



Office of Internal Audit

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January 25, 2016

Dr. Hobson Wildenthal, President *ad interim*
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of Pell Grants as part of our fiscal year 2015 Audit Plan, and the report is attached for your review. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The objective of our audit was to ensure that UT Dallas complies with federal regulations governing the federal Pell Grant program.

Overall, we found that UT Dallas generally complies with federal regulations governing the Pell Grant program. The attached report details a recommendation that will help improve compliance by ensuring that agreements for study abroad students are being retained by the Education Abroad office.

Management has reviewed the recommendation and has provided a response and an anticipated implementation date. Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation date. We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens
Institutional Chief Audit Executive

UT Dallas Responsible Parties:

Ms. Cristen Casey, Assistant Vice President for International Programs
Ms. Beth Tolan, Director of Financial Aid

Members of the UT Dallas Institutional Audit Committee:

External Members:

Mr. Bill Keffler
Mr. Ed Montgomery
Ms. Julie Knecht

Dr. Inga Musselman, Acting Provost
Dr. Calvin Jamison, Vice President for Administration
Mr. Terry Pankratz, Vice President for Budget and Finance
Mr. David Crain, Vice President and Chief Information Officer
Dr. Bruce Gnade, Vice President for Research
Dr. George Fair, Vice President for Diversity and Community Engagement; Compliance Officer
Dr. Gene Fitch, Vice President for Student Affairs
Mr. Timothy Shaw, University Attorney

The University of Texas System:
System Audit Office

State of Texas Agencies:

Legislative Budget Board
Governor's Office
State Auditor's Office
Sunset Advisory Commission



Executive Summary

Pell Grant Program, Report No. 1615

Audit Objective and Scope: To determine if UT Dallas is in compliance with federal regulations governing the Pell Grant program. Our scope was FY 2015.

The following is a summary of the audit recommendations by risk level. See Appendix for definition of risk levels.

Recommendation	Priority	Estimated Implementation Date
1) <i>Ensure Study Abroad Agreements Are Retained</i>	Low	Implemented
Responsible Vice Presidents: <ul style="list-style-type: none"> • Dr. Inga Musselman, Acting Provost • Dr. Gene Fitch Vice President for Student Affairs 	Responsible Parties: <ul style="list-style-type: none"> • Ms. Beth Tolan, Director of Financial Aid • Ms. Cristen Casey, Assistant VP for International Programs 	
Staff Assigned to Audit: <ul style="list-style-type: none"> • Toni Stephens, CPA, CIA, CRMA, Project Leader • Ali Subhani, CIA, CISA, GSNA, Information Technology Audit Manager • Ashley Mathew, Staff Auditor 		



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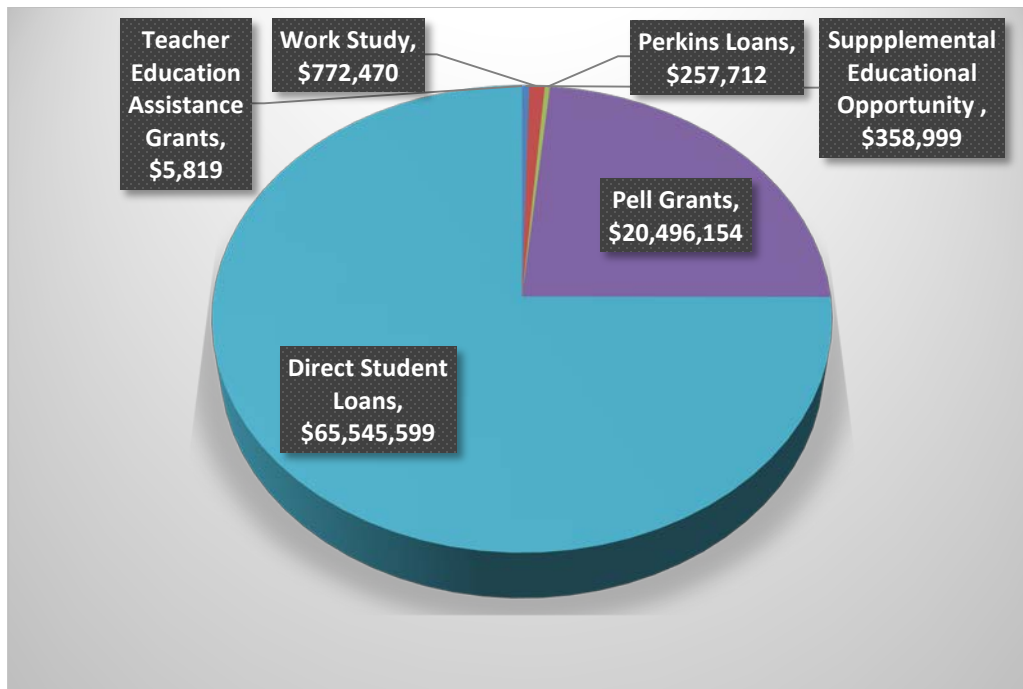
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Background

