

# Audit Report

## Financial Aid

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July 2023

## Summary – Financial Aid

We recently completed an audit of the federal compliance for student financial aid at UTA. The background, audit objective, scope, and ratings are detailed on page 12 of this report. Overall, the audit identified the need to improve internal controls, as well as policies and procedures related to the compliance requirements of federal student aid. Specific observations from the audit are provided below:

| Recommendations | Rating   | Count |
|-----------------|----------|-------|
| <h1>7</h1>      | Priority | 0     |
|                 | High     | 2     |
|                 | Medium   | 4     |
|                 | Low      | 1     |

| Observations   | Recommendations  | Rating | Page    |
|--|--|--------|---------|
| A. Inaccurate Enrollment Reporting                         | 1. Develop additional procedures and management review to ensure information submitted to NSLDS by National Student Clearinghouse is accurate and meets federal guidelines for enrollment reporting. | High   | Page 3  |
| B. Early Disbursements                                     | 2. OIT should develop and implement documented internal controls and perform a secondary review with sign off prior to the disbursement of student aid.  | High   | Page 5  |
| C. Improper User Access                                    | 3. Remove unnecessary users and strengthen controls for granting and removing access.  | Medium | Page 6  |
| D. Documentation for Access Requests Needed Improvement    | 4. Update user access request form to include purpose and general timeframe of the requested access. Provide sufficient documentation for all user access roles granted.                             | Medium | Page 7  |
| E. Calculation Errors Related to Return of Title IV Funds  | 5. Additional training for all R2T4 staff and management review on the calculation of the percentage of aid earned for modular students.   | Medium | Page 8  |
| F. Disbursements Above Annual Subsidized Loan Limits       | 6. Provide additional cross training between departments regarding the process of changing a student's classification.   | Medium | Page 10 |
| G. Verification Results Not Submitted Timely or Accurately | 7. Update policies and procedures to ensure that verification results are submitted within the required timeframe and submitted information meets the latest compliance requirement for reporting.   | Low    | Page 11 |

Further details can be found on the following pages. Other less significant opportunities were communicated to management separately.

# Observation 1 – Inaccurate Enrollment Reporting

High

## Background

The Department of Education (DoE) requires Universities to provide student’s enrollment status, program of study and other enrollment data to the National Student Loan Data System (NSLDS). The DoE uses this data to manage the federal loan program. For example, if an institution reported that a student is no longer enrolled, this may trigger the DoE to start the student debt repayment process. As a result, accurate NSLDS reporting is critical.

Like many other universities, UTA’s Office of the Registrar utilizes the National Student Clearinghouse (NSC) to feed required data to the NSLDS. The NSC is a nonprofit and nongovernmental organization that provides degree/enrollment verification, as well as other services, including data transmission to the NSLDS.

In the 2020 Single Statewide audit, the State Auditor’s Office (SAO) identified that UTA was not accurately reporting enrollment information to the NSLDS. The same issue was also reported in the SAO’s 2021 and 2022 follow-up audits.

## Inaccuracies Were Identified In Enrollment Reporting – Further SAO Findings In This Area Are Likely

To determine whether UTA had properly addressed the enrollment reporting opportunity, UTA’s Office of Audit and Consulting Services performed test work similar to that performed by the SAO in recent audits. Overall, our review disclosed that enrollment data errors existed in 13 out of 49 (26%) student records tested in the NSLDS. Based on this error rate, the SAO will likely have similar findings related to enrollment reporting in their upcoming audit. The following chart outlines the types of errors disclosed by our review:

| Error Description  | # Of Errors |
|--|-------------|
| Inaccurate Program Level Begin Date                                      | 3           |
| Program Effective Date changes when the Program Status remained constant | 3           |
| Different status reported at the Campus Level than at the Program Level  | 2           |
| Inaccurate Program Level Status reported for Graduate Nursing Student    | 2           |
| Inaccurate Program Level Status and Effective Date                       | 2           |
| Inaccurate Program Level Effective Date                                  | 1           |
| Total Number of Errors:  | 13          |

Importantly, the sample used in this test work did not include the time period from July 2022 to February 2023 when the NSLDS was shut down.

## Observation 1 – Inaccurate Enrollment Reporting (continued)

High

### Enrollment Report Controls Need To Be Strengthened

UTA is currently using the PeopleSoft software to extract the information from its student information system and using a logic-based algorithm to send enrollment data to NSC for reporting. After UTA's enrollment data is submitted to the NSC, the data goes through the NSC's validation process and is then submitted to the NSLDS.

Importantly, UTA does not have controls in place to help ensure enrollment reporting information submitted to the NSLDS, via the NSC, is accurate. There are no regular or scheduled checks in place to validate accuracy. As a result, system logic or transmission errors can go undetected and unresearched for an extended period.

