THE UNIVERSITY OF TEXAS-PAN AMERICAN
OFFICE OF AUDITS & CONSULTING SERVICES

NCAA Compliance-Financial Aid

Report No. 15-16
September 22, 2015

Dr. Havidán Rodríguez, Interim President
The University of Texas-Pan American
1201 W. University Drive
Edinburg, TX 78539

Dear Dr. Rodriguez,

As part of our fiscal year 2015 Audit Plan, we completed a compliance audit of the NCAA Compliance—Financial Aid. The objective of the audit was to determine whether the institution has policies and procedures in place to administer and monitor the awarding of financial aid to student-athletes in accordance with the 2013-2014 NCAA Division I Manual: Bylaw, Article 15 Financial Aid. This bylaw regulates who may receive financial aid, the amount of team and individual financial aid that may be awarded, the amount of financial aid to be included in the limits, and the use of financial aid. The scope of the audit included financial aid awarded, terms and conditions of awards and maximum limitations by sports for fiscal year 2014.

Based on the results of the audit work performed, we conclude that policies and procedures are in place to govern and monitor financial aid determination and awarding for student-athletes. Additionally, management is effectively monitoring financial aid activities to mitigate the risks of any NCAA violations. The detailed report is attached for your review.

We appreciate the courtesy and cooperation received from management and staff during our audit.

Sincerely,

Eloy R. Alaniz, Jr., CPA, CIA, CISA
Chief Audit Executive
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EXECUTIVE SUMMARY

The University of Texas-Pan American (UTPA) is a Division I member institution of the Western Athletic Conference (WAC) and the National Collegiate Athletic Association (NCAA). As a condition of membership, UTPA agrees to comply with all applicable NCAA rules and regulations in the conduct of its intercollegiate athletics programs and agrees to monitor its programs to assure compliance and to identify and report to the NCAA instances in which compliance has not been achieved.

The NCAA’s compliance philosophy is based upon the principles of institutional control, presidential authority, and shared responsibility. In order to maintain institutional control, an effective compliance program should have sufficient administrative procedures, educational programs, and monitoring. NCAA Bylaw, Article 22.2.1.2 Rules Compliance states that “at least once every four years, its rules-compliance program is the subject of evaluation by an authority outside the athletics department.” The Office of Audits and Consulting Services provides this evaluation.

The objective of the audit was to determine whether the institution has policies and procedures in place to administer and monitor the awarding of financial aid to student-athletes in accordance with the 2013-2014 NCAA Division I Manual: Bylaw, Article 15 Financial Aid. This bylaw regulates who may receive financial aid, the amount of team and individual financial aid that may be awarded, the amount of financial aid to be included in the limits, and the use of financial aid. The scope of the audit included financial aid awarded, terms and conditions of awards and maximum limitations by sports for fiscal year 2014.

Our procedures included interviews of Athletics Department personnel as well as the Student Financial Services Office personnel, including the assistant athletic director for compliance and the senior scholarship coordinator. The Association of College and University Auditor’s NCAA Division I Compliance Audit Guide was used in performing this audit.

Based on the results of the audit work performed, we conclude that policies and procedures are in place to govern and monitor financial aid determination and awarding for student-athletes. Additionally, management is effectively monitoring financial aid activities to mitigate the risks of any NCAA violations.
BACKGROUND

The University of Texas Rio Grande Valley was created by the Texas Legislature on December 7, 2012, and it combined the resources and assets of The University of Texas-Pan American (UTPA) and the University of Texas-Brownsville (UTB) effective September 1, 2015.

The Athletics Department is responsible for the operation of the Men’s and Women’s Intercollegiate Athletics Program (Athletics Program), which includes sixteen sports that compete at the NCAA Division I level. The University officially joined the Western Athletic Conference on July 1, 2013, and expanded its Athletics Program to include women’s soccer that began play in the fall of 2014, while the men’s soccer team returned after an 18-year hiatus in the fall of 2015.

