May 24, 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 Veterans Services Center (VSC). The objective of this audit was to determine whether the VSC certified educational benefits of enrolled veteran-students was in compliance with rules and regulations in The Code of Federal Regulations (CFR), Title 38 Pensions, Bonuses, and Veterans’ Relief, Chapter 1-Department of Veterans Affairs. The scope of the audit included activity for FY 2012.

As part of this audit, we gained an understanding of key Department of Veterans Affairs (VA) compliance requirements, interviewed VSC staff, tested selected financial controls, and reviewed controls to safeguard confidential information.

We determined that VSC was not in compliance with all the rules and regulations for certification of educational benefits for enrolled veteran-students. Improvements are required in the documentation for certification of educational benefits, and changes in student enrollment, and timely payment of refunds to the VA. Additionally, the VSC should strengthen controls over account reconciliation for tuition and fees and the use of external storage devices.

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 United States Department of Veterans Affairs (VA) provides federal education assistance programs for eligible veterans of the United States armed forces who wish to pursue a university degree. UTPA’s Veterans Services Center (VSC) is designed to assist veteran-students by certifying them for educational benefits, advocating for necessary services, developing projects to unite the university with the local community, and providing counseling services specifically for veterans. The number of students served by the VSC has steadily increased since it was established in September 2009. This is due to the growing number of students qualifying for the Chapter 33 Post 9/11 GI Bill program. In fiscal year (FY) 2012, the VSC submitted 1,163 certifications on behalf of 523 veteran-students to the VA.

The objective of the audit was to determine whether the VSC certified educational benefits of enrolled veteran-students was in compliance with rules and regulations in The Code of Federal Regulations (CFR), Title 38 Pensions, Bonuses, and Veterans’ Relief, Chapter I-Department of Veterans Affairs. The scope of the audit included activity for FY 2012 (September 1, 2011 through August 31, 2012).

As part of this audit, we gained an understanding of key VA compliance requirements, interviewed VSC staff, tested selected financial controls, and reviewed controls to safeguard confidential information. Based upon procedures performed, we noted the following:

- Military transcript copies were not in 22 of 52 (42%) files tested.
- Military transcripts for 52 of 52 (100%) were not reviewed or evaluated for additional course credit. Veterans could have potentially received an additional 12 credit hours.
- Copies of schedules for changes in enrollment were not in the file for 5 of 52 (10%).
- Copies of amendment/withdrawal forms were not in the file of 1 of 52 (2%).
- Certified hours for 2 of 52 (4%) did not agree with supporting documentation in the file.
- Copies of the Notice of Change in Student Status form were not in 2 of the 52 (4%).
- The VA was not notified within 30 days of changes in student enrollment for 3 of 52 (6%).
- Overpayments of educational benefits were not returned to the VA timely for 2 of 10 (20%).
- Project account reconciliations for Chapter 33, Post 9/11 GI Bill tuition and fees were not completed and reviewed for FY 2012.
- One external storage device (thumb drive) used by the VSC was not encrypted and the certification clerk used a personal thumb drive.

The audit results indicate that the VSC was not in compliance with all the rules and regulations for certification of educational benefits for enrolled veteran-students. Improvements are required in the documentation for certification of educational benefits, and changes in student enrollment, and timely payment of refunds to the VA. Additionally, the VSC should strengthen controls over account reconciliation for tuition and fees and the use of external storage devices.
BACKGROUND

The United States Department of Veterans Affairs (VA) provides federal education assistance programs for eligible veterans of the United States armed forces who wish to pursue a university degree. The Veterans Services Center (VSC) was established at The University of Texas-Pan American (UTPA) in September 2009 and works with students who are veterans of the United States armed forces. The VSC is part of the Division of Student Affairs, and its mission is to provide assistance to enrolled veteran-students by:

- Providing quality assistance
- Providing counseling services
- Conducting research to better understand student issues
- Certifying veterans for benefits
- Providing academic advisement to freshmen
- Conducting seminars/workshops

The current VSC manager was hired on October 29, 2012. The manager is responsible for two full-time employees, including a certification clerk and a veteran’s advisor, as well as four work-study employees. The manager oversees three operating project accounts and one scholarship project account. The services offered by the VSC include programs for federal education assistance, state military exemptions, state military waivers, scholarships, and other financial aid. The VSC is governed by the regulations contained in The Code of Federal Regulations (CFR), Title 38 Pensions, Bonuses, and Veterans’ Relief, Chapter 1-Department of Veterans Affairs.

