

# Office of Scholarships and Financial Aid

*May 2021*



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**OFFICE OF INTERNAL AUDITS**  
THE UNIVERSITY OF TEXAS AT AUSTIN

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May 21, 2021

President Jay C. Hartzell  
The University of Texas at Austin  
Office of the President  
P.O. Box T  
Austin, Texas 78713

Dear President Hartzell,

We have completed our audit of the Office of Scholarships and Financial Aid (OSFA). This audit was requested by the Interim Executive Vice President and Provost with an objective to review the OSFA processes and procedures for efficiency and effectiveness. The report is attached for your review.

Overall, student-oriented staff in OSFA, Office of the Registrar, Academic Information Services, and Financial and Accounting Services have strong core knowledge of their domain areas; however, strategic opportunities exist, and multiple processes should be enhanced. Strategic considerations include evaluating the culture surrounding financial aid processes, determining whether the 30-year-old computing environment should be updated, and evaluating whether OSFA should be the responsible office for functions not essential to core financial aid areas. In addition, OSFA could increase the amount of on-time financial aid delivered to students and reduce wait time for service requests by developing data-driven approaches.

Enrollment Management and Student Services has implemented a number of process improvements since its establishment in 2017. Those improvements and other ongoing activities, along with the opportunities cited in this report, will continue to enhance student success outcomes at The University of Texas at Austin.

Please let me know if you have questions or comments regarding this audit.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA  
Chief Audit Executive

President Hartzell

May 21, 2021

Page 2

cc: Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer  
Mr. Graham Chapman, Executive Director of Academic Information Systems  
Ms. Carolyn Connerat, Interim Vice Provost for Enrollment Management  
Mr. Brian Dixon, Associate Vice Provost for Student Aid and Affordability  
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## Contents

Audit Results .....	3
Strategic Observations.....	3
Observation #1 Culture .....	3
Observation #2 Computing Environment .....	4
Observation #3 OSFA Core Responsibilities and Staffing .....	5
Specific Process Observations.....	5
Observation #4 Alignment of Due Dates and Funds Posting Date .....	5
Observation #5 Registration Holds (bars).....	6
Observation #6 Student Enrollment Analysis .....	7
Observation #7 Cash Projections .....	7
Compliance Observations .....	8
Observation #8 Student Withdrawals and R2T4.....	8
Observation #9 Date of Determination .....	9
Observation #10 Scholarship Funds Flow .....	9
Observation #11 Enrollment Recordkeeping .....	10
Observation #12 Paying Prior Year Charges with Current Year Funds .....	10
Observation #13 Parental Authority for the use of Federal PLUS Loans .....	11
Observation #14 Texas Global Campus Programs .....	12
Observation #15 Return of Federal Funds .....	12
Best Practice Observations.....	13
Observation #16 Business Process and Measurement .....	13
Observation #17 R2T4 Calculation.....	14
Observation #18 Appeals for Additional Aid .....	14
Observation #19 Aid Acceptance and Other Student Certifications.....	14
Scope, Objectives, and Methodology.....	15
Observation Risk Ranking .....	16
Report Distribution.....	16



## Executive Summary

### Office of Scholarships and Financial Aid

Enrollment Management

Project Number: 20.005

#### Audit Objective

The objective of this audit was to review the Office of Scholarships and Financial Aid (OSFA) processes and procedures for efficiency and effectiveness.

#### Conclusion

Student-oriented staff in OSFA, Office of the Registrar, Academic Information Services, and Financial and Accounting Services have strong core knowledge of their domain areas. However, multiple processes could be enhanced with more strategic investments and a focus on the culture surrounding financial aid processes.

#### Audit Observations<sup>1</sup>

Strategic Observations <sup>2</sup>	Risk Level
1. Evaluate the culture of OSFA and supporting areas.	High
2. Determine whether the 30-year-old computing environment should be updated to meet the needs of financial aid compliance requirements.	High
3. Evaluate whether OSFA should be the responsible office for its current functions not essential to core financial aid areas.	High

Specific Process Observations	Risk Level	Implementation Date
4. Continue to support the work of tuition payment and funds work group to implement phase II recommendations.	High	October 2022
5. Evaluate whether 140 different registration holds (bars) are needed across campus.	Medium	June 2022
6. Assign analysis of student enrollment to deans' offices.	Medium	October 2022
7. Use the developed G5 Calculator for Pell cash projections.	Low	October 2022

<sup>1</sup> Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.

