



UNIVERSITY OF
TEXAS
ARLINGTON

NCAA COMPLIANCE AUDIT – STUDENT ATHLETIC FINANCIAL AID

APRIL 30, 2015

OFFICE OF INTERNAL AUDIT
BOX 19112
ARLINGTON, TX 76019-0112
817-272-0150
www.uta.edu/internalaudit



MEMORANDUM

TO: Dr. Vistasp Karbhari
President

FROM: J. Richard Dawson *J. Richard Dawson*
Interim Chief Audit Executive, Office of Internal Audit

DATE: April 30, 2015

SUBJECT: NCAA Compliance Audit -- Student Athletic Financial Aid Report
Dated April 30, 2015

Executive Summary

We have completed the NCAA Compliance Audit -- Student Athletic Financial Aid as included in our FY 2015 annual audit plan. The objective of this audit was to determine whether the institution has policies and procedures in place to administer and monitor the awarding of financial aid to student athletes in accordance with the 2013-14 NCAA Division I Manual: Bylaw 15, Financial Aid.

Based on the results of the audit steps performed, we conclude that overall policies and procedures are in place to govern and monitor financial aid determination and awarding for student athletes. Additionally, management is effectively monitoring financial aid activities to mitigate the risks of any NCAA violations.

A priority finding is defined as “an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole. Standard factors for determining a Priority Finding have been established in three categories: namely, Organizational Controls, Quantitative Risks, and Qualitative Risks.” There were no reportable findings and recommendations in this audit.

We appreciate the courtesy and cooperation we received from the Athletics Department and the Financial Aid Office staff throughout this audit.

If you have any questions, please contact me at extension 2-0150.

MEMORANDUM: April 30, 2015

SUBJECT: NCAA Compliance Audit -- Student Athletic Financial Aid Report

cc: Dr. Ronald L. Elsenbaumer -- Provost and Vice President for Academic Affairs, UT Arlington
Ms. Kelly Davis -- Vice President for Business Affairs and Controller, UT Arlington
Mr. John Hall -- Vice President for Administration and Campus Operations, UT Arlington
Mr. Jim Baker -- Director of Intercollegiate Athletics, UT Arlington
Ms. Deborah Garcia -- Senior Associate Director/Academics, Compliance, Student Welfare,
Senior Woman Administrator, UT Arlington
Dr. Pedro Reyes -- Executive Vice Chancellor for Academic Affairs, UT System
Mr. Alan Marks -- Assistant Vice Chancellor of Academic Affairs & Athletics Counsel, UT
System
Mr. J. Michael Peppers -- Chief Audit Executive, UT System
Ms. Moshmee Kalamkar -- Audit Manager, UT System Mr. Ed Osner, Legislative Budget Board
Mr. Jonathan Hurst, Governor's Office of Budget, Planning and Policy
Ms. Candice Woodruff, Primary Advisor (Education), Office of the Governor
Internal Audit Coordinator, State Auditor's Office
Mr. Ken Levine, Sunset Advisory Commission
Report File

Background Information

UT Arlington is a Division I member institution of the Sun Belt Conference and the National Collegiate Athletic Association (NCAA). The member institution and the student athlete must abide by various rules adopted by all the member institutions of the NCAA and imposed by the NCAA administration office through the NCAA manual. Bylaw 15, titled “Financial Aid,” details the rules and regulations concerning awarding financial aid to student athletes.

A student athlete may receive financial aid from the university or from certain sources outside the institution. The institutional financial aid would include those funds based upon the athlete's athletic ability, the athlete's financial aid need, or other programs administered by the institution. The cost of attendance for an athlete to attend the university is calculated by the Financial Aid Office per federal guidelines and generally includes tuition and fees, room and board, books and supplies, transportation and several other expenses. A student athlete's maximum financial aid limit is the amount of the institution's cost of attendance. NCAA legislation establishes a limit on the amount of institutionally administered financial aid that can be awarded in a sport.

To prevent the loss of eligibility to participate in NCAA sponsored intercollegiate competitions and ensure that the athletics program is adhering to NCAA established eligibility rules, NCAA schools have established several control mechanisms, including audit engagements and compliance monitoring programs to identify, evaluate and mitigate the probability of the occurrence of high risk items associated with the NCAA compliance. The athletics program was recently reviewed by the Sun Belt conference in 2014. There is also a peer review audit performed once every ten years by an external peer review team from the NCAA, for which a self-study is performed by non-athletic staff (faculty, staff and alumni) within the university.