The federal education assistance programs available for certification of educational benefits for veterans through the VA include the following six programs:

1. Chapter 30 Montgomery GI Bill for Active Duty
2. Chapter 31 Vocational Rehabilitation
3. Chapter 33 Post-9/11 GI Bill
4. Chapter 35 Survivors' and Dependents' Educational Assistance Program
5. Chapter 1606 Montgomery GI Bill for Selected Reserve
6. Chapter 1607 Reserve Educational Assistance Program (REAP)1607

Educational funds awarded by the VA are sent directly to the veteran for the above programs, except for the Chapter 33 Post-9/11 GI Bill and the Chapter 31 Vocational Rehabilitation programs. The VA sends awarded funds for these programs directly to UTPA and UTPA applies these funds to veteran-student accounts.

The VA has summarized the Veterans regulations in the U.S. Department of Veterans Affairs School Certifying Official Handbook. The handbook is intended to be the official source of information for VA Certifying Officials. Certification instructions in the handbook are based on the use of VA-ONCE, which is a VA internet-based application managed by the VA. UTPA uses the VA-ONCE program for electronic certification of educational benefits.
The VSC processed a total of 1,163 certifications for 540 participants in the following Chapters for FY 2012:

<table>
<thead>
<tr>
<th>FY 2012 Participants by Chapter</th>
<th>Veteran Code</th>
<th>Federal Program Name</th>
<th>Fall</th>
<th>Spring</th>
<th>Summer I</th>
<th>Summer II</th>
<th>Total FY 2012 Certifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>Chapter 1606</td>
<td>Montgomery GI Bill- Selective Reserve</td>
<td>27</td>
<td>22</td>
<td>10</td>
<td>4</td>
<td>63</td>
</tr>
<tr>
<td>13</td>
<td>Chapter 1607</td>
<td>Reserve Educational Assistance Program</td>
<td>8</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>55</td>
<td>Chapter 30</td>
<td>Montgomery GI Bill- Active Duty</td>
<td>44</td>
<td>30</td>
<td>14</td>
<td>13</td>
<td>101</td>
</tr>
<tr>
<td>79</td>
<td>Chapter 31</td>
<td>Vocational Rehabilitation</td>
<td>70</td>
<td>50</td>
<td>37</td>
<td>34</td>
<td>191</td>
</tr>
<tr>
<td>300</td>
<td>Chapter 33</td>
<td>Post 9/11 GI Bill</td>
<td>215</td>
<td>206</td>
<td>126</td>
<td>123</td>
<td>670</td>
</tr>
<tr>
<td>58</td>
<td>Chapter 35</td>
<td>Survivors’ and Dependents Educational Assistance Program</td>
<td>45</td>
<td>40</td>
<td>15</td>
<td>16</td>
<td>116</td>
</tr>
<tr>
<td>540</td>
<td>Totals</td>
<td></td>
<td>409</td>
<td>358</td>
<td>204</td>
<td>192</td>
<td>1,163</td>
</tr>
</tbody>
</table>

A total of 17 of the 540 students are duplicates since the students changed their qualifying Veteran Chapter during the year. Therefore, the VSC actually had a total of 523 participants for FY 2012. Approximately 58% of the certifications processed during FY 2012 were for the Chapter 33 program. This program has steadily increased since it was established in FY 2010. UTPA received $686,957 from the VA for FY 2010 and $1,192,131 for FY 2012—a 74% increase from FY 2010.

**AUDIT OBJECTIVE**

The objective of the audit was to determine whether the VSC certified educational benefits of enrolled veteran-students was in compliance with rules and regulations in *The Code of Federal Regulations (CFR), Title 38 Pensions, Bonuses, and Veterans’ Relief, Chapter 1-Department of Veterans Affairs.*

**AUDIT SCOPE & METHODOLOGY**

The audit scope included records of VA-supported students with certifications processed during FY 2012 (September 1, 2011 through August 31, 2012). To perform this audit, we used the *U.S. Department of Veterans Affairs School Certifying Official Handbook* and we:

- Interviewed VSC staff, including the manager and the certification clerk;
- Identified the different types of veteran educational benefits available to students;
- Identified the controls in place to ensure participating students are eligible and enrolled at the time of the certification;
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- Verified the *Memorandum of Understanding* and *Designation of School Certifying Official* forms were submitted to the VA timely;
- Obtained list of participants certified for veteran educational benefits for FY 2012 and selected a 10% sample for testing;
- Examined supporting documents for 52 participating students;
- Obtained notices of overpayments of VA benefits for FY 2012 and tested a sample of 10 notices to verify proper payment to the VA;
- Reviewed project account reconciliation for Chapter 33 tuition and fees for FY 2012;
- Reviewed controls in place to safeguard confidential data.

