

**UTSouthwestern**  
Medical Center

**Student Financial Services Audit**

**Internal Audit Report 17:04**

**December 21, 2017**

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## Executive Summary

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### **Background**

At UT Southwestern, the process of student charges and payments are facilitated by three offices: the Office of Enrollment Services, the Office of Student Financial Aid, and Accounting & Fiscal Services. Historically, the functions of OES and SFA reported to a single individual who recently left the university after more than 20 years. In October 2016 and January 2017, respectively, a new Director of Enrollment Services and a new Director of Student Financial Aid (SFA) were hired.

SFA administers Federal, State and institutional aid in the form of scholarships, grants and loans for students enrolled in the Medical School, Graduate School of Biomedical Sciences, and the School of Health Professions. SFA reports to the Vice President and Chief Operating Officer for Academic Affairs and the staffing consists of the Director, Associate Director, two Financial Aid Advisors, Financial Aid Officer, and an Administrative Assistant.

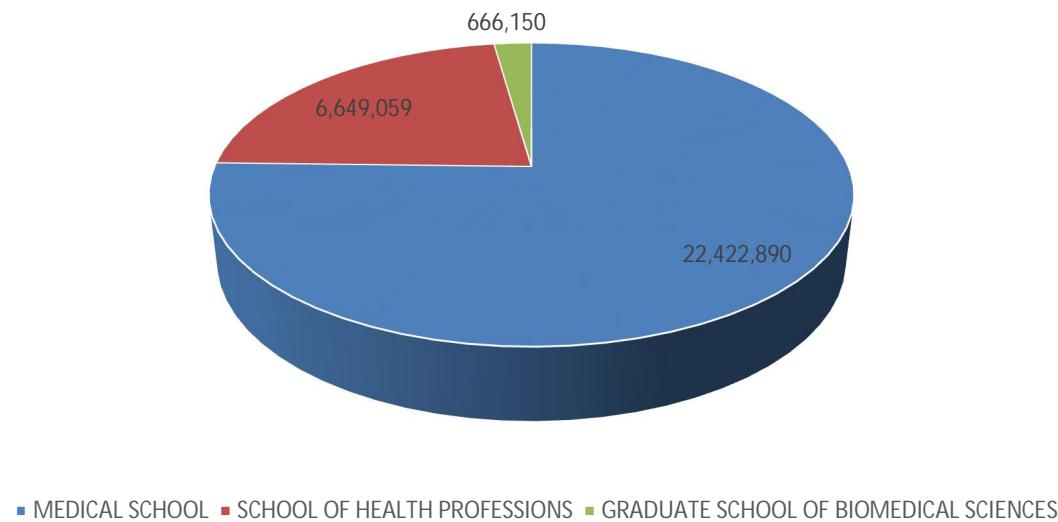
Approximately \$29 million in financial aid was awarded to 1,008 students enrolled in the three Schools for the 2017 academic year as illustrated in the chart below. Guaranteed student loans accounted for over 84% of award total. Appendix C provides a further breakdown of the types of financial aid, eligible and actual recipients by school.

Accounting and Fiscal Services provides the student accounting function for the institution, maintaining student tuition and fee accounts and processing the delivery of excess funds in student accounts.

## Executive Summary

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Student Financial Aid Accepted by School - Aid Year 2017



Students must annually apply for financial aid by submitting the Free Application for Federal Student Aid (FAFSA) to determine if they meet qualifications for financial aid. Financial aid considerations are made when students are admitted to the respective schools or enrolled in good standing and showing satisfactory academic progress.

SFA receives Federal financial aid funds via EFT transactions to UT Southwestern. The PeopleSoft Campus Solutions system is used to process transactions and administer financial aid across the Schools and the PeopleSoft Financials Accounts Payable system is used to process payments to student accounts. Please refer to Appendix B for the "Student Financial Aid Process Map".

### **Scope and Objectives**

The Office of Internal Audit has completed its Financial Aid audit. This was a risk based audit and part of the fiscal year 2017 Audit Plan. The overall objective of the audit engagement was to assess financial aid processes and controls across the institution, including evaluation to determine:

- Timely, accurate and complete awarding of student financial aid;
- Processes and controls are in place to support key Financial Aid Office objectives, including scholarships, grants and federal and institutional student loans for the Medical School, Graduate School of Biomedical Sciences, and the School of Health Professions;
- Effectiveness and accuracy of external reporting;
- Compliance with institutional policies, federal and state requirements; and
- Adequacy of system controls, including user access, approval workflow and segregation of duties.

The scope period included Financial Aid Year 2017, which includes enrollment for the summer 2016, fall 2016 and spring 2017 semesters. The audit further covered inherent institutional risks impacting student services.

## **Executive Summary**

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We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

### **Conclusion**

The Financial Aid Office is providing quality guidance and counseling to students in assessing their financial needs and available aid sources.

Opportunities for improvement were identified at the institutional levels, specifically, roles and responsibilities among the key student services functions – Office of Enrollment Services, Student Financial Aid and Cash Management – are not segregated to protect against the risk of loss of funds (i.e. conflicting Cash Management functions) or to detect errors in vital student information (i.e. review and approval of edits to student account activities). This was attributed to the previous leader responsible for both Enrollment Services and Student Financial Aid, which is now reorganized into two independent functions. Additionally, the unofficial Bursar's role currently performed by Cash Management is undergoing assessment to improve functionality, student communication and services. Campus Solutions system security access requires updates to ensure appropriate segregation of duties and periodic monitoring is in place to apply only minimum necessary access.

SFA monitoring of key compliance provisions for federal financial aid by the previous leadership was not adequate. The current Director of Financial Aid has identified improvement steps going forward to ensure awards are made only to eligible awardees and conforms to key provisions. Other improvements in oversight and monitoring implemented since the Director of Financial Aid came on board included:

- Review of existing financial aid programs and requirements for compliance and reporting adequacy,
- Review of financial aid sub-ledgers to ensure appropriate account balances,
- Recommendations to discontinue financial aid programs that are deