June 26, 2013

Dr. Robert S. Nelsen, President  
The University of Texas-Pan American  
1201 W. University Drive  
Edinburg, TX 78539

Dear Dr. Nelsen,

As part of our fiscal year 2013 Audit Plan, we completed a compliance audit of TEXAS Grants. The objective of the audit was to determine compliance with the criteria for awarding the TEXAS grants. We focused on TEXAS grants awarded for fall 2012, which included activity from September 1, 2012 through December 31, 2012.

Students must apply for financial aid through the completion of the annual Free Application for Student Aid (FAFSA). The grant is awarded based on the financial need determined by the results of the FAFSA application and availability of funds. Students can receive the grant for up to 150 semester credit hours, or 90 semester credit hours for students with associate’s degrees, until he or she receives a baccalaureate degree and meets certain criteria. We tested compliance with eligibility requirements for TEXAS grants for Initial Awards for High School and Associate Degree Eligibility, and for Renewal Awards.

Based on our audit, we determined that the Scholarship Office’s awarding process was adequate. All students tested were in compliance with the criteria for awarding TEXAS grants for both initial and renewal awards. The detailed report is attached.

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

Sincerely,

Eloy R. Alaniz, Jr., CPA, CIA, CISA
Executive Director of Audits, Compliance & Consulting Services
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EXECUTIVE SUMMARY

The Texas Legislature established the TEXAS (Towards Excellence, Access and Success) Grant program in 1999 to provide funds to academically prepared high school graduates with financial need to pursue a higher education in the state. The grant program at the University of Texas—Pan American (UTPA) is administered and processed by the Scholarship Office, a division of the Office of Student Financial Services that administers financial aid programs.

The objective of the audit was to determine compliance with the criteria for awarding the TEXAS grants. We focused on TEXAS grants awarded for fall 2012, activity from September 1, 2012 through December 31, 2012.

We tested compliance with eligibility requirements for TEXAS grants for Initial Awards—High School Eligibility, Initial Awards—Associate Degree Eligibility, and Renewal Awards. An entering freshman student can receive the grant for up to 150 semester credit hours, or 90 semester credit hours for students with associate’s degrees, until he or she receives a baccalaureate degree and meets certain criteria.

Based on our audit, we determined that the Scholarship Office’s awarding process was adequate. All students tested were in compliance with the criteria for awarding TEXAS grants for both initial and renewal awards.
BACKGROUND

The TEXAS Grant program is administered by the Scholarship Office (Office), a division of the Office of Student Financial Services (SFS) that administers financial aid programs in compliance with federal, state and institutional regulations and guidelines. The Office works in conjunction with the SFS and is committed to the overall mission of the University and the Division of Student Affairs.

The purpose of the TEXAS Grant program, established by the Texas Legislature, is to provide a grant of money to enable well-prepared eligible students to attend public institutions of higher education in Texas. The priority in making awards is to provide continued funding to recipients already enrolled in the program who are in college and making progress towards their degrees. Due to limited funding within this program, many new students who meet the eligibility requirements will not receive awards. The TEXAS grant is governed by the regulations contained in the Texas Administrative Code, Title 19-Education, Part I-Texas Higher Education Coordinating Board (THECB), Chapter 22-Grant and Scholarship Programs, Subchapter L-Toward Excellence, Access, and Success (TEXAS) Grant Program.

The THECB processes TEXAS Grant funds to colleges and universities. UTPA received an allocation of $23,108,541 for fiscal year 2013. For the fall 2012 term, the Office of Student Financial Services awarded 4,858 eligible students a total of $11,824,944 as follows:

<table>
<thead>
<tr>
<th>Fund Code</th>
<th>Description</th>
<th>Fall Semester Student Count</th>
<th>Fall Semester Award Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>TXGNIA</td>
<td>Initial Awards—Students with Associate Degrees</td>
<td>99</td>
<td>$244,144</td>
</tr>
<tr>
<td>TXGNIN</td>
<td>Initial Awards—Entering Freshmen</td>
<td>1,949</td>
<td>$4,783,820</td>
</tr>
<tr>
<td>TXGNRA</td>
<td>Renewal Awards—Students with Associate Degree awarded after 09/01/2005</td>
<td>178</td>
<td>$433,002</td>
</tr>
<tr>
<td>TXGNRN</td>
<td>Renewal Awards—Students awarded after 09/01/2005</td>
<td>2,632</td>
<td>$6,363,978</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>4,858</strong></td>
<td></td>
<td><strong>$11,824,944</strong></td>
</tr>
</tbody>
</table>

Due to limited funding, institutions were encouraged to award the average award amounts equal to the student’s tuition and required fees to be able to fund all eligible renewal students as well as fund at least 50% of newly eligible students. For 2012-2013 the targeted average award amount for public universities and state college students was $2,500 per semester.

