accuracy of Return to Title IV Calculations**

Financial Aid Management should determine if corrections to the student calculations are required. Additionally, the department should continue to follow the business process that has been implemented since the transition to the new system to help prevent similar occurrences. To help enhance the review process, it would be helpful to develop a report/query that can show that the amount of aid that remains as disbursed on a student account matches the amount of aid that has been earned once the necessary adjustments to the student’s aid have been made. Additionally, a process should be implemented at the beginning of a semester to identify any students who may have two Financial Aid budgets.

b) **Students Missing Title IV Calculations**

Management should continue to ensure that an appropriate process is in place to identify the correct student population for Return to Title IV calculations. Further research should be carried out to determine if R2T4 calculations should be performed for students that were identified as having fit the requirements for needing an R2T4 calculation during the audit. Additionally, departmental personnel should remind staff members about the need to maintain documentation that can show the last day of attendance at an academic related activity when R2T4 calculation(s) are needed.

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4 ecf.govaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=09c4f7a1d8c279a7b5c7453a194eddd2&rgn=div5&view=text&node=34:3.1.3.1.34&idno=34
c) **Title IV Funds Not Returned in a Timely Manner**

Financial Aid departmental management should continue to ensure that the business processes that have been developed to ensure timely return of Title IV funds is consistently followed. This will ensure that Title IV funds for students who withdraw from the University...

*Management’s Response:*

1a): The student files with calculations identified as having an error re: the amount of FSA funds to be returned will be reviewed, documented, and applicable funds returned to the Department of Education. We have identified the reason for the errors. Of the applicable errors, 89.6% were from FY10, 8.8% were from FY11, and 1.6% were from FY12. Since FY10, we have developed new queries, business processes, and hired additional staff dedicated to the R2T4 process. We will develop the query for comparing disbursed aid to earned aid to run on a weekly basis. The query to find students with “double budgets” (which we have found is a known PeopleSoft issue) was developed in FY12 and runs on a daily basis. We will continue with our FY12 process with the addition of the recommended query as well as develop an additional quality control to assist in finding an error quickly if one is made.

1b): The student files identified as potentially needing a R2T4 calculation will be reviewed documented, and applicable funds returned to the DOE. Of the 18 students referenced in this area, 17 were from FY10 and 1 was from FY11. None were identified in FY12. As referenced above, since FY10 we have developed new queries, business processes, and hired additional staff dedicated to the R2T4 process. Our onBase (scanning system) process has also been improved greatly since FY10 which has assisted in our documenting processes. However, we will remind staff of the critical importance of maintaining our documentation. We will continue with our FY12 process and continually be mindful of issues that can occur as business processes change (in financial aid or other related departments) to maintain our current accuracy rate in this area.

1c): The calculation and return of any applicable funds for this area has already occurred and been documented. Therefore, there is no action item required with the individual file. Of the 94 late returns, 91.5% were from FY10, 7.4% were from FY11, and 1.1% (one student) was from FY12. As referenced above, we have developed new queries, business processes, and hired additional staff dedicated to the R2T4 process. We will continue with our FY12 process with the addition of a quality control to assist in finding a
potential or at risk late returns.

Estimated Implementation Date: July 31, 2013

Responsible Party: M. Beth Tolan, Director of Financial Aid

Other Recommendations

(2) Improve Access Controls in Orion

The Financial Aid department has monitoring procedures in place to ensure that only authorized Financial Aid staff has update access to Financial Aid data which is used for Return to Title IV calculations. The monitoring procedures were developed by the PeopleSoft Access Controls department.

In testing the monitoring procedures, we identified one individual, who worked in the PeopleSoft Access Controls department, had the ability to access and update financial aid related data. Access to these pages did not appear to be directly required by the individual’s job duties. According to TAC 202.75[1], “A user’s access authorization shall be appropriately modified or removed when the user’s employment or job responsibilities within the institution of higher education change.” Access to these pages would allow a user to change R2T4 related configuration setup or perform actual R2T4 calculations. Upon review of the monitoring procedures we noted that the administrator level accounts were filtered out; therefore, this user could not have been detected by Financial Aid.

Additionally, the queries that are used by the Financial Aid office to identify the correct student population that Return of Title IV calculations must be performed on are public queries. Public queries can be modified by individuals that have access to Query Manager. This would allow individuals with such access to intentionally or accidentally change the criteria that have been developed and therefore have a negative impact on compliance with Federal regulations. Currently, there are a significant number of individuals with such access. According to best practices, it would be prudent to enhance controls around this process.

Recommendations:
Financial Aid should consider having reports developed to supply information that is delivered through the public queries. Alternatively, the public queries could be saved as private queries. PeopleSoft Access Controls management should ensure that a user listing that details ALL non-ARDC (Arlington Regional Data Center) users that have update access to Financial Aid related screens are included in the queries that are provided. This will help ensure that individuals from other departments do not have the ability to perform Financial Aid duties in the Student System. Departmental management should also consider restricting access to setup related pages.

Management’s Response (Financial Aid):
The Financial Aid Office will evaluate and develop an additional control for the monitoring of our R2T4 public queries. We will explore the option of private queries or a similar alternative to ensure that a R2T4 query cannot be altered in error without our knowledge and a back-up.

The correction to PeopleSoft – Access to FA Module query provided by the PeopleSoft Access Controls Department has been requested. In the meanwhile, we will run our own back-up query (which includes all UTD users) in coordination with the current version of the PeopleSoft – Access to FA Module query for our quarterly security access to the FA module audits.

Estimated Implementation Date: July 31, 2013
Responsible Party: M. Beth Tolan, Director of Financial Aid

Management’s Response (Information Resources):
PeopleSoft Access Control team will produce a query or a report which can be scheduled to run periodically. This query/report will list all non-ARDC users who have update access to Financial Aid pages.

Estimated Implementation Date: December 31, 2012
Responsible Party: Jaideep Chitkara, Manager PeopleSoft Access Controls

Conclusion

The majority of the issues noted appeared to have occurred right after the transition to the Orion system. Management should continue to ensure that employees continue to adhere to the business process that has been developed to ensure compliance with federal regulations.

We appreciate the courtesy and cooperation received from the management and staff in the Financial Aid department during this audit. Their patience during the review is commendable.