<sup>2</sup> Strategic observations are included for senior leadership consideration. Management provided responses; however, Internal Audits will not conduct formal follow-up procedures.



**OFFICE OF INTERNAL AUDITS REPORT: SCHOLARSHIPS AND FINANCIAL AID**

<b>Compliance Observations</b>	<b>Risk Level</b>	<b>Implementation Date</b>
8. Update policy for student withdrawals and return of Title IV (R2T4).	High	October 2022
9. Discontinue using the Registrar date of receipt as the date of determination.	High	October 2022
10. Reengineer the scholarship award process so OSFA can review scholarships before disbursement.	High	October 2022
11. Improve enrollment recordkeeping.	High	October 2022
12. Develop controls to prevent current year federal funds from applying to prior year institutional charges.	Medium	October 2022
13. Develop a process to receive parental authority for federal PLUS Loans.	Medium	October 2022
14. Align the academic schedule for Texas Global Campus Programs.	Medium	October 2021
15. Return unused Federal Funds within 240 days.	Low	February 2022

<b>Best Practice Observations<sup>3</sup></b>	<b>Risk Level</b>
16. Increase use of data in decision-making to inform services, improve processes, and adjust business processes to center on students' needs.	High
17. Conduct a review of the R2T4 calculation and inputs.	High
18. Expedite a plan to evaluate appeals for additional aid.	Medium
19. Discontinue requiring students to accept grants and scholarships.	Low

**Engagement Team<sup>4</sup>**

- Ms. Angela McCarter, Assistant Director Internal Audit
- Ms. Kay Jacks, Kay Jacks & Associates
- Mr. Eric Weems, Kay Jacks & Associates
- Mr. Eric Groen, Protiviti
- Mr. Kirk Mehlhorn, Protiviti
- Mr. Jared Yalung, Protiviti

<sup>3</sup> Best practice observations are included for senior leadership consideration. Management provided responses; however, Internal Audits will not conduct formal follow-up procedures.

<sup>4</sup> This project was co-sourced with Protiviti.



## Audit Results

Student-oriented staff members in OSFA, Office of the Registrar (Registrar), Academic Information Services (AIS), and Financial and Accounting Services (FAS) have strong core knowledge of their domains. However, there is an opportunity to enhance the cross-functional understanding of how registration, billing, and aid funding fit together in supporting student success outcomes and for a strong system of internal controls.

In addition, multiple processes could be enhanced with more strategic investments and a focus on the culture surrounding financial aid processes.

Observations and recommendations in four areas (strategic, specific process, compliance, and best practice) are detailed in the report.<sup>5</sup>

### Recent and Ongoing Business Process Enhancements:

- Establishment of Enrollment Management and Student Success in 2017 increased collaboration among offices
- Identification of process opportunities through a 2018 NASFAA Standards of Excellence Review
- Implementation of Texas One Stop (TOS)
- Development of Texas Financial Wellness
- Transition of Work Study support to Texas Career Engagement
- Improvement of coordination between Texas One Stop and Student Accounts Receivable (SAR)
- Establishment of Tuition Payment and Funds Flow (TPFF) work group to review and improve processes
- Disbursements of emergency aid during the Covid-19 pandemic, while supporting grade change policies and shifting to virtual student services
- Management of funding for expanded Texas Advance Commitment

## Strategic Observations

### Observation #1 Culture

Staff members demonstrated pride in The University of Texas at Austin (UT Austin) and their role in maintaining UT Austin’s positive image. They also exhibited wisdom, excitement, and creativity in their work; however, staff members displayed apprehension because of fear of failure in their job duties. This underlying element of apprehension limits the quality and efficiency of work. In particular, staff members were reluctant to discuss process improvements involving the academic side of UT Austin (processes involving deans’ offices). The OSFA staff felt university leadership lacked an understanding of financial aid compliance responsibilities. While employees understand their primary job functions, many staff members did not exhibit a strong understanding of the entire financial aid operation.