The NCAA Bylaws requires that a compliance audit be done once every four years and is to be completed by someone external to the Athletics Department. The Office of Internal Audit, since considered external to the Athletics Department, annually performs an audit engagement on one of the three more complex areas -- NCAA Recruiting, NCAA Student Financial Aid and NCAA Eligibility. These audits are performed on a rotational basis with the same area being audited once every three years.

Objectives

The objective of the audit was to determine whether the institution has policies and procedures in place to administer and monitor the awarding of financial aid to student athletes in accordance with the 2013-14 NCAA Division I Manual: Bylaw 15, Financial Aid.

Scope and Methodology

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

These Standards set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UT System policy UTS 129 titled “Internal Audit Activities” requires that we adhere to the *Standards*.

We interviewed key Athletics personnel to gain an understanding of NCAA Bylaw 15, Financial Aid and UT Arlington’s policies and procedures related to student financial aid awarding and monitoring. We utilized the comprehensive audit program within ACUA’s (Association of Colleges and University Auditors) NCAA Compliance Audit Guide for 2013-14. We selected three sports for audit testing; Men’s Basketball, Women’s Tennis, and Softball and judgmentally selected a sample size of 20% from the total population of 44 from the three teams. For these selected sports, we reviewed a sample of student athletes’ eligibility to receive institutional financial aid, if they were receiving such aid through the proper channels and if it was within the limit established by NCAA and UT Arlington.

Audit Results

General Financial Aid

Responsibilities:

The Senior Associate Athletics Director for Academics, Compliance and Student Welfare and Senior Woman Administrator is also the Compliance Coordinator for the Athletics Department. She is primarily responsible for supervising and monitoring the NCAA rules pertaining to financial aid for student athletes. The Associate Athletics Director for Eligibility and Certification also has compliance responsibilities for student athletic financial aid. Their duties and responsibilities regarding compliance with NCAA rules are reflected in their job descriptions in the departmental Policies and Procedures manual.

Policies & Procedures:

The department has a documented Policies and Procedures manual in place. The manual does not expressly address NCAA Bylaw 15 on Financial Aid. However, in our review of the manual and discussions with the Compliance Coordinator, we determined that the department formally adopted the NCAA Division I Manual as its guidebook in determining compliance with NCAA rules. Consequently, the department did not consider it necessary to include a duplicate set of rules in its own manual. Instead, the manual makes reference to the Athletics Department’s adoption of the rules established by the NCAA. We concur with the reference. Additionally, policies and procedures are periodically evaluated to improve the overall effectiveness of the University’s compliance program by the University’s Athletics Council and the Sun Belt Conference.

Educational Efforts:

The NCAA Division I manual is the primary source of information on the NCAA Financial Aid legislation. Additionally, we noted that the athletic staff, financial aid staff and Athletics

Council are periodically educated on rules and regulations of NCAA internally by the Athletics Department through staff meetings as well as externally through the annual Sun Belt Conference Compliance meeting.

Squad List Completeness:

There are a total of 14 sports teams at UT Arlington. We obtained and reviewed the squad lists for all sports teams to ensure that the financial aid amounts and other information pertaining to financial aid such as number of years a student athlete received aid, countable and non-countable aid, etc., are listed. No exceptions were noted in the review.

General Financial Aid Testing:

For a sample of student athletes from Men's Basketball, Women's Tennis, and Softball, we verified 1) whether the aid disbursements were in accordance with the scholarship terms, 2) whether they were eligible to receive financial aid, and 3) whether they received financial aid for undergraduate education, graduate school, or summer school/orientation programs under NCAA permitted circumstances.

We compared the aid offered in the 2013-2014 Grant-in-Aid forms to the disbursements from the Financial Aid Office without material exceptions. Our testing indicated that the student athletes were eligible to receive institutional financial aid and the aid was given for undergraduate education at UT Arlington.

Terms & Conditions

Financial Aid Forms/Letters of Intent:

Each student athlete received a written financial aid award statement signed by the Financial Aid Office that included information on the amount, duration, and conditions and terms of the award. The student athlete signed and accepted the award. The amounts offered and disbursed were in accordance with the scholarship equivalency calculation for FY 2013-2014 and they did not exceed the full scholarship amount. All awards were executed timely and were properly approved. The financial aid awards did not exceed one academic year. Summer aid is awarded in a separate Grant-in-Aid form.

