

# Stephen F. Austin State University

## Financial Aid and Scholarships

As of January 31, 2025

Audit Report 25-101



## Department of Audit Services

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### **EXECUTIVE SUMMARY**

The Department of Audit Services has completed an audit of Financial Aid and Scholarships. Stephen F. Austin State University (University), through the Office of Financial Aid and Scholarships, administers financial aid to students interested in attending or currently attending the University. According to IPEDS (Integrated Postsecondary Education Data System), the University for the 2022-2023 school year awarded approximately \$47 million in Pell grants and federal student loans. See *Details of Audit* for more information.

#### **AUDIT OBJECTIVE**

The audit objective was to gain assurance that controls and processes for financial aid exist, are operating as intended, and are in compliance with applicable regulations.

#### **SCOPE**

The audit scope included financial aid and scholarships for the Fall 2024 semester as well as current policies, procedures, systems, controls, and records. For this audit, we performed our procedures specifically for Pell Grants and Direct Loans, excluding other Title IV and scholarships from majority of our review procedures. Audit services will perform an engagement in fiscal year 2026 related to Scholarship Administration.

#### **SUMMARY OF AUDIT RESULTS**

We gained assurance that controls and processes for financial aid exist, are operating as intended, and are generally in compliance with applicable regulations. While performing our audit, we noted opportunities to strengthen controls, enhance compliance, or improve processes. Additional details can be found in the attached *Details of Audit Observations*.

<b>Observation</b>	<b>Rating*</b>
1 – Financial Aid – Documented Policies and Procedures	Medium
2 – Financial Aid – Loan Limit Override	Medium
3 – Financial Aid – Title IV Reconciliation Control	Medium

\* See Appendix 1 for Observation Rating descriptions

#### **ACKNOWLEDGMENTS**

We appreciate the assistance provided to us during our audit by the Office of Financial Aid and Scholarships, Student Business Services, and the Registrar’s Office.

Jane Ann Bridges, CPA, CIA, CFE  
Chief Audit Executive  
Stephen F. Austin State University

**DETAILS OF AUDIT**

**BACKGROUND**

The University, through the Office of Financial Aid and Scholarships, administers financial aid to students interested in attending or currently attending the University. Financial aid encompasses assistance from a variety of funding sources, including:

- **Federal Aid:** The U.S. Department of Education provides over \$120 billion annually in grants, work-study funds, and low-interest loans to around 13 million students nationwide. The main application for federal aid is the Free Application for Federal Student Aid (FAFSA), which determines eligibility for federal grants, loans, and work-study programs.
  - **Grants:** These are funds that do not need to be repaid. Examples include the Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Teacher Education Assistance for College and Higher Education (TEACH) Grant, and the Nurse Faculty Loan Program (NFLP).
  - **Loans:** These are borrowed funds that must be repaid with interest.
  - **Work-Study:** This program provides part-time jobs for students with financial need.
- **State and Institutional Aid:** Many states and colleges offer their own grants, scholarships, and loans. These often require separate applications and have their own eligibility criteria. An example is the Purple Promise program.
- **Scholarships:** These are typically merit-based and do not need to be repaid. They can come from various sources, including schools, private organizations, and nonprofits.

The National Center for Education Statistics (NCES) maintains a database called IPEDS (Integrated Postsecondary Education Data System) which is a system of 12 interrelated survey components conducted annually that gathers data from every college, university, and technical and vocational institution that participates in the federal student financial aid programs. The data collections occur in fall, winter, and spring. Below is the financial aid data from IPEDS for the University for the 2022-2023 school year.

<b>All Undergraduate Students, 2022-2023</b>		
<b>Type of Aid</b>	<b>Number Awarded Aid</b>	<b>Total Amount of Aid Awarded</b>
<b>Degree/Certificate Seeking</b>		
Grant or scholarship aid*	6,265	\$54,352,610
Pell grants	3,641	\$19,248,842
Federal student loans	4,250	\$27,824,830
<b>Non-degree/Non-certificate Seeking</b>		
Grant or scholarship aid*	11	\$ 60,873

*\*Grant of scholarship aid includes aid awarded, from the federal government, state or local government, the institution, and other sources known by the institution.*

**AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY**

The audit objective was to gain assurance that controls and processes for financial aid exist, are operating as intended, and are in compliance with applicable regulations.

The audit scope included financial aid and scholarships for the Fall 2024 semester as well as current policies, procedures, systems, controls, and records. For this audit, we performed our procedures specifically for Pell Grants and Direct Loans, excluding other Title IV and scholarships from majority of our review procedures. Audit services will perform an engagement in fiscal year 2026 related to Scholarship Administration.

We performed our audit in accordance with the *Global Internal Audit Standards* and *Generally Accepted Government Auditing Standards* (GAGAS). The 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 findings and conclusions based on our audit objectives. The Department of Audit Services is independent per both standards for internal auditors. Auditors communicated other, less significant issues separately to university management.

The audit methodology consisted of performing a risk assessment; reviewing applicable policies, procedures, laws, and best practices; assessing internal controls; interviewing appropriate University personnel; testing for compliance; reviewing supporting documentation; evaluating opportunities for fraud to occur; and performing other procedures as deemed necessary.

Audit criteria included:

- University of Texas System policies.
- University procedures.
- Office of Financial Aid and Scholarships policies and procedures.
- Federal Financial Aid statutes and guidelines.
- Other sound higher education financial aid and scholarship guidelines and practices.

## **DETAILS OF AUDIT OBSERVATIONS**

### **Observation 1: Financial Aid - Documented Policies and Procedures**

**Background:** University Policy 01-401, *Compliance*, states, “The department head of each operating unit within the university is responsible and shall be held accountable for compliance and compliance-related activities in their respective units. The department head shall maintain documented procedures and records for their activities and areas of responsibility.”