These cultural foundations are critical to driving organizational success. A strong, healthy culture reduces risk and increases productivity by reinforcing the right behaviors. The Executive Vice President and Provost (Provost) and senior UT Austin leadership should consider a further assessment of the culture. Insights, opinions, and experiences from employees and leaders can be gathered, evaluated, and communicated to decision makers.

<sup>5</sup> Strategic and best practice observations include a section for management’s response; however, Internal Audits will not conduct formal follow-up procedures on these observations.



Management Response: As part of the initial charge of Senior Vice Provost (SVP) of Enrollment Management and Student Success (EMSS), the roles of financial aid and scholarships have become a central focus in supporting successful student outcomes. Before this shift, the OSFA unit was more transactionally focused than transformationally oriented. The SVP of EMSS recently hired a new Associate Vice Provost (AVP) of Student Aid and Affordability. In an effort to address the limitations of the current mainframe environment and compliance-related issues, the AVP will work with Enrollment Management (EM) leadership and OSFA team to reengineer business processes, evaluate and enhance the unit's technology infrastructure for administering aid and scholarships, and establish a collaborative working group with the Colleges, Schools, and Units (CSUs) and other key stakeholders.

### **Observation #2 Computing Environment**

The administrative mainframe environment is almost thirty years old. The data structure and operating environments do not permit easy adjustments in an extremely dynamic setting. The environment requires a significant amount of modification, especially for data interfaces and for providing web-based student experiences. Staff in OSFA, AIS, and other partner offices are often challenged to develop workarounds to accommodate new processing needs or changing regulatory requirements. Change must be carefully managed to prevent unintended consequences downstream.

The aging mainframe environment presents potential compliance risks not easily addressed even with workarounds. More importantly, the student experience is often irregular, requiring multiple steps and presenting known gaps in service. Despite the reliance on the mainframe, staff members use modern tools to access and provide mainframe data over a web layer for students and staff. As such, UT Austin can make student-centric process improvements with carefully crafted and cross-organizational design. Students likely accept these services as part of their experience, but staff members recognize and desire the opportunity to provide improved service to students.

UT Austin previously considered purchasing an Enterprise Resource Planning (ERP) system that provided integrated management of major business processes, including financial aid. ERP business systems deliver many processes that replace the effort required to maintain the current mainframe environment. Furthermore, these newer systems provide enhanced data security, reduce administrative burden, improve student experiences, and deliver regular compliance-related upgrades. UT Austin leadership should continue to pursue a more modern, compliant, and user-friendly system.

Management Response: EM leadership has proactively sponsored several external assessments for a new system and necessary upgrade investments. The Provost office and UT Austin leadership have provided a detailed recommendation to upgrade financial aid systems to align with the significant changes scheduled during the 2023-24 aid year. Staffing and funding have not increased in any meaningful way, despite the increasing complexity of state and federal compliance, increasing need/number of Pell students, implementation of Texas Advance Commitment, and the increased demand on resources with the additional, extraordinarily complex aid, including the recent expansion of Texas Advance Commitment, the implementation





of the Challenge grant, and the implementation of UT for Me. New investments in systems and staffing should better position the teams to meet and adapt to this changing environment.

### **Observation #3 OSFA Core Responsibilities and Staffing**

The Chief Executive Officer accepts the institutional responsibility to administer Title IV student aid, and UT Austin's Program Participation Agreement (PPA) outlines these requirements. The conditions in the PPA are broad and include accurately managing taxpayer dollars on behalf of the federal government by determining student financial and academic eligibility and properly accounting for Title IV funds. The PPA also includes requirements regarding civil rights, drug and alcohol abuse prevention, protection of confidential data, providing for a secure campus environment, and enrollment reporting.

Many Title IV compliance-related issues are assigned to OSFA without identifying proper alignment across UT Austin, even when other offices control improvements or processes (e.g., foreign gifts reporting, unofficial withdrawal processing). OSFA accepts responsibility for activities in which UT Austin could benefit from another department's expertise. Absorbing non-essential functions in OSFA's area of core competencies adds risks and delays, and OSFA is distracted from completing critical, core financial aid duties.