Financial Aid Reduced/Cancelled:

It was noted that four student athletes in our sample had their athletic aid reduced during the period tested. The student athletes received written notification that included the opportunity for a hearing to appeal the action and information about the appeal process. There were no appeals noted from the student athletes. One student athlete's athletic aid was cancelled and since the student athlete voluntarily withdrew from the team and was made aware of the loss of athletic aid, a written notice of the opportunity for a hearing to appeal the action and information about the appeal process was not required.

Individual Limit:

NCAA Bylaw 15.1: *Maximum Limit on Financial Aid - Individual* states that a student athlete shall not be eligible to participate in intercollegiate athletics if he or she receives financial aid that exceeds the value of the cost of attendance. We reviewed the types and sources of aid received by a sample of students against the “Financial Aid Maximum Limits” checklist in the NCAA Manual to ensure that the aid is properly included or excluded for the individual limit calculation. No exceptions were noted.

National Letter of Intent:

The National Letter of Intent (NLI) is a program administered by the Collegiate Commissions Association (CCA) to protect universities that provide financial aid to student athletes. The letter binds the student athlete to a one-year commitment with the university if they are granted financial aid. After the one-year period, the letter has no validity. The NLI is a voluntary program with regard to both universities and student athletes. UT Arlington chose to join the program and, therefore, its student athletes are required to sign an NLI. Under Bylaw 13.9.2: *Letter of Intent Restriction*, a member institution should not sign the financial aid agreements prior to the NLI dates for that sport. CCA specifies the timeframe for each sport within which the NLI has to be signed and it can be signed only during that time period. No exceptions to this policy were noted in our review.

Institutional Financial Aid:

In compliance with NCAA Bylaw 15.3.1.3: *Retroactive Financial Aid*, UT Arlington does not award financial aid to a student athlete who is enrolled subsequent to the first day of classes in any term. Such student athletes are not put on aid until the next semester

Cost of Attendance:

NCAA Bylaw 15.02.2: *Cost of Attendance*, states that the “cost of attendance” is an amount calculated by an institutional financial aid office, using federal regulations that includes the total cost of tuition and fees, room and board, books and supplies, transportation, and other expenses related to attendance at the institution.

At UT Arlington, the cost of attendance for 2013-2014 was estimated at \$23,722 for an in-state student and \$32,182 for an out-of-state student. Our testing indicated that the financial aid awarded to student athletes did not exceed the standard cost of attendance for the institution.

Room and Board Payments:

The room and board scholarship amount was appropriately calculated in accordance with UT Arlington’s meal plan and on-campus apartment rates. There is a proper system for distributing

room and board aid to the student athletes. Such aid is processed through the student's MyMav (web-based student information system) account. No physical checks are handed out.

Summer Financial Aid:

Summer financial aid is not counted towards the team limit and, hence, it is not reflected in the squad lists. Summer aid is awarded separately from the Fall and Spring semesters. We tested a sample of student athletes who attended the summer term and verified that the aid was used to attend the summer term. The student athletes were in residence for at least one term during the academic year. Additionally, the aid did not exceed the cost of a full grant-in-aid for attendance and the amount of financial aid did not exceed the equivalency percentage calculated for the student from the previous academic year in accordance with Bylaw 15.2.8(a): *Summer Financial Aid*.

Maximum Limitations by Sport

NCAA classifies sports into equivalency sports and head count sports. All sports other than Football, Basketball, Women's Gymnastics, Women's Volleyball and Women's Tennis are considered equivalency sports. In the case of equivalency sports, there is a limit on the value (equivalency) of financial aid awards that an institution can provide in any academic year. The equivalency is expressed as a percentage of the full grant-in-aid. In the case of head count sports, the limit is not on the value of the financial aid, but on the total number of counters in the sport. A counter is an individual who is receiving institutional financial aid that is countable against the aid limitations in a sport.

Head Count Sports:

We tested Men's Basketball and Women's Tennis as a sample of headcount sports and verified that all student athletes were appropriately classified as a counter or a non-counter in the squad list. The sport's aid limits were not exceeded. Non-counters may receive financial aid, but are not counted towards the sport's aid limit.

Equivalency Sports:

The equivalency sport in the sample selection was Softball. We recalculated the equivalency value for each student athlete using the full grant-in-aid value and determined that it was computed correctly. All countable aid was included in the computation. The sport did not exceed the maximum limit allowed under NCAA bylaws.

Conclusion

Based on the results of the audit steps performed, we conclude that overall policies and procedures are in place to govern and monitor financial aid determination and awarding for

student athletes. Additionally, management is effectively monitoring financial aid activities to mitigate the risks of any NCAA violations.

We appreciate the courtesy and cooperation we received from the Athletics Department and the Financial Aid Office staff throughout this audit.