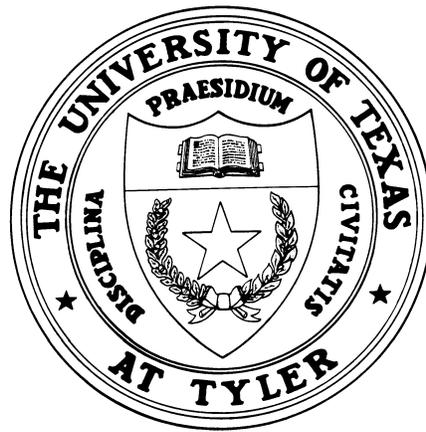


**The University of Texas at Tyler**

**Financial Aid Audit Report**



**October 2013**

THE UNIVERSITY OF TEXAS AT TYLER  
OFFICE OF AUDIT SERVICES  
3900 UNIVERSITY BLVD.  
TYLER, TEXAS 75703

**The University of Texas at Tyler**  
**Financial Aid Audit**  
**Fiscal Year 2014**

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**Background**

This purpose of this engagement was to conduct an audit of the Office of Financial Aid (OFA) at The University of Texas at Tyler (UT Tyler). According to the UT Tyler Fiscal Year 2012 Annual Financial Report, the university provided \$15,426,952 of financial aid discounts and allowances for tuition, fees, and related expenses. OFA processed an additional \$5,038,926 scholarships and fellowships paid directly to students for expenses in excess of tuition and fees. This audit was included in the Fiscal Year 2013 Audit Plan since OFA is considered a high-risk on the UT Tyler Level One risk footprint.

**Engagement Objectives**

The objectives of the audit were to:

- Determine whether the university has established policies and procedures for coordinating financial assistance provided under the Federal Department of Education (DOE), and other federal, state, and institutional student aid programs in which it participates;
- Obtain an understanding of internal controls in place at OFA by reviewing significant processes and practices employed in administering the financial aid function for students;
- Evaluate the accuracy and integrity of financial reporting; and
- Evaluate controls over the administration of financial aid awards.

**Scope & Methodology**

The scope of this audit was Fall 2011 through Summer 2012 and included all students that received financial aid during that time. The objectives were met by comparing a sample of the information required by DOE to documents obtained and created by OFA. The documents are maintained in the PeopleSoft Student Information System, ImageNow documentation system, and the DEFINE accounting system.

**Standards**

The audit was conducted with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

**Procedures**

To accomplish the engagement objectives, we reviewed a sample of documentation related to each of the following:

- Organizational Structure;
- Departmental Policies and Procedures;
- Departmental Process Strengths and Weaknesses;
- Federal Pell Grant Administration;
- Financial Aid Need Eligibility and Verification;
- Financial Aid Disbursement and Overpayments;
- Satisfactory Academic Progress;
- Fee Waivers; and
- Return of Title IV Funds Calculations.

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**Engagement Results**

According to The University of Texas System, a significant finding is one that may be material to the operation, financial reporting, or legal compliance of the university if corrective action has not been fully implemented. 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 reasonably low level.

This audit resulted in no significant recommendations to UT Tyler operations. Following are reportable observations and related recommendations we feel will improve operations.

**1. Policies and Procedures Manual**

**Observation:** *The UT Tyler Management Responsibilities Handbook* states: "Each department and budget unit is expected to have a departmental policies and procedures manual. A department policies and procedures manual should address policies and procedures that are unique to the department and procedures to implement institutional policies and procedures." Currently, OFA processes financial aid applications and reports disbursements to various agencies, including DOE. The Student Business Services (SBS) department processes a "draw down" that allows UT Tyler to receive the eligible funding from the various agencies. Currently, there is a Policies and Procedures Manual in OFA that describes the awarding, reporting and processing of financial aid funds. However, the manual does not include responsibility for monitoring account balances, account reconciliations, or coordination with SBS for the "draw down" of funds. SBS does not have a Policies and Procedures Manual that describes the procedures for monitoring account balances, processing a "draw down", or account reconciliations. Without comprehensive formal policies and procedures it is difficult to ensure employees will complete their responsibilities and requirements in a proper and timely manner to assure consistent compliance with rules and regulations.

**Recommendation:** Policies and Procedures Manuals should be developed and/or updated by all departments that have responsibility for awarding, reporting, processing, and/or "draw down" of financial aid funds, monitoring and reconciling accounts, and other personnel duties. These manuals should be communicated to personnel with responsibilities for each area.

**Response from the Vice President for Business Affairs:** *Each department with financial aid responsibilities will develop and/or update a policies and procedures manual that addresses required duties and timelines. These policies and procedures will be communicated to all departments with financial aid responsibilities to assure all requirements are included. The Vice President of Business Affairs will crosswalk the process to make sure there is a seamless transition of responsibilities between OFA and SBS. Departmental personnel will be made aware of the manuals which will be available on departmental network drives.*

**Implementation Date:** *December 31, 2013*

## **2. Oversight of DOE Requirements**

**Observation:** There are multiple requirements an Institution of Higher Education must meet to maintain eligibility for financial aid. This includes disclosures regarding the Family Educational Rights and Privacy Act (FERPA), campus security, fire safety, crime statistics, textbook information, disability services, etc. Currently there is no monitoring to assure all the requirements are fulfilled. These multiple requirements are not included on a high-risk monitoring plan or reported to a campus oversight department or committee. The university could be at risk of fines, penalties, or losing eligibility for financial aid if these requirements are not met.