The staff possesses core competencies and eagerness to learn and improve. Staff and processes should focus on student-centric experiences. For example, awarding financial aid depends on several critical business processes, including admissions and course enrollment. No organizational alignment issues within OSFA were identified, but several external functions could be aligned to improve student outcomes and experiences.

Improving the student enrollment experience could potentially be accomplished using existing staff and infrastructure. However, Provost and UT Austin leadership support is needed to align certain functions and benefit UT Austin and its students.

Management Response: We are supportive of this recommendation as we actively build the necessary infrastructure. However, to ensure successful completion, support will be needed from the Provost and FAS to ensure that sufficient resources are allocated to meet the needs to administer aid, including the staffing and technical infrastructure of a modern financial aid office of UT Austin's size and scope.

## **Specific Process Observations**

### **Observation #4 Alignment of Due Dates and Funds Posting Date**

Due date variances in the student enrollment processes create numerous enrollment barriers. These barriers create a large amount of unnecessary work for staff and roadblocks for student enrollment.

In 2019, the Interim Provost and the Senior Vice President and Chief Financial Officer (CFO) established the TPF to review billing and financial processes for improvement. A combination



## OFFICE OF INTERNAL AUDITS REPORT: SCHOLARSHIPS AND FINANCIAL AID

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of stakeholders and process owners participated. The TPFf submitted draft Phase 1 recommendations to the Interim Provost on September 16, 2020.

Based on a high-level analysis of enrollment barriers, we agree with TPFf's recommendation to align the due date for payment of charges and crediting funds to undergraduate students. Alignment of due dates for all student charges and all student funding sources, including scholarships and tuition waivers, will significantly improve service to students, facilitate student enrollment decisions, eliminate non-value add services, and reduce operating costs.

While the TPFf recommendations will improve effectiveness, the workgroup continues to review process enhancements, including disbursement matters involving college scholarship funds. Some colleges wait to disburse scholarship funds until after census. As a result, selected "scholars" must find alternatives to pay by the final installment due date with non-scholarship funds. Requiring scholars to find additional non-scholarship funds to pay by the final installment tuition deadline defeats the purpose of the scholarship.

**Recommendation:** UT Austin leadership should continue to support the work of the TPFf, including support to align the college scholarship dates.

Responsible Office: EM leadership

Management's Response: The Interim Provost and the CFO have approved the TPFf Phase 1 recommendations, which will be implemented in Fall 2021. However, campus-wide commitment and engagement will be needed to align these processes in TPFf Phase II recommendations to ensure sustainable changes. An exploration effort with CSUs took place in late 2019 and early 2020, but it was clear that a formal exploration and documentation effort was needed. The AVP has been charged with creating a scholarship working group to begin this work. Implementation of these changes will be scheduled with the planned upgrade of the scholarship system.

Planned Implementation Date: Late October 2022

### **Observation #5 Registration Holds (bars)**

UT Austin uses bars for numerous issues to block student enrollment. There are 140 identified types of bars across campus. UT Austin leadership has not established criteria for creating bars and has not identified critical times or dollar thresholds for bars. Therefore, departmental personnel across campus make unique bars for their areas and have increased the number of bar types across campus over time.

**Recommendation:** Management should consider the effectiveness of the bar process and unintended barriers to enrollment. Then, management should establish criteria to address whether bars should block registration and other key enrollment activities for students. In addition, management should review whether dollar thresholds or timing structures should be considered when establishing registration holds.

Responsible Office: Registrar on behalf of EM



Management Action Plan: EM leadership will facilitate developing a plan to review registration holds that involve multiple stakeholders. Student Success Initiatives, OSFA, and the Registrar will work together to review the bars and impacts to their processes as part of the "No Barriers Campaign" and support of TPFf recommendations. Upon completion of this review, OSFA will work with various constituents and stakeholders across campus to develop and implement recommendations. We anticipate these recommendations would include definitions of bars, standards for creating bars that block tuition, new bars, and a review process for future reviews.