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 November 2012 through April 2013.

**AUDIT RESULTS**

**School Responsibilities**

The *U.S. Department of Veterans Affairs School Certifying Official Handbook* provides the basic responsibilities of an educational institution and VA Certifying Official. We verified that the VSC was using the most current edition of the handbook.

Each school designates at least one VA Certifying Official to carry out reporting requirements. We determined that the VSC had submitted a new form when changes in management occurred during FY 2012.

The VA accepts certifications in written form, but prefers certification of educational benefits of prospective veteran-students be in electronic form. The electronic submission of enrollment information to the VA is an alternative procedure authorized by the VA that permits the institution to use an internet program known as VA-ONCE. The VA is responsible for maintaining and supporting this application. The first step to participate in VA-ONCE is to submit to the VA a *Memorandum of Understanding* (MOU), which activates the school in the system. We determined that on May 25, 2005, an MOU was executed by the Department of Veterans Affairs with UTPA, and we verified that UTPA uses VA-ONCE for electronic certification of educational benefits.

**Certification & Documentation**

According to the CFR—Title 38, a school’s file for a veteran-student should contain copies of all VA paperwork, including the school’s transcript, grade reports, drop/add slips, tuition and fee charges, transcripts from previous schools, military transcripts, degree plan, evaluation forms, and other pertinent information.

We obtained a listing of all participants certified for veteran’s educational benefits for FY 2012 from the VSC manager and judgmentally selected a 10% sample. We reviewed 52 student files for a total of 126 certifications for the fall, spring and summer terms. We used the VA-ONCE online system to verify that student applications were certified and properly approved by the...
We reviewed the VSC procedures for monitoring controls to ensure that participants are eligible and enrolled at the time of the certification. We concluded that the VSC had established adequate monitoring controls to verify participant eligibility.

We used the Student Banner system to verify that each participant was a student enrolled for the term certified. All participants selected for testing had the proper residency code and were charged in-state tuition.

We examined supporting documentation in the participant's file folder to verify that required documents were kept in the file. All the participants tested had most of the applicable documents. However, we noted 22 of the 52 (42%) participants tested did not have a copy of the military transcript in their file. The military transcript must be reviewed to award the student 4 hours of credit for physical education. Additionally, we determined that military transcripts were not reviewed for credit by the Admissions Office unless the participant requested it in writing. During FY12, no military transcripts were sent to the Admissions Office for this additional review. Additional course credit is available for up to 12 hours for courses that meet the elective requirements for the student’s degree. We were informed that the previous VSC manager was aware of this option but did not communicate it to the veteran-students. We determined that the additional review of military transcripts was never requested nor was it on the Veteran and Dependent Student Checklist. The participants could have potentially been awarded up to 12 credit hours for upper level courses taken during their military service.

All the files for the participants tested contained copies of school transcripts from previous schools with applicable credit evaluations, except for the military transcripts noted above. All the files had copies of the student’s degree plan and the required advisement evaluations. Additionally, records of disciplinary action were only applicable to 3 of the 52 participants tested and the appropriate documentation was on file.

The VA also requires supporting documentation for changes in student’s enrollment such as Add/Drop slips. We reviewed the process for identifying changes to student enrollment status when classes are dropped or added. The VSC does not obtain this information from students; instead, the VSC certification clerk runs a Student Banner system report to review drops at any time during the semester and compares them to certified student enrollment hours for the term. The VSC runs the report daily and reports changes to student enrollment and drop dates to the VA using the VA-ONCE system. The VSC reprints student schedules as supporting documentation used to verify changes in student's enrollment. While we determined that the VSC has an adequate process in place for monitoring students who drop classes, we noted 5 of the 52 (10%) participants did not have a copy of the reprinted schedule in their file. In addition, we noted copies of the VA-ONCE amendments/withdrawals were not in 1 of the 52 (2%) files tested.

Lastly, we tested whether the number of credit hours certified agreed to the student schedules for each term. We noted certified hours for 2 of the 52 (4%) participants tested did not agree with the supporting documentation in the file.
Recommendations:

1. The VSC manager should update procedures and the Veteran and Dependent Student Checklist to include military transcript evaluation of all prior credit available to students for their military service. Besides the 4 credit hours students received for basic training, an additional 12 credit hours may be available.

2. The VSC manager should develop a monitoring procedure to ensure that all supporting documentation such as copies of all post-secondary education transcripts, including military transcripts and changes in student enrollment status (classes added/dropped, withdrawals) is collected and retained in the student folders.

Management Responses:

1. We concur with the findings. We have updated the VSC Checklist to reflect that all student veterans must submit an official military transcript to the Admissions Office. In addition, we have updated the Military Service Credit Agreement form to reflect the 4 credit hours students may receive for basic training and the additional 12 credit hours for military experience veterans may be eligible to receive. We are in the process of reviewing our records for all current fiscal year student veterans to insure they have an official military transcript on file in Admissions and in their file at the VSC.

   Implementation Date: September 2013

2. We concur with the findings. The VSC manager will develop procedures to insure all required documentation is collected and retained in the student folders and add to the departmental policies & procedure manual.

   Implementation Date: August 2013

Reporting of Changes in Enrollment Status

Participating institutions are responsible for keeping the VA informed of all enrollment status changes of student veterans within 30 days of the change. A Notice of Change in Student Status form is used to report changes to enrollment information and is available through the VA-ONCE electronic system. During testing of student files, we noted that the VSC did not retain a copy of the Notice of Change in Student Status forms in the participant’s file folder for 2 of the 52 (4%) participants. In addition, we noted changes in student status for 3 of the 52 (6%) participants tested were not reported to the VA within the required 30 days of the change.

Recommendation:

3. The VSC manager should ensure changes in enrollment status are reported to the VA within the required 30 days of the change.
Management Response:

3. We concur with the findings. The VSC started monitoring enrollment changes differently effective spring 2013. We are now running a report to identify enrollment changes on a weekly basis. Once a student is identified we update Banner-SGASTDN and VAONCE, updated certification is printed from VAONCE and placed in the student file.

Implementation Date: March 2013

Delayed Payments to the VA

Educational funds awarded by the VA are sent directly to UTPA on behalf of veteran-students eligible to participate under the Chapter 33 Post-9/11 GI Bill. From time-to-time, there are instances under the Chapter 33 Post 9/11 GI Bill when overpayments from the VA occur and UTPA must return the funds to the VA. Tuition and fee payments should be returned to the VA in the following instances:

- The student never attended any classes for which he/she was certified,
- The student completely withdraws on or before the first day of the term, or
- The school submitted an amended enrollment certification and reported lesser tuition and fee charges.

According to the VA Certifying School Official Handbook, debt collection letters are sent when an overpayment is created. A first demand letter is sent notifying the institution of the overpayment. Second and third demand letters and one warning letter are sent before referrals are made to nationwide credit bureaus. Debts are to be paid by 190 days from the first notice, after which the debt could be referred to a private collection agency.

The VSC certification clerk maintains a binder with correspondence from the Department of Veterans Affairs Debt Management Center. We reviewed the correspondence indicating amounts due to the VA for overpayments of educational benefits for students that had changes in enrollment or classification. The certification clerk stated that the overpayments due to the VA for the past year were paid late. Several notices had been sent by the VA, but previous management did not address the issue. At fiscal year end, the VSC obtained a list of outstanding debt for UTPA dated October 18, 2012. We verified the outstanding debts on that list were all paid on November 2, 2012.

We reviewed copies of memos sent to the VA for payment of outstanding debt during the past fiscal year. We tested a sample of 10 totaling $28,376. We traced the debt back to the accounts payable voucher in the Oracle system. We verified that all 10 of the overpayments selected for testing had been returned to the VA. We determined 2 of the 10 (20%) disbursements to the VA were not paid timely. The notices for the two items were dated October 25, 2011, June 6, 2012, and October 12, 2012. All were for the fall 2011 semester. The disbursements for these items were paid more than a year later on November 2, 2012. Not addressing these notices in a timely basis could have caused the University to potentially be turned over to the US Treasury for debt collection.
Recommendation:

4. The VSC manager should ensure that demand letters received from the Department of Veterans Affairs for overpayments of Post 9/11 GI Bill benefits are reviewed and paid timely to the VA.

Management Response:

4. We concur with the findings. The VSC is current with all demand letters received from the Department of Veterans Affairs for overpayments of Post 9/11 GI Bill benefits and will insure future demand letters are reviewed and processed timely.

Implementation Date: November 2012

Chapter 33 Reconciliation

We reviewed the VSC’s procedures for reconciling the revenue-generating project account for Chapter 33. The project account was established in October 2009 to collect federal funds awarded to certified recipients of the Chapter 33, Post 9/11 GI Bill. The certification clerk stated reconciliations for this account had never been prepared by the VSC. Consequently, project account reconciliations for Chapter 33 tuition and fees were not completed and reviewed for FY 2012, despite the accounts having been certified for the year by the former VSC manager.

In accordance to the Handbook of Operating Procedure, Section 8.6.1: University Budget Policy/Fiscal Accountability, project managers are responsible for providing assurance as to the accuracy of their accounts by certifying that the account has been reconciled for the fiscal year and that all reconciling items have been satisfactorily resolved. Without adequate monitoring of project account reconciliations, items that require attention may go unnoticed.

Recommendation:

5. The VSC manager should ensure that timely account reconciliations are performed for the Chapter 33 tuition and fee account, and documentation should be maintained to support those reconciliations.

Management Response:

5. We concur with the findings and will insure account reconciliations are performed timely.

Implementation Date: May 2013

Information Technology Controls

Adequately established information technology controls help protect confidential/sensitive information entrusted to the VSC. These controls include limited access by employees to computer information systems based on job duties as well as safeguarding data from unauthorized users.
Safeguarding Against Unauthorized Access to VA-ONCE
We reviewed the controls to safeguard against unauthorized access to VA-ONCE, and controls to prevent improper use or disclosure of passwords. Access to the VA-ONCE system requires a Login Name and Password obtained directly from the VA. We verified that the previous certifying officials no longer employed with the VSC were removed from the system. We determined controls were in place to safeguard against unauthorized access to the VA-ONCE system and determined that only current certifying officials had access to the system.

Safeguarding Against Unauthorized Access to Confidential/Sensitive Information
We reviewed the controls in place to restrict access to sensitive information within VSC and determined whether the controls were working as intended. VSC maintains confidential/sensitive information in a file for all participating veteran-students requesting certification for education benefits. When not in use, the current files are kept in locked filing cabinets. Files for students no longer enrolled in the university are kept in a locked storage room. The keys for the storage room and the filing cabinets are kept by the certification clerk. All confidential documents not used or needed for file documentation are placed in the locked shredding bin kept in the certification clerk’s office. The bin is picked up by the Records Management Office staff and all documents are shredded. We determined controls were in place to restrict access to confidential/sensitive information within VSC and were working as intended.

Storage of Confidential/Sensitive Information
We performed tests to determine whether the VSC stored confidential/sensitive information on any of its computers or memory storage devices. We scanned 6 out of 17 computer desktops and determined no confidential/sensitive information was stored in their hard drives. Additionally, the VSC has a laptop that we determined was encrypted. We observed two thumb drives plugged into the certification clerk’s computer. We were informed that one of the two thumb drives was used for operating project account reconciliation purposes and the other was the employee’s personal device. The VSC has transferred all data on the thumb drive to an encrypted office drive. We scanned the office thumb drive and determined that there was no confidential information stored. However, the device was not encrypted. We were unable to scan the employee’s personal device since the employee was terminated prior to the completion of our testing. We determined there were inadequate controls for use of external storage devices.

Recommendation:

6. The VSC manager should not allow the use of personal thumb drives. In addition, the VSC manager should ensure all external storage devices such as laptops, thumb drives, etc., are encrypted.

Management Response:

6. We concur with the findings. All devices have been encrypted appropriately. Due to the confidential/sensitive information employees will not be allowed to use external storage devices.

Implementation Date: May 2013
CONCLUSION

Based on our audit, the VSC was not in compliance with all the rules and regulations for certification of educational benefits for enrolled veteran-students. Improvements are required in the documentation for certification of educational benefits, and changes in student enrollment, and timely payment of refunds to the VA. Additionally, the VSC should strengthen controls over account reconciliation for tuition and fees and the use of external storage devices.

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Director, Audits and Consulting Services

Lilia St. Clair CPA, CIA
Internal Auditor III