The Athletics Program supports and complements the educational mission of the institution by providing student-athletes with the academic resources to obtain a degree while participating in athletics competition. The vision of the Athletics Department is to “become the standard of Division I college athletics as a nationally recognized program excelling at the highest level of competition while preparing our student-athletes for excellence in life.”

Participation as an NCAA member institution includes the requirement that the university ensure that its intercollegiate athletics programs comply with the rules and regulations set forth by the NCAA. The university’s president has ultimate responsibility and final authority for the affairs of the Athletics Department, including compliance with the NCAA rules and regulations. The Athletics Department is part of the Division of the President, and the director of athletics reports directly to the president. The president, the director of athletics, the assistant athletic director for compliance, the assistant athletic director for administration, and the team coaches, are all responsible for ensuring that the Athletics Department is in compliance with applicable NCAA regulations.

A student-athlete may receive financial aid from the university or from certain sources outside the institution. The institutional financial aid would include those funds based upon the athlete's athletics ability, the athlete's financial aid need, or other programs administered by the institution. The cost of attendance for an athlete to attend the university is calculated by the institutional financial aid office per federal guidelines and generally includes tuition and fees, room and board, books and supplies, transportation, and several other expenses. The institution's cost of a full grant-in-aid to a student-athlete is a smaller amount and includes tuition and fees, room and board, and course-related books.

In fiscal year 2014 there were a total of 182 student-athletes with 129 receiving an estimated total of $1,359,644 in athletic aid. Athletic aid includes items such as tuition, fees, room, board and books.
### Sport Number of Athletes who received aid

<table>
<thead>
<tr>
<th>Sport</th>
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<tbody>
<tr>
<td>Men’s Basketball</td>
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<tr>
<td>Women’s Cross Country/Track &amp; Field</td>
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</tr>
<tr>
<td>Totals</td>
<td>129</td>
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### AUDIT OBJECTIVE

The objective of the audit was to determine whether the institution has policies and procedures in place to administer and monitor the awarding of financial aid to student-athletes in accordance with the 2013-2014 NCAA Division I Manual: Bylaw, Article 15 Financial Aid. This bylaw regulates who may receive financial aid, the amount of team and individual financial aid that may be awarded, the amount of financial aid to be included in the limits, and the use of financial aid.

### AUDIT SCOPE & METHODOLOGY

The scope of the audit included financial aid awarded, terms and conditions of awards and maximum limitations by sports for fiscal year 2014.

The Office of Audits and Consulting Services conducts comprehensive audits of the rules compliance program. To satisfy the NCAA Bylaw on rules compliance, the scope of the audit included the Department’s awarding of student-athlete financial aid activities for fiscal year 2014 based on the NCAA Bylaw, Article 15 Financial Aid included in the 2013-2014 NCAA Division I Manual and the UTPA Intercollegiate Athletics Department Compliance Operating Manual.

To perform this audit, we utilized The Association of College and University Auditor’s Guide to Audits of NCAA Athletics Compliance Comprehensive Program for 2013-2014 and we:

- Interviewed personnel from the Athletics Department and the Student Financial Services Office;
• Determined whether the Athletics Department had established policies and procedures that pertain to awarding student-athlete financial aid awards;
• Reviewed the University’s 2013 – 2014 squad lists;
• Determined if the Athletics Department had the required NCAA documentation of student-athlete financial aid awards on file, and reviewed documentation for adequacy;
• Determined steps taken to ensure that individuals involved in the financial aid awarding process understood the applicable NCAA legislation;
• Tested a sample of financial aid award letters for student-athletes, and verified that all award letters contained the required information;
• Tested award increases, decreases and non-renewals to verify that they were in compliance with NCAA rules and regulations;
• Determined if all student-athletes were correctly identified as counters or non-counters based on their recruitment status, type of aid and sports played;
• Determined the number of counters in head count sports and verified that the limits were not exceeded;
• Verified that the amounts stated on the squad lists matched the amounts stated in Banner, the student information system.