Estimated Implementation Date: Review and recommendations completed by June 2022

### **Observation #6 Student Enrollment Analysis**

UT Austin does not confirm student attendance at the beginning of each term to determine student eligibility for Title IV financial aid. When a university does not take attendance, it must develop a separate control. Currently, UT Austin relies upon a detective control at the end of each grading period. OSFA identifies students who appear to have never attended class and contacts faculty for each course to determine the last date of attendance for the students. If no response is received from the faculty after a defined period, OSFA assumes the student did not attend and returns 100 percent of the funds disbursed (R2T4). This process often results in a student receivable.

Grading and faculty recordkeeping more closely align with other academic functions, and OSFA does not have familiarity with faculty members' grading procedures or recordkeeping. Errors are more likely when staff members perform duties not aligned with their primary functions.

**Recommendation:** The Provost and UT Austin leadership should realign analysis of students' academic activity to the deans' offices who review faculty educational data. After reviewing the faculty records, the deans' offices should promptly notify OSFA of the last date of the academically related activity (LDA) and the date of determination (DoD). OSFA would then perform R2T4 calculations.

Responsible Office: Registrar on behalf of EM

Management Action Plan: This issue relates to the limitations of the current mainframe student information system. A review will be conducted to determine the feasibility and fiscal implications of modifying the existing system or if changes will need to be delayed to the implementation of the new student information system.

Planned Implementation Date: October 2022

### **Observation #7 Cash Projections**

UT Austin computes projected Direct Loan cash needs one day before funds are disbursed to students. With the change from the Federal Family Education Loan Program (FFELP) to Direct Loans, UT Austin developed a "G5 calculator" method to project cash needs the day before



Direct Loan disbursements. This calculation enables UT Austin to draw federal funds for sufficient cash on hand without needing to borrow for daily cash needs; however, Pell Grant funds are not requested in the same manner. UT Austin disburses Pell Grants and requests funds the following day.

If the G5 Calculator could be used for Pell Grant disbursements, UT Austin would have a standard process to obtain funds the day before distribution. Institutions have three days from the time of drawing federal funds to issue the funds to students.

**Recommendation:** Management should align the projections for improved funds management and use the G5 Calculator developed for Direct Loans for Pell Grant estimates.

Responsible Office: SAR and OSFA

Management Action Plan: There are many G5 awards for which draws are processed as part of this weekly task. A change would need to be made to the draw report to exclude Pell awards/accounts. Doing an additional daily draw for Pell, as needed, would not be a hardship for SAR as long as a method is provided by OSFA for determining the amount to draw. In conversations with Cash Management, the cost to the University of doing a weekly draw of funds for Pell is no more than \$2,200 per year, based on the Pell funds received and the current interest rates. OSFA and AIS leadership will conduct a review to determine the feasibility and fiscal implications of modifying the existing system or if changes will need to be delayed to the implementation of the new student information system.

Planned Implementation Date: October 2022

## Compliance Observations

### Observation #8 Student Withdrawals and R2T4

The language in the withdrawal policy states the dean's office "*approves*" a withdrawal, though in practice, the dean's office is the first step in the withdrawal process. Students seeking to withdraw must be permitted to do so without restrictions, and the policy may impact the withdrawal process.

**Recommendation:** The Registrar should change the language in the policy to remove "*approves*" and ensure that no policy or procedure delays or prevents a student withdrawal.

Responsible Office: Registrar on behalf of EM

Management Action Plan: Registrar leadership will request the language of "*approves*" be updated with necessary stakeholders while ensuring students receive the support required for their current and future enrollment decisions.

Planned Implementation Date: October 2022



### Observation #9 Date of Determination

When a student withdraws or no longer engages in an academically related activity, the date the institution's designated official first learns of the student's status is the date of determination (DoD). From the DoD, the institution has 45 days to return Title IV funds.

The institution is incorrectly using the "Registrar receipt date" of the withdrawal documentation to determine the DoD. With few exceptions, the DoD is always the date the student informs the "designated official" (dean of the student's college) of intent to withdraw and must be the date the student began the process with the dean.

Using the incorrect DoD increases the likelihood of noncompliance within the 45-day window to return funds.

**Recommendation:** UT Austin should discontinue using the "Registrar receipt date" as the DoD. Instead, UT Austin should use the date the student contacted the dean's office. Deans should provide the date to the Registrar. OSFA should regularly train staff regarding the importance of the date and the risk of noncompliance.