Students must apply for financial aid through the completion of the annual Free Application for Student Aid (FAFSA). The grant is awarded based on the financial need determined by the results of the FAFSA application and availability of funds.
Student Eligibility Requirements
To receive an award through the TEXAS Grant Program, a student must:

1. Be enrolled at least three-quarter time as;
   - An entering undergraduate student who
     - Graduated from an accredited public or private high school in Texas;
     - Completed the Recommended or Distinguished Achievement high school
       program (or its equivalent); and
     - Enrolled in an undergraduate degree or certificate program at an approved
       institution within 16-months from high school graduation having not accumulated
       more than 30 semester credit hours (excluding credits for dual or concurrent
       enrollment, or by examination); or
   - An entering undergraduate student who
     - Earned an associate’s degree from a public or private nonprofit institution of
       higher education in Texas, and
     - Enrolled in an eligible institution within 12 months after receiving the associate’s
       degree; or
   - An undergraduate student who previously received a TEXAS Grant award as an
     entering undergraduate student.
2. Be registered with Selective Service, or be exempt;
3. Show financial need;
4. Maintain satisfactory academic progress (SAP);
5. Be classified by the institution as a Texas resident;
6. Have not been convicted of a felony or crime involving a controlled substance.

In addition to the requirements listed above, the university requires that all initial and
transferring TEXAS Grant recipients (Entering Freshmen, Renewals and Associate Students)
complete the online TEXAS Grant Workshop to accept their award. The purpose of the TEXAS
Grant workshop is to inform the grant recipient of the requirements needed to stay in the
program. Important topics such as academic requirements, how long the student may receive the
TEXAS Grant and how to apply for the TEXAS Grant are covered in the workshops.

Each year, the Office certifies information to the THECB, which is reviewed for any errors. For
fiscal year 2012, UTPA submitted information on 5,163 award recipients and no errors were
returned.

AUDIT OBJECTIVE

The objective of the audit was to determine compliance with the criteria for awarding the
Towards Excellence, Access, and Success (TEXAS) grants.
AUDIT SCOPE & METHODOLOGY

The audit scope included TEXAS grants awarded for fall 2012, activity from September 1, 2012 through December 31, 2012. To perform this audit, we used the Texas Administrative Code, Title 19 Education, Part 1, Texas Higher Education Coordinating Board (THECB), Chapter 21, Grant and Scholarship Programs, Subchapter L, Toward Excellence, Access, and Success (TEXAS) Grant Program and the THECB Grant Program Guidelines for 2012-2013 and we:

- Interviewed the Scholarship Office director and the TEXAS grant coordinator;
- Reviewed the university’s satisfactory academic progress policies;
- Obtained a list of TEXAS grants awarded for the fall 2012;
- Selected for testing a random sample of 101 TEXAS grant awards, including initial and renewal awards;
- Verified a sample of recipients’ data from reports used by the Office to verify compliance with student eligibility criteria;
- Used data reports from Banner, the student financial aid system, to test against the student eligibility criteria;
- Tested data in Banner for student eligibility criteria not included in data reports used for testing.

The audit was conducted in accordance with the guidelines set forth in The University of Texas System Policy 129 – Internal Audit Activities and the Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing. The audit was conducted during the months of March through May 2013.

AUDIT RESULTS

We identified a total of 4,858 students received a TEXAS grant award for the fall 2012 ranging between $19 and $2,500. Initial awards were granted to high school graduates and students that earned an associate’s degree. Renewal awards were granted to students that had previously received an initial award through this program.

The Office generates data reports from the Banner System for Initial Awards—High School Eligibility, Initial Awards—Associate Degree Eligibility, and Renewal Awards. These reports are reviewed by the TEXAS grant coordinator to ensure that the student eligibility criteria are met by the recipients. Any exceptions are further reviewed and adjustments are made to the student’s award, if necessary. We verified the information in the data reports for a sample of 10 students by comparing the data in the report to the Banner system. We determined the data reports provided by the Office agreed to the data in the Banner system and therefore we could rely on the data reports for testing.