The Federal Pell Grant Program awards grants to help financially needy undergraduate students meet the cost of their college education. As outlined on the Financial Aid website¹, Federal Pell Grant awards are based on level of enrollment and expected family contribution (EFC). Students must meet all eligibility criteria for receiving federal financial aid and must be pursuing their first bachelor's degree. The maximum Pell Grant award for the 2014-2015 academic year is \$5,730. The Pell Grant program is limited to six years of eligibility. In addition to the financial aid regulations outlined in the Code of Federal Regulations (CFR) Title 34, *Education*, regulations specific to Federal Pell Grants are outlined in 34 CFR 690².

At UT Dallas, Financial Aid programs consist of loans, grants, and federal work-study. Federal Pell Grants represent approximately 23% of total financial aid at UT Dallas, with expenditures totaling almost \$20.5 million during FY 2015³.



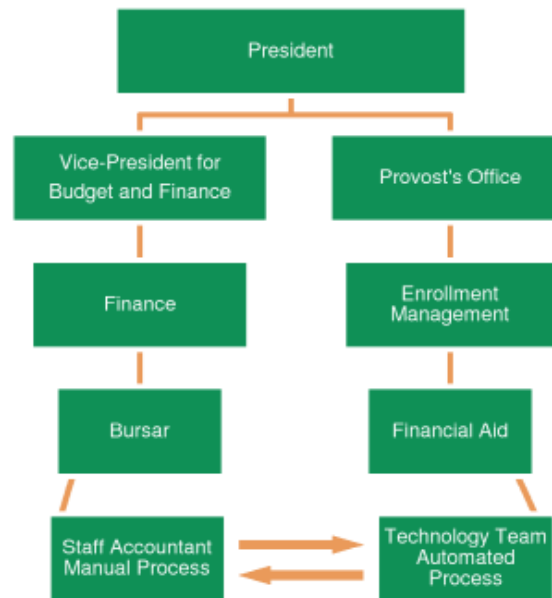
¹ <http://www.utdallas.edu/student/finaid/Programs/programs.htm>

² <http://www.gpo.gov/fdsys/pkg/CFR-2007-title34-vol1/pdf/CFR-2007-title34-vol1.pdf>

³ Schedule of Federal Financial Assistance as of August 31, 2015



Financial Aid reports to the Provost's Office and works closely with other areas on campus, such as Finance, the Bursar's Office, the Registrar's Office, and various academic schools to ensure accurate, compliance, and efficient processing of Financial Aid. The following chart, outlined in their policies and procedures manual, depicts the organizational structure that supports this assurance.



Audit Objective

To determine if UT Dallas is in compliance with federal regulations governing the Pell Grant program.