Responsible Office: Registrar

Management Action Plan: This issue relates to the limitations of the current mainframe student information system. A review will be conducted to determine the feasibility and fiscal implications of modifying the existing system or if changes will need to be delayed to the implementation of the new student information system.

Planned Implementation Date: October 2022

### Observation #10 Scholarship Funds Flow

The business process allows funds to flow from the funding source (i.e., CSU) to the student account, and OFSA is informed after the funds are disbursed. If a student receives excessive funding because of an additional funding source, OSFA must reduce previously paid Title IV aid. Institutions must dynamically monitor that a student receiving federal student aid does not receive more than the allowed amount. When a student gets more money than allowed, it is considered an over-award for which UT Austin is liable.

The current system requires adjustment to the student account after funds are applied, which causes unnecessary negative impacts to the student. Further, the new funds are stored as a "resource," which masks the identity of the funds compromising account analysis.

**Recommendation:** UT Austin should design the mainframe process to support a method for OSFA to review scholarships before disbursement to the student account to prevent over-awards and eliminate after-the-fact adjustments.

Responsible Office: OSFA



Management Action Plan: This issue relates to the limitations of the current mainframe student information system. A review will be conducted to determine the feasibility and fiscal implications of modifying the existing system or if changes will need to be delayed to the implementation of the new student information system.

Planned Implementation Date: October 2022

### **Observation #11 Enrollment Recordkeeping**

UT Austin does not store the date of the student's last activity in the Registrar's system, the Student Information System (SIS). This deficiency is likely related to the data structures in the dated mainframe environment, which does not contain a means to retain the student's activity dates. Instead, data is maintained in an OSFA subsystem (FAST). FAST is not the enrollment system of record or even the primary financial aid system. Student inquiries are difficult to service because staff cannot use data in SIS to explain to students or staff the entire academic profile. In addition, queries cannot easily be written on this critical compliance data.

For student borrowers, the last date of attendance is critical. If the student borrowed funds from any institution, the date the university reports as the student's last attendance determines the date loan repayment begins and interest begins to accrue for that student. The institution must notify the Department of Education within 30-60 days. When the institution is late in reporting, the borrower is impacted because interest and delinquency are computed retroactively using the student's last attendance date.

**Recommendation:** Management should develop a plan to store data in the official system for the Registrar. In addition, management should annually conduct quality control checks for the timeliness of reporting withdrawal dates to the DOE.

Responsible Office: Registrar

Management Action Plan: This issue relates to the limitations of the current mainframe student information system. A review will be conducted to determine the feasibility and fiscal implications of modifying the existing system or if changes will need to be delayed to the implementation of the new student information system.

Planned Implementation Date: October 2022

### **Observation #12 Paying Prior Year Charges with Current Year Funds**

The process of applying federal funds does not limit the charges the incoming aid can satisfy. Therefore, nothing prevents current aid from being applied to prior year institutional charges.

In general, Title IV financial aid funds may only be used to pay for the term in which the funds were awarded. Federal rules permit limited use of "new" funds from the current year to satisfy prior award year charges of not more than \$200 without obtaining the student's or parent's



## OFFICE OF INTERNAL AUDITS REPORT: SCHOLARSHIPS AND FINANCIAL AID

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authorization; under §668.165(b). A "prior year" is any period before the current award year or loan period.

**Recommendation:** Management should add controls in the accounting system to prevent the improper application of funds to prior years.

Responsible Office: OSFA

Management Action Plan: This is a limitation of the current mainframe system. The system cannot disaggregate awards by aid year. As a result, when disbursements are sent to the student account, the mainframe system cannot determine which aid years payments are associated with. This issue can only be addressed through upgrades to the student information system. A review will be conducted to determine the feasibility and fiscal implications of modifying the existing system or if changes will need to be delayed to the implementation of the new student information system.

Planned Implementation Date: October 2022

### **Observation #13 Parental Authority for the use of Federal PLUS Loans**

Although all credit balances are refunded to students, UT Austin does not have a process for obtaining the parent borrower's authorization for providing excess PLUS loans directly to the student.