### Recommendation:

The Office of the Registrar should work with OIT, or Data Analytics, to help ensure the program and algorithm are performing as intended so that enrollment information sent to the NSC is accurate. Additionally, the Office of the Registrar should develop and implement additional controls (monthly or quarterly reviews) to help ensure information submitted to the NSLDS is accurate. Finally, the Office of the Registrar should work with the NSC to fix and update any errors found prior to the upcoming SAO audit.

### Management Response:

The Office of the Registrar is currently working with the Office of Information Technology (OIT) to identify the root cause and update the program logic associated with enrollment reporting to address inaccurate/inconsistent data points. The Office of the Registrar has also instituted monthly data validation into our business processes, in alignment with the NSC and NSLDS file submission schedule. Once an enrollment reporting file is submitted to NSC, processed, and transmitted to NSLDS, Office of the Registrar management will conduct the monthly data validation exercise. This will allow further review to verify accuracy and timeliness on any necessary corrective action. The Office of the Registrar is also currently working with NSC to fix and update as many errors as possible prior to the SAO audit.

**Target Implementation Date:** 12/1/2023

**Responsible Party:** University Registrar  
Chief Information Officer

## Observation 2 – Early Fund Disbursement Will Likely Be An SAO Finding

High

Disbursements of Federal Student Aid are very restrictive based on published guidelines. The University may not disburse federal aid to the student's account prior to 10 days before the start of an academic period. These requirements are outlined in the annual compliance supplement for Federal Student Assistance cluster of programs. Prior to the start of the audit, it was brought to our attention that due to human error (setting of the date and time) in the programming of the disbursement of funds, the disbursement that was set to release to the student's account 10 days before the start of the summer semester was actually released 11 days before the semester start.

### Financial Aid Disbursements To Students Were Made Early For Summer 2022 – SAO Finding Is Likely

In our test work for disbursements, we confirmed that summer 2022 disbursements of PELL and Direct Loans were made earlier than the allowed 10 days before the start of the summer semester. A similar error occurred in the past which resulted in an SAO finding related to disbursements. Therefore, an SAO finding related to disbursement in the current year is likely. Internal controls over this process are insufficient. A program is run by OIT to release financial aid to student's MyMav account. The program must be updated prior to each semester start with the proper date and time of release. Currently, there is no formal sign-off required from Financial Aid related to the verification of the Financial Aid release timing in the OIT program. This change control is needed to help ensure compliance going forward.

### Recommendation:

A formal change management control should be implemented where OIT requires a verification and formal sign off on the release timing from the Executive Director of the Financial Aid Office prior to running the program that disburses financial aid amounts to students.

### Management Response:

The Office of Information Technology will work in cooperation with the Financial Aid Office (FAO) to develop procedures for proper change management controls for Fund Disbursement. OIT and FAO will develop a process flow in ServiceNow that will require the date request to be submitted by the FAO with a corresponding acknowledgement from OIT. Further, artifacts depicting the proper dates will be uploaded to ensure accuracy and proper controls upon completion of the configuration for review.

Target Implementation Date: 5/1/2024

Responsible Party: Chief Information Officer

## Observation 3 – Improper User Access

Medium

The SAO conducted a state-wide single audit of the Federal Student Assistance cluster of programs and found UTA's general access controls related to the student information system (MyMav) to be lacking. In summary, UTA did not appropriately restrict user access to its student information system and did not consistently provide evidence that administrative access was limited only to users needing it. This finding was initially reported as part of the SAO's 2020 full scope audit. The same issue was reported again in the SAO's 2021 and 2022 follow-up audits. To determine whether UTA had addressed this finding, we performed similar test work to that performed by the SAO.

### Open Issue From SAO Audits Remains An Opportunity – Four Users Had Improper Update Access To Financial Aid Related Data

At the time of our audit, there were 31 different user roles and 148 unique users (employees) that had update access to various financial aid related data. Our review disclosed that 4 out of the 148 (3%) unique users had improper access (access roles that needed to be removed). Of the 4 exceptions, 2 employees transferred to another department and 2 employees no longer needed access. Importantly, access for these 4 employees was removed during the audit.

### Recommendation:

We recommend that the Office of Information Technology (OIT) continue to work towards the implementation of the new user access project (PERSONA). The PERSONA project will move UTA's access controls from an individual based model to a role-based model. This will simplify the granting and review of user access. Since the PERSONA will not be implemented in time for the SAO's single audit, it is recommended that the Office of Financial Aid and other departments involved work with OIT to facilitate additional access reviews to help ensure only those employees with a job function that requires access have it.

### Management Response:

OIT will continue working on the automated access tasks as defined in the MyMav Security Redesign project. Additionally, we will provide Queries that provide broad insight to who has access and the level of that access. Working with departmental business owners, we will facilitate the process for removing access using least privilege access protocol.

**Target Implementation Date:** 5/1/2024

**Responsible Party:** Chief Information Officer

## Observation 4 – Documentation For Access Requests Needed Improvement

Medium

The SAO reported that UTA did not require evidence and/or documentation for the reasons an employee was provided with update access to financial aid related data. To document whether UTA had properly addressed this issue, a review of access request documentation was performed.

Our review of the workflow and approval process for user access disclosed the following control opportunities:

- The MyMav Request form does not require employees to state the reasons that access is being requested. Additionally, the form does not require employees to state the duration or time period that access is needed.
- Deactivation of user access is not currently part of the off-boarding process.
- Documentation is not consistently required. An OIT employee received access to the system without any supporting documentation (request forms or approval workflow information).

### Recommendation:

We recommend that OIT continue to develop the new role-based PERSONA access system. This should simplify the granting and review of system access.

To strengthen internal controls and documentation, OIT should add required fields to the MyMav Request form to document the purpose and duration of the requested access. It is also recommended that all access requests be supported by valid documentation. Lastly, individual user access should be deactivated as part of the off-boarding process.

### Management Response:

OIT will continue with the development of the job-based Persona access automation as defined in the scope of the MyMav Security Redesign project. Even though this is an automated process based on employees designated job position, we are recommending that access requests and changes are documented through ServiceNow to create a record of the request. This will provide a record for length of time and justification for the access – this will develop adequate and access controls records for monthly review.

**Target Implementation Date:** 5/1/2024

**Responsible Party:** Chief Information Officer



## Observation 5 – Calculation Errors Related To Return of Title IV Funds

Medium

Title IV funds (PELL, Direct Loans, Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study (FSW), etc.) are financial aid provided by the federal government to assist students with education costs. If a student attends at least 60% of their classes, they earn 100% of the aid provided. If a student withdraws before they have earned 100% of their financial aid, the unearned portion must be returned. Universities must recalculate the amount earned and unearned by students and return the unearned portion. Typically, a student's calculation of aid earned is based on the number of days attended, divided by the total number of days in the semester. However, at UTA, we have a substantial number of modular course offerings (typically Accelerated Online) that have schedules that do not follow traditional semester start and end dates. Modular course offerings add complexity to the earned and unearned percentage calculations as the denominator is based on the individual course lengths.

### Inaccurate Return of Title IV Amounts

Our review disclosed the following:

- From the testing of Return of Title IV (R2T4) funds, 3 of 60 (5%) were calculated incorrectly. All 3 of these calculation errors involved modular courses.
- One R2T4 calculation was not performed due to miscommunication between departments within the Office of Financial Aid. When the calculation was performed, there was no impact as the student earned 100% of their financial aid.

### Recommendation:

A management approval control should be adopted by the Office of Financial Aid for R2T4 calculations involving modular courses. Additionally, the Office of Financial Aid should review recent R2T4 calculations to help ensure accuracy prior to the upcoming SAO audit. Focus should be placed on the calculations involving modular courses. Finally, procedures should be implemented to help ensure all R2T4 calculations are performed on a timely basis.

### Management Response:

After an R2T4 calculation is completed, it will be reviewed by one other Financial Aid Counselor. Each counselor will complete R2T4's for traditional and modular students and each will check the other's calculations. This will be used as an opportunity to both ensure the accuracy of the R2T4 calculation, but also use this review as a training opportunity to ensure the Financial Aid Counselors have the knowledge base to process R2T4 calculations correctly and timely. If an R2T4 calculation is incorrect, it will be recalculated and verified it is correct before final processing. If the review finds the R2T4 calculation was completed correctly, it will be approved, and final processing will be completed. OIT has developed a query for the team to run at any point in the semester to find all students with an R2T4 completed. This will allow further review to verify timeliness and accuracy of the R2T4 calculations performed to date.



## Observation 5 – Calculation Errors Related To Return of Title IV Funds (Continued)

Medium

Target Implementation Date: 1/31/2024

Responsible Party: Associate Director Audit and Compliance, Office of Financial Aid  
Executive Director of Financial Aid, Scholarships, and VA Benefits Processing

## Observation 6 – Disbursements Above Annual Subsidized Loans Limits

Medium

Disbursement restrictions are based on the eligibility of the student to receive aid and the minimum and maximum amount that a student could receive each year. Federal guidelines outline the amount of aid a student may receive based upon their financial need. For subsidized loans, the following outlines the maximum lending amounts:

| Description | Maximum Amount |
|-------------|----------------|
| First Year  | \$ 3,500       |
| Second Year | \$ 4,500       |
| Third Year  | \$ 5,500       |
| Fourth Year | \$ 5,500       |

### Early Disbursements and Amounts Above Annual Subsidized Loans Limits

For the testing of subsidized direct loans, seven students received loan limits that were above the maximum amounts allowed. Upon review of these students, it was discovered that their classification status (first year, second year, etc.) was changed from a higher to a lower classification after disbursements had been made. Since annual loan limits are based upon a student's classification, this resulted in the student receiving more loans than the allowed annual limit. These errors in loan amounts were corrected during the audit.

### Recommendation:

The Office of Financial Aid should provide cross-training with the Office of Admissions regarding the process of changing a student's classification. Internal controls, including a management review, should be developed and implemented to minimize the future occurrence of disbursements of aid above annual loan limits.

### Management Response:

During this audit, the FA Term updated several times for this error to occur. We worked with the Admissions Office to determine that their processes did not affect this outcome. OIT developed a query that the R2T4 team runs weekly to ensure no loans are disbursed above the annual loan limits. A current review of the FA Term rebuild issue is underway with OIT's assistance.

**Target Implementation Date:** 1/31/2024

**Responsible Party:** Associate Director Audit and Compliance, Office of Financial Aid  
Assistant Director Loan Processes, Office of Financial Aid

## Observation 7 – Verification Results Not Submitted Timely or Accurately

Low

Verification of Student Identify (V4) and Income (V1) is a requirement for those students selected for verification. These are safeguards set up by the federal government to ensure that the information submitted on the Free Application for Federal Student Aid (FAFSA) is accurate. This information is used to determine the amount of federal aid a student is eligible for. A student selected for V1 verification must submit a copy of their tax document for the university to verify if they are an independent. A dependent student will submit a copy of their parent's tax document for verification. For V4 verification, a student must verify their identity with the campus. They can either bring their ID documents in person to verify their identify or submit a notarized document with a copy of their ID. When the request for identification is sent to the student, the university has 60 days to report on the result of that request. Whether a student completes the verification or not, the results must be submitted within that timeframe. The university may update the status of those results afterwards.

### Verification Results not submitted timely or accurately

Our review disclosed the following:

- For 1 out of 40 (2.5%) students, UTA failed to submit the V4 verification result within 60 days following the first request to the student for documentation of identity. Results were submitted 76 days after the initial request for verification of identify.
- For 1 out of 40 (2.5%) students, UTA submitted a verification report status that was no longer valid for 2022-2023.

### Recommendation:

The Office of Financial Aid should update their policies and procedures to ensure that verification results are submitted within the required timeframe and submitted information meets the latest compliance requirement for reporting.

### Management Response:

The Office of Financial Aid Policy includes information regarding the timely reporting of verification with V4 and V5 codes. We run a query weekly to identify students who need to be reported. The process is manual as there is no automated process because each student must be reviewed individually. During the time of the error, we had staff turnover, and this student was simply missed due to manual error. We have since provided additional training to new staff to ensure the information is reported within the prescribed timeframe.

**Target Implementation Date:** Completed – 4/14/2023

**Responsible Party:** Associate Director for Verification, Office of Financial Aid  
Executive Director of Financial Aid, Scholarships, and VA Benefits Processing

# Background, Audit Objective, Audit Scope and Methodology

## Background

The Student Financial Assistance (FSA) is a cluster of federal programs that includes the Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Perkins Loan, Pell Grant, Direct Student Loans, TEACH Grant, and Nurse Faculty Loan Program (NFLP). At UTA, the amount of student financial assistance is well above \$200 million. As a result, UTA is typically included in the State Auditor's Office (SAO) statewide single audit of federal financial aid.

## Audit Objective

The objective of the audit was to determine whether financial aid is in compliance with federal and state regulations, which includes student data security, to help UTA prepare for the State Auditor's Office's single statewide audit.

## Audit Scope and Methodology

The scope of the audit was for the current fiscal year, up to March 2023.

The 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 (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they 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 based on our audit objectives. The Office of Audit and Consulting Services is independent in both standards for internal auditors.

We appreciate the outstanding courtesy and cooperation received from the Office of Financial Aid, Office of the Registrar and the Office of Information Technology during this audit.

## Ranking Criteria – Financial Aid Audit

### Ranking Criteria

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for these rankings are as follows:

|          |  |
|----------|--|
| Priority | An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole. |
| High     | A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.               |
| Medium   | A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.                            |
| Low      | A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.                                    |

None of the findings from this review are deemed as a “Priority” finding.

## Distribution – Financial Aid Audit

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