Scope and Methodology

The scope of this audit was fiscal year 2015, and our fieldwork concluded on November 11, 2015. To satisfy our objectives, we performed the following:

- Gained an understanding of federal rules regarding Pell Grants by reviewing applicable federal and Department of Education laws, regulations, policies, and procedures.
- Gained an understanding of the policies and processes surrounding Pell Grants by reviewing university policies and procedures and by interviewing staff responsible for compliance and accounting for Pell Grants.
- Tested drawdowns to verify their accuracy and compliance with federal regulations over the return of federal Title IV funds.



- Verified the accuracy of financial reporting by reviewing and testing reconciliations and other financial reports related to Pell Grants.
- Tested for compliance with selected federal regulations over cash management.
- Tested Pell Grant recipients to ensure compliance with federal regulations including eligibility, enrollment changes, maximum expected family contribution, academic progress, verification, reasonable distribution, limits, and prior degrees held.

Where applicable, we conducted our examination in accordance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance or audit work, and management of the internal auditing department.

Audit Results

Controls

Our audit work indicated that the following controls currently exist:

- A good separation of duties exists at UT Dallas within the Financial Aid processes of awarding/authorization, disbursing, and posting/accounting for Pell Grants.
- A Financial Aid Officer is responsible for compliance and quality control to ensure compliance with Pell Grant regulations.
- The Financial Aid Office has a Policies and Procedures manual for all processes including the Federal Pell Grant Program (Section 7).

Audit Recommendations

Priority Findings – UT System: A UT System priority finding is defined by the UT System Audit Office 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.”⁴ We have **no UT System Priority Findings** resulting from this audit.

Although the above controls exist, opportunities exist to enhance the controls over study abroad agreements. In addition, a minor issue regarding bank accounts was discussed with management in the Treasury Office, and they agreed to address the issue.

⁴ Appendix A defines the priority and risk ranking used for all internal audit recommendations.



(1) **Ensure Study Abroad Agreements Are Retained**
Risk Rating: Low ★

According to the 2014 – 2015 Financial Aid Handbook⁵, in order for a student to receive Pell Grant Aid while studying abroad, “the home school must have a written agreement with the foreign school (or with another U.S. school that contracts with the foreign school) or a single written arrangement with a study-abroad organization to represent an agreement between the home school and the foreign school.”

Study abroad agreements could not be found for two study abroad students receiving Pell Grant aid, totaling \$2,780, during fall 2014. The lack of agreements potentially makes these students ineligible to receive Pell Grant Aid disbursements according to Department of Education Financial Aid policies.

Financial Aid awards the Pell Grant; however, it does not have a role in Study Abroad. Financial Aid relies on the offices of the Registrar and Education Abroad to ensure that study abroad program agreements are valid and can be transferred to UT Dallas.

Recommendation: The Education Abroad Office should enhance existing procedures to ensure that program agreements for study abroad students are properly retained.

Financial Aid should consider reducing the Pell aid and returning applicable funds to the Department of Education.

Management’s Response:

Financial Aid: The Office of Financial Aid reduced the applicable student’s federal Pell grants and returned the funds to the Department of Education. Institutional funds were added to each student’s award to cover the reduction of federal Pell grant.

International Programs: The Education Abroad Office has enhanced existing procedures, and program agreements for study abroad students are now being properly maintained. Audits are conducted each term.

Estimated Date of Implementation: *Implemented.*

Persons Responsible for Implementation:

- *Beth Tolan, Director of Financial Aid*
- *Cristen Casey, Assistant Vice President, International Programs*

⁵ <http://ifap.ed.gov/fsahandbook/attachments/1415FSAHandbookCompleteActiveIndex.pdf>



Conclusion

Overall, we found that UT Dallas generally complies with federal regulations governing the Pell Grant program. Implementation of the above recommendation will help improve compliance by ensuring that agreements for study abroad students are being retained.

We appreciate the courtesy and cooperation received from the management and staff in Financial Aid and Education Abroad during this audit.



Appendix: Definition of Risks

Risk Level	Definition
Priority	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Management Review Committee (ACMRC). Priority findings reported to the ACMRC are defined as <i>“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.”</i>
High	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
Medium	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.