Federal PLUS loan funds belong to the parent who borrowed the aid; therefore, if a PLUS loan creates a credit balance refund, the refund should be provided to the parent unless the parent has authorized the university to refund the excess PLUS loan funds directly to the student. [34 CFR 668.164(h)(1)]

When submitting the application to the federal government for a Federal PLUS loan, the parent makes an election to direct any refunds to the student or themselves. This information is available to the university through the federal Common Origination and Disbursement (COD) system. The OSFA could use this information to identify those PLUS loan borrowers who have not authorized excess funds to go to the student.

**Recommendation:** Management should add controls to follow a parent's instructions for federal PLUS loan refunds using the COD system.

Responsible Office: OSFA

Management Action Plan: This is a limitation of the current mainframe system. The system cannot disaggregate award types and sources. As a result, when disbursements are sent to the student account, it cannot determine the difference between student and parent refunds. This issue can only be addressed through upgrades to the student information system. A review will be conducted to determine the feasibility and fiscal implications of modifying the existing



system or if changes will need to be delayed to the implementation of the new student information system.

Planned Implementation Date: October 2022

### **Observation #14 Texas Global Campus Programs**

Texas Global serves as an umbrella for courses enrolled by students studying abroad. Students in Texas Global have classes that begin before the first date and end after the last date of standard university terms; however, the Registrar does not have a method for recording the unique academic schedules for these students. While the beginning and end dates of the schedule may differ, UT Austin cannot distinguish the differences.

For financial aid purposes, classes offered in a standard term calendar are expected to occur within the confines of a standard term. Without a proper recording of academic schedules and terms, errors may exist in enrollment reporting to the federal government, satisfactory academic progress, or R2T4.

**Recommendation:** The Registrar should conduct a review of course start and end dates to identify all courses outside of the confines of the standard terms, and adjustments should be made to align the academic calendar with the guidance.

Responsible Office: Registrar

Management Action Plan: While a long-term academic calendar is being designed with adequate stakeholder engagement, a temporary two-year modified calendar has been deployed to address compliance concerns. The new calendar has been developed, and stakeholders are sharing feedback. If additional time for a replacement academic calendar is needed, lessons learned from the two-year temporary calendar will be used to extend beyond the next two academic years.

Planned Implementation Date: October 2021

### **Observation #15 Return of Federal Funds**

UT Austin encourages students to use direct deposit; however, if a student does not participate in direct deposit, a check is mailed to the student. If the student does not cash the check, federal regulation requires unused Title IV funds to be refunded to the program within 240 days of issuance. Furthermore, federal regulation prohibits the escheatment of Title IV funds. UT Austin does not analyze any uncashed checks until after 12-18 months. Therefore, each uncashed Title IV credit balance check is handled in an untimely manner.

**Recommendation:** Management should identify uncashed refund checks attributable to Title IV funds, contact the students, and authorize OSFA to cancel a portion of the funds. In addition, Accounting/Cash Management should have a process to age uncashed Title IV checks. Title IV funds should be eliminated from the State of Texas unclaimed property escheatment process. Title IV funds from uncashed checks should be redeposited into Federal Title IV funds.





Responsible Office: Accounting and Financial Management (AFM)

Management Action Plan: OSFA will work with AFM to determine a process and timeframe with the Enterprise Business Information Technology Solutions (eBITS) development team to create new ways to track and age check payments to students using Title IV federal funds. This will include determining which checks were generated from Title IV disbursements so that when these checks approach the 240-day deadline, they will be researched and the student payees will be contacted as appropriate. Should funds still be unclaimed, OSFA will work with AFM to cancel and return funding to the programs per Federal requirements.

Planned Implementation Date: February 2022

## Best Practice Observations

### Observation #16 Business Process and Measurement

UT Austin would benefit by increasing the use of data across the student enrollment lifecycle to combine services and process improvements. Student-centric processes are measured by a student's success in completing the enrollment process with minimal barriers. Success is currently measured in terms of the end of a transaction set for the student versus all transactions being accurately completed in a timely manner for student decision-making. Students need to know simultaneously the amount they owe, the services they are paying for, and how payments will be supported. Developing and maintaining high-level and detailed process flows are critical to each process, so students are able to see everything in one place.

Some institutions benefit from an annual business process planning retreat where cross-functional teams review business processes for new or modified controls, enrollment barriers, and/or process improvements.

Key personnel would benefit by regularly measuring and sharing a dashboard of key data, such as:

- Data regarding student processes and barriers
- Comparison of current year data with previous year(s) data
- Efficacy of student-centric service delivery
- Adequacy of internal controls

Management Response: There are limitations on how federal financial aid data can be used. Additionally, the current mainframe system makes accessing data in a timely manner challenging. Enrollment Analytics and AIS have worked to support data-driven decisions by building dashboards and ad hoc reports. A review of the policy governing financial aid data sharing with internal and external stakeholders will be conducted. A streamlined process for requesting data will be created to improve coordination. Furthermore, EM leadership will determine the feasibility and fiscal implications of expanding staffing support for data requests related to the implementation of the new student information system.



### **Observation #17 R2T4 Calculation**

Performing R2T4 calculations is a complex process. During interviews, staff reported that correct charges were used; however, audit procedures did not include a test of the calculation inputs.

**Recommendation:** Management should consider a review of the R2T4 calculation process, including original and allowable charges, date of determination, and date of attendance.

Management Response: OSFA leadership will conduct and document a review of R2T4 processes to ensure compliance to all aspects of R2T4 Calculation requirements and best practices.

### **Observation #18 Appeals for Additional Aid**

Student appeals for additional financial aid become backlogged, and students generally submit appeals during peak processing times. Approximately 850 students per year request additional money through various appeals: cost of attendance, job loss, divorce, death, or independence assertion. Because appeals are complicated, they require expert-level financial aid knowledge, require comprehensive reviews of student circumstances, and often include manual calculations. Students cannot make informed enrollment decisions without knowing the outcome of an appeal.

**Recommendation:** Financial Aid management should evaluate the volume/frequency and approval rates of financial aid appeals and develop a plan to process student appeals within five days.

Management Response: OSFA leadership will conduct a review of appeals for additional aid.

### **Observation #19 Aid Acceptance and Other Student Certifications**

Although acceptance of financial aid is not a federal mandate, UT Austin requires students to accept financial aid. Therefore, unaccepted aid is not eligible for disbursement. If funds are not disbursed, student enrollment is at risk. In addition, the student must accept aid again when financial aid is modified. However, many students are not aware of this requirement.

According to 2017 IPEDS data, UT Austin's default rate is 2.7, with 7,370 students in repayment. Therefore, it does not appear that the student default is a driver for aid acceptance. Requiring the student to accept aid jeopardizes the student enrollment, creates unnecessary work, and slows funding to students and cash flow.

**Recommendation:** UT Austin should discontinue requiring students to accept financial aid.

Management Response: This is a limitation of the current mainframe system. The system cannot disaggregate award types and sources. As a result, when removing the requirement for aid to be accepted, it removes the requirement for all aid types, including loans. A review will be conducted to determine the feasibility and fiscal implications of modifying the existing system or if changes will need to be delayed to the implementation of the new student information system.



## Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

The scope of this review included policies, procedures, and practices in fall 2020. Fieldwork began September 28, 2020. This engagement was co-sourced with a team of financial aid and audit professionals.

The objective of this audit was to review the OSFA processes and procedures for efficiency and effectiveness with a focus on the risks associated with the administration of student financial aid. Primary focus areas included the impact processes had on student enrollment, process efficiency, and internal controls. Other factors considered included resource capacity, available technology tools, staff knowledge, and the potential for noncompliance. Consideration was also given to how close a function aligned to the core competencies of a functional area. Lack of core competency alignment often leads to error and redundant handling of information.

The following procedures were conducted:

- Interviewed over 40 staff members from OSFA, FAS, Registrar, AIS, and Texas One Stop
- Reviewed policies and procedures
- Reviewed information posted for students
- Reviewed Integrated Postsecondary Educational Data System (IPEDS) data
- Reviewed summary-level student data when available
- Reviewed established processes



## Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin or the UT System as a whole.
High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from the UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

## Report Distribution

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