We selected a random sample of 101 TEXAS grant recipients for testing based on weighted total awards by initial and renewal type. We used the data reports generated from the Banner System to verify the student eligibility criteria were met by the recipients for each of the following types of eligibility listed below.
Initial Awards-High School Entering Freshmen
We tested a sample of 40 high school students that received initial awards for fall 2012 to determine whether the following criteria for the award were met by the student at the time of the award:

a. Student completed the Recommended High School Program or Distinguished Achievement Program in High School.
b. Student is a Texas Resident.
c. Student shows financial need. (An EFC of $4,000 or less is required for initial awards)
d. Student is a graduate of an accredited high school in Texas not earlier than 1998-1999 school years.
e. Student enrolled in University within 16 months of graduation from a public or accredited private high school in Texas.
f. Student has accumulated no more than 30 semester credit hours (SCH), excluding those earned for dual or concurrent courses or awarded for credit by examination (AP, IB, or CLEP).
g. Student is enrolled in an undergraduate degree on at least a ¾-time basis (9 hours).
h. Student has not been granted a baccalaureate (BA) degree.
i. Student has not been convicted of a felony or crime involving a controlled substance. (Complete Statement of Student Eligibility form).
j. Student is registered for Selective Service or is exempt from this requirement.
k. Student completed the TEXAS Grant Online Workshop.

We determined that all 40 students selected for testing of initial awards for entering freshman met the eligibility criteria for the TEXAS award.

Initial Awards-Associate Degree Eligibility
We tested a sample of two students that received initial awards for students with associate degrees for fall 2012 to determine whether the following criteria for the award were met by the student at the time of the award:

a. Student earned an Associate degree from a public technical, state or community college in Texas no earlier than May 2001.
b. Student is a Texas Resident.
c. Student shows financial need (An EFC of $4,000 or less is required for initial awards).
d. Student enrolled in a public University in Texas within 12 months after receiving associate’s degree.
e. Student is enrolled in an undergraduate degree on at least a ¾-time basis (9 hours).
f. Student has not been granted a baccalaureate degree.
g. Student has not been convicted of a felony or crime involving a controlled substance (Complete Statement of Student Eligibility form).
h. Student is registered for Selective Service or is exempt from this requirement.
i. Student completed the TEXAS Grant Online Workshop.
We determined that both students selected for testing of initial awards for students with associates degrees met the eligibility criteria for the TEXAS award.

**Renewal Awards**

Once students receive the TEXAS grant, they must maintain academic standards to continue in the program for the following year. At the end of the first year, a student entering the program must be meeting the university's Satisfactory Academic Progress requirements. For the second and subsequent years, students must comply with Texas Higher Education Coordinating Board standards, where they must maintain a cumulative GPA of a 2.5 and complete 75% of their coursework for that academic year and if awarded on or after September 1, 2005, must complete at least 24 semester credit hours.

We tested a sample of 59 students (55 without associate degree and 4 with associate degree) that received renewal awards for fall 2012 to determine whether the following criteria for the award were met by the student at the time of the award:

- a. Student previously received an initial award through this program.
- b. Student shows financial need.
- c. Student is enrolled in an undergraduate degree.
- d. Student has not been granted a baccalaureate degree.
- e. Student is registered for Selective Service or is exempt from this requirement.
- f. Student meets Satisfactory Academic Progress (SAP) requirements; UTPA SAP for years 1 and 2; TEXAS Grant SAP for years 3 and 4.
- g. Student has not been convicted of a felony or crime involving a controlled substance (Complete Statement of Student Eligibility form).
- h. Student completed the TEXAS Grant Online Workshop if GPA was below 2.75.
- i. Verify maximum hours of eligibility have not been exceeded.

We determined that all 59 students selected for testing of renewal awards met the eligibility criteria for the TEXAS award.

**CONCLUSION**

Based on our audit, we determined that the Scholarship Office’s awarding process was adequate. All students tested were in compliance with the criteria for awarding TEXAS grants for both initial and renewal awards.

Lilia M. St. Clair, CPA, CIA
Internal Auditor III