We conducted this audit in accordance with the guidelines set forth in The University of Texas System’s Policy 129 and the Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing.

AUDIT RESULTS

Financial Aid Administration

Responsibilities:
Financial Aid awards are processed by University personnel outside the Athletics Department. The senior scholarship coordinator from the Student Financial Services Office is responsible for determining student-athlete financial aid awards. The assistant athletic director for compliance and the associate athletic director for business affairs have the responsibility for monitoring student-athlete financial aid awards. These responsibilities are stated in their job descriptions and are also reflected in the staff’s “Compliance Office Who to Call Guide” posted on the Athletics Department’s website. We determined that the appropriate individuals have responsibility over monitoring compliance within NCAA legislation, and these responsibilities are clearly stated in their job descriptions.

Policies & Procedures:
Adequate policies and procedures are essential to ensure compliance with the NCAA regulations regarding financial aid. Therefore, we reviewed the UTPA Athletics Department’s and the Student Financial Services Office’s policies and procedures related to student-athlete financial aid to ensure that they were consistent with the NCAA Division I Manual. We determined that
they have developed and implemented procedures to ensure compliance with the NCAA regulations regarding financial aid and were consistent with NCAA student-athlete financial aid bylaws and are a resource to assist employees with NCAA compliance. The policies and procedures are periodically evaluated and updated to determine conformance to NCAA standards.

Educational Efforts:
The NCAA Division I Manual is the primary source of information on the NCAA Financial Aid legislation. The Athletic staff members and institutional staff members with compliance-related responsibilities receive a copy of the NCAA Division I manual. Additionally, the senior scholarship coordinator and the assistant athletic director for compliance attend the NCAA Rules Seminars and both are scheduled to attend the next series of seminars in June of 2016.

Squad List Completeness:
For fiscal year 2014 there were a total of 14 sports teams at UTPA. We obtained and reviewed the squad lists for all sports teams and reviewed them for completeness of financial aid information. We ensured that the financial aid amounts and other information pertaining to financial aid such as number of years a student-athlete received aid, countable and non-countable aid, etc., were listed. No exceptions were noted in the review.

General Financial Aid Testing:
To determine whether the Athletics Department complied with general financial aid requirements, we selected a sample of 20 student-athletes from seven (7) different sports who received financial aid from a sample of teams and compared the amount of financial aid for the student-athletes as listed on the squad list with the financial aid information from the Student Financial Services and Comptroller’s Office. We also verified that the student-athletes were eligible to receive institutional financial aid based on their eligibility status (e.g., a qualifier or non-qualifier) and that the student-athletes received financial aid for undergraduate education, graduate school, or summer school/orientation programs under NCAA permitted circumstances. Based on the test performed, the financial aid listed on the squad list was appropriate, the athletes were eligible to receive aid, and all athletes tested received aid for their undergraduate education.

Terms and Conditions

With respect to the terms and conditions of awarding aid, all athletics financial aid is awarded only for one year. An athlete must receive a written statement indicating the amount, duration, and condition of the award. The award cannot be taken away during the period of the award unless certain circumstances exist. If the aid is not renewed by the athletics department after the one year, the athlete must be notified in writing and this notification must come from the institution’s regular financial aid award authority by July 1 in the summer before the start of the academic year.
Financial Aid Awards:
To determine whether the Athletics Department complied with financial aid awards requirements, we selected a sample of ten (10) student-athletes from five (5) sports who received financial aid including Men’s Basketball, Women’s Basketball, Women’s Golf, Men’s Baseball and Women’s Volleyball. We conducted a test for terms and conditions, and we determined that the following requirements were met:

- That the student-athletes each received a written financial aid award statement that included the amount, duration, and conditions and terms of the award.
- That the person responsible for awarding financial aid to the general student population signed each statement.
- That the amount offered and in the statements did not exceed a full grant-in-aid.
- That the award neither exceeded one academic year nor was awarded for a period of less than one academic year, and that summer aid was awarded separately.
- That the financial aid award letters to all student-athletes who received athletics aid during the previous academic year and who are still eligible for financial aid, were dated on or before July 1 prior to the academic year for which it is to be effective.
- That the student-athlete signed the award letter.

Financial Aid Reduced or Not Renewed:
We tested a sample of ten (10) student-athletes from teams whose athletics aid was reduced or not renewed for the ensuing academic year, FY 2015. We verified the student-athletes were notified in writing from the Student Financial Services Office and that the notification included the opportunity for a hearing to appeal the action and information about the appeal process. We determined the student-athletes tested who received reduced financial aid or were not renewed were notified in writing and the notification included the appropriate information for the appeal process. No exceptions were noted.

Financial Aid Reduced or Cancelled:
There were three (3) student-athletes whose financial aid was cancelled during the award period of FY 2014. We tested all three (3) and verified the cancellation was based on NCAA specified circumstances and the student-athletes received written notice of the opportunity for a hearing to appeal the action and information about the appeal process. We determined the student-athletes tested whose financial aid was cancelled were based on NCAA specified circumstances and the student-athlete was notified in writing and the notification included the appropriate information for the appeal process. No exceptions were noted.

Individual Limit:
NCAA bylaws state that a student-athlete shall not be eligible to participate in intercollegiate athletics if he or she receives financial aid that exceeds the value of the cost of attendance. We reviewed the types and sources of aid received by a sample of ten (10) student-athletes from five (5) teams against the “Financial Aid Maximum Limits” checklist in the NCAA Manual to ensure
that aid was properly included or excluded for the individual limit calculation. We determined the types and sources of aid for the student-athletes tested were properly included or excluded for the individual limit calculation. No exceptions were noted.

Financial Aid Forms and Letters of Intent:
The National Letter of Intent (NLI) is a binding agreement between a prospective student-athlete and an NLI member institution. The prospective student-athlete agrees to attend the institution full-time for one academic year and the institution agrees to provide athletics financial aid for one academic year. The NLI may not be signed prior to the signing dates for the applicable sport. We reviewed the financial aid award forms and letters of intent for a sample of ten (10) student-athletes from five (5) different sports. No exceptions were noted.

Institutional Financial Aid:
We selected a sample of 20 student-athletes and verified that institutional financial aid awarded to an enrolled student-athlete subsequent to the first day of classes in any term did not exceed the remaining room and board charges and educational expenses for that term and was not made retroactive to the beginning of the term. Three (3) of the student-athletes tested did not have institutional financial aid and the remaining 17 student-athletes did not have institutional financial aid awards that exceeded room and board charges and educational expenses for that term. No exceptions were noted.

Cost of Attendance:
Cost of Attendance is an amount calculated by an institutional financial aid office, using federal regulations that include the total cost of tuition and fees, room and board, books and supplies, transportation, and other expenses related to attendance at the institution. At UTPA, the cost of attendance for 2013-2014 for full-time undergraduate enrollment of 15 hours per semester was estimated at $19,692 for an in-state student and $30,450 for an out-of-state student.

We selected a sample of 20 student-athletes for testing and determined that the following requirements were met:

- That the student-athletes did not receive financial aid in excess of the cost of attendance for students in comparable programs at UTPA or the limits set by the NCAA membership division of UTPA, whichever is less.
- That the cost of room and board was based on UTPA’s official on-campus allowance for room and board listed on the Residence Life website or the NCAA permitted off-campus room and board stipend and was properly calculated.