ITS Policy Handbook 14.1.1, *Account Management and Control*, states, “Use of shared accounts is not allowed. However, in some situations, a provision to support the functionality of a process, system, device (such as servers, switches or routers) or application may be made (e.g., management of file shares). Such exceptions will require documentation which justifies the need for a shared account; a copy of the documentation will be shared with IT. Each shared account must have a designated owner who is responsible for the management of access to that account. The owner is also responsible for the above-mentioned documentation, which should include a list of individuals who have access to the shared account. The documentation must be available upon request for an audit or a security assessment.”

**Observation:** During our review, we noted that the policies and procedures manual for the financial aid department includes outdated information. In addition, we noted an improper disclosure of department credentials.

**Observation Rating:** Medium

**Recommendation:** Management should review policies and procedures for outdated information that is no longer applicable and ensure proper security of department credentials.

**Management Response:** Management will do a full review of policies and procedures and update any outdated information, including all information related to securing financial aid departmental credentials.

**Responsible Party:** Senior Vice President for Enrollment and Student Engagement

**Implementation Date:** June 30, 2026

### **Observation 2: Financial Aid – Loan Limit Override**

**Background:** According to the Federal Student Aid Handbook, Volume 8 Chapter 4, *Annual and Aggregate Loan Limits*, states “Direct Subsidized Loans and Direct Unsubsidized Loans have annual loan limits that vary based upon the student’s grade level and (for Direct Unsubsidized Loans) dependency status. The annual loan limits are the maximum amounts that a student may receive for an academic

year.” It also states that, “There are also limits on a student’s maximum outstanding total Direct Subsidized Loan and Direct Unsubsidized Loan debt. These are called aggregate loan limits.”

**Observation:** During our review, we noted that financial aid receives notification from the Department of Education (DOE) when a student is nearing or is over their loan limits. This notification triggers a loan limit review hold on the student’s account. This prevents financial aid awarding. Financial Aid staff can override this hold without a secondary review process or any other safeguards.

**Observation Rating:** Medium

**Recommendation:** Management should strengthen procedures and documentation related to the overriding of annual and aggregate loan limits to ensure proper financial aid overrides.

**Management Response:** Management and IT have created a quality control report to review all loan limit overrides completed. This will run monthly, throughout the academic year and be sent automatically to management team for their review. Our control outcomes will be documented and tracked in Banner software, available for audit review at any time.

**Responsible Party:** Senior Vice President for Enrollment and Student Engagement

**Follow-Up:** Audit Services has verified that management has appropriately addressed this observation; thus, no further audit follow-up is required.

### **Observation 3: Financial Aid – Title IV Reconciliation Control**

**Background:** According to the Federal Student Aid Handbook, Volume 4 Chapter 5, *Reconciliation in the Pell Grant and Campus-Based Programs*, states “Title IV reconciliation is the process by which a school reviews and compares Title IV aid (grants, loans, and Campus-Based aid) recorded on the Department’s systems (COD, G6, and NSLDS) with the information in the school’s internal records. Through reconciliation, disbursement and cash discrepancies are identified and resolved in a timely manner to ensure the school meets all regulatory requirements. Schools must document their reconciliation process and retain any reconciliation documentation for audit and review purposes... At a minimum, your school should reconcile its FSA financial records monthly and should be conducted on a more frequent basis during periods of high transaction volume.”

**Observation:** During our review, we noted that reconciliations are performed; however, they did not include the necessary supporting documentation. In addition, reconciliation procedures did not include some of the essential elements of a strong reconciliation control.

**Observation Rating:** Medium

**Recommendation:** Management should strengthen reconciliation procedures to help ensure the accuracy of federal awards and compliance with Title IV regulatory requirements.

**Management Response:** Management has created a cover sheet for Pell and Direct Loan reconciliation files, that includes the following data: Preparer name, Begin Date, Number of Reconciliation Entries Made, Date of Corrections, Reviewer name, Begin Date, and Completed Review Date. This cover sheet will be added to each reconciliation file, at the onset of our monthly reconciliation review, and will be available for review at any time. Management will also update the procedures to reflect the separation of duties for the preparer and reviewer roles.

**Responsible Party:** Senior Vice President for Enrollment and Student Engagement

**Implementation Date:** June 30, 2026

**APPENDIX 1 SFASU AUDIT SERVICES OBSERVATION RATINGS**

Audit Services uses professional judgment to rate the audit observations identified in audit reports. The audit observation ratings are determined based on the risk or effect of the issues in relation to the audit objective(s), along with other factors. These factors include, but are not limited to, financial impact; potential failure to meet area/program/function objectives; level of compliance with laws, regulations, and other requirements or criteria; adequacy of the design of control activities and information system activities; level of potential fraud, waste, or abuse; control environment; history of audit issues; and other pertinent factors.

The table below provides a description of the audit observation ratings used by SFASU Audit Services.

SFASU Audit Services Observation Ratings	
Rating	Description
<b>Priority</b>	The audit observation presents risks or issues that if not addressed could critically impact the University as a whole or the area/program/function audited. Immediate action is needed to address the audit observation. Priority observations are reported to the UT System Audit, Compliance, and Risk Management Committee.
<b>High</b>	The audit observation presents risks or issues that if not addressed could substantially impact the University as a whole or the area/program/function audited. Prompt action is needed to address the audit observation and reduce risks to a more desirable level.
<b>Medium</b>	The audit observation presents risks or issues that if not addressed could moderately impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation and reduce risks to a more desirable level.
<b>Low</b>	The audit observation does not present significant risks or issues that could negatively impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation.

Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or pre-exit meeting.