**Recommendation:** The OFA should determine the best method to monitor and document all requirements are being met. Since financial aid is considered a high-risk area for UT Tyler, the oversight should be included on a monitoring plan and reported to the Compliance Working Group.

**Response from the Vice President for Business Affairs:** *The OFA will develop a comprehensive listing of all requirements, including the responsible university department and due dates for each. This list will be added to the Financial Aid High Risk Monitoring Plan. Under the direction of the campus compliance officer, each responsible party will be required to provide proof of compliance to the Director of Financial Aid who will provide an annual report to the Compliance Working Group.*

**Implementation Date:** *December 31, 2013*

**Response from the Director of OFA:** *The OFA is currently using a template provided by National Association for Financial Aid Administrators (NASFAA) to implement easy access from a left navigation tab titled "Student Consumer Information". The page will consist of links that lead to the required disclosure information that is managed and updated by the appropriate department.*

**Implementation Date:** *December 1, 2013 – OFA will conduct a periodic review to verify updates to the content of information as federal regulations change.*

## **3. Pell Grant Reporting**

**Observation:** According to the 2011 - 2012 Student Financial Aid Handbook Volume 4 (page 20), Pell Grant disbursements must be reported to the DOE Common Origination and Disbursement (COD) System "no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's disbursement." Fall 2011 Pell Grants disbursed on August 15, 2011, were not reported to COD until September 20, 2011. This exceeds the 30 day requirement; therefore the report to COD was not submitted timely. According to the 2011-2012 Student Financial Aid Handbook, Volume 4 (page 20), "a school's failure to submit disbursement records within the required 30-day time frame may result in an audit or program review finding. In addition, the Department may initiate an adverse action, such as a fine or other penalty for such failure."

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**Recommendation:** The OFA should implement controls to ensure Pell Grant disbursements are reported to COD within the 30 day requirement.

**Response from the Director of OFA:** *The Data Systems Coordinator has implemented a process that includes the following: 1) The Pell reporting process at the start of each semester will begin 12-14 days after the first disbursement of funds. 2) The ongoing Pell reporting process will take place 10-14 days as disbursements are processed throughout the semester.*

**Implementation Date:** *September 2013*

**4. Account Reconciliations**

**Observation:** *The UT Tyler Management Responsibilities Handbook states: “Department heads and budget authorities are responsible for the financial activities in their respective areas. To discharge management’s responsibility for financial stewardship, department heads and budget authorities should ensure the following: Preparation and review of monthly departmental account reconciliations... The reconciliations must be completed following the guidelines located on the Financial Services website.” All active accounts should be reconciled monthly, and accounts with no activity should be marked “Inactive” in DEFINE so transactions cannot be recorded. In addition to reconciling individual account activity, the balances of accounts used to record financial aid expenditures should be compared at least monthly to the balances of accounts used to record receipts from granting entities to monitor timely and complete “draw down” of available funds. Account reconciliations are being prepared on most of the current year accounts as required, however some accounts from prior years and OFA income accounts that are used by SBS to record receipts from the granting entities are not being reconciled. Accounts that are not reconciled could have erroneous or fraudulent transactions that are not recognized and corrected in a timely manner.*

**Recommendation:** Accounts should be reconciled monthly as required. Income and expenditure accounts should be compared to assure expended funds are requested and received. Accounts from prior years should be marked “Inactive” if there are no remaining funds. If there are funds remaining, these should either be expended appropriately or returned to the sponsor.

**Response from the Associate Vice President for Business Affairs:** *The budget office is currently reviewing all accounts for activity from last year and will mark any accounts that do not have activity as “Inactive.” Individuals will be identified to reconcile the expenses and revenue as well as determine the reason for any variance.*

**Implementation Date:** *November 2013*

**5. Strategic Plan**

**Observation:** Best practices suggest departments develop a Strategic Plan to address continuity issues, especially if known changes are occurring in the near future. The department does not have a Strategic Plan in place. Both the Director and Assistant Director of the department are expected to retire within the next two years, and currently there is no individual at UT Tyler with extensive financial aid experience to assist during a transition period. The department could face challenges in complying with financial aid requirements in the near future with the retirement of both department managers.

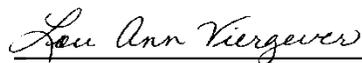
**Recommendation:** The OFA should create a formal Strategic Plan that includes continuity and cross training of current personnel. The department should also consider the appointment of an Interim Director and Assistant Director to assist during upcoming transition periods.

**Response from the Interim Assistant Vice President for Enrollment Management:** *The Enrollment Management Division has an annual Enrollment Management Plan that is updated in the spring of each year. We plan to create an action plan for Financial Aid that addresses the need for cross-training, delegation of duties, and reorganization to be determined when the Assistant Director is replaced. This will include hiring a person externally with advanced knowledge in Financial Aid that will more closely aid the Director in reporting and compliance. The Data Systems Coordinator has been training with the Assistant Director for over two years on the necessary PeopleSoft processing procedures to allow her to fill the technical gap when the Assistant Director retires.*

**Implementation Date:** *March 1, 2014*

**Conclusion**

UT Tyler's key controls over financial aid appear to be adequate to properly distribute and report financial aid as required. Implementation of the above recommendations will further strengthen the department's internal controls and assist in meeting financial aid requirements in the future. We appreciate the assistance of the Office of Financial Aid and Student Business Services personnel during this engagement and commend the departments on their outstanding service to UT Tyler students.



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