Our test indicated that the financial aid awarded to student-athletes did not exceed the standard cost of attendance for the institution. No exceptions were noted.
Room and Board Payments:
We reviewed the procedure for processing and distributing room and board payments to student-athletes who live and eat in non-institutional facilities. UTPA calculates the scholarship amount based on UTPA’s meal plan and on-campus room rates. There is a proper system for distributing room and board aid to the student-athletes. Such aid is processed through the student’s Banner account and a direct deposit is made to the student-athletes bank account. No physical checks are handed out. We selected a sample of 20 student-athletes for testing and none of the students lived in non-institutional facilities.

Summer Financial Aid:
Summer Financial Aid is not counted towards the team limit and, hence, it is not reflected in the squad lists. Summer aid is awarded separately from the Fall and Spring semesters.

We tested a sample of ten (10) student-athletes who attended the summer terms and we determined that the following requirements were met:

♦ That the aid was used to attend the awarding institution’s summer term, summer school or summer orientation.
♦ That the student-athlete has been in residence a minimum of one term during the academic year.
♦ That the aid was awarded in accordance with NCAA legislation regarding residency, continuing or first-time enrollment, initial-eligibility status, and transfer status.
♦ That if the student-athlete was not previously enrolled and that the prospect could receive the financial aid.
♦ That the amount of financial aid did not exceed the equivalency percentage calculated for that student-athlete from the previous academic year.
♦ That the student-athlete did not receive institutional financial aid based on athletics ability and educational expenses that exceeded the cost of a full grant-in-aid for attendance in that summer term.
♦ That a separate award was made for the summer term.

Maximum Limitations

NCAA legislation establishes a limit on the amount of institutionally administered financial aid that can be awarded in a sport. In many sports (called equivalency sports), these institutional financial aid award limits are calculated by adding the value of all grants-in-aid awarded to student-athletes in that sport. Other sports are called "head count" and any athlete who receives institutional financial aid regardless of the amount is considered a full "counter."

Maximum Limitations Testing:
We selected a sample of four (4) teams for testing maximum limitations by sport. We tested Men’s Basketball, Men’s Baseball, Women’s Basketball and Women’s Volleyball. For each
team we reviewed whether all student-athletes were identified as counters or non-counters based on their recruitment status, type of aid, and sports played. Additionally, we verified that the calculated amount did not exceed the grant-in-aid limit for that sport. We determined that the calculated amount of student-athletes classified as counters did not exceed the grant-in-aid limitation for the sample of teams tested. No exceptions were noted.

We reviewed the squad list for all teams and determined the only athletes in multiple sports were the track athletes and we verified that they were counted in only one sport according to the NCAA’s prescribed hierarchy of counting aid.

**Head Count Sports:**
We selected for testing a sample of four (4) head count sports to determine the number of counters and verify that the respective sports limits were not exceeded. We tested Men’s Basketball, Women’s Basketball, Women’s Volleyball and Women’s Tennis and determined that none of the head count sports limits were exceeded. No exceptions were noted.

**Equivalency Sports:**
To identify the student-athletes who are counters in equivalency sports, we selected a sample of four (4) sports including Men’s Baseball, Men’s Golf, Men’s Tennis and Women’s Golf. We calculated the equivalency values for all counters and verified that all countable aid was included in the calculations and totals were updated for any adjustments that may have occurred during the year. We verified that the correct value for a full grant-in-aid was used to calculate the equivalency values. Additionally, we verified the sum of the equivalency values did not exceed the maximum limit for each respective sport. We determined the equivalency values were calculated correctly and the numbers of equivalency athletes on each of the selected teams were within the maximum limitation as established by NCAA bylaws. No exceptions were noted.

**CONCLUSION**

Based on the results of the audit work performed, we conclude that policies and procedures are in place to govern and monitor financial aid determination and awarding for student-athletes. Additionally, management is effectively monitoring financial aid activities to mitigate the risks of any NCAA violations.

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Isabel Benavides CIA, CGAP, CFE
Director, Audits and Consulting Services

Lilia St. Clair CPA, CIA
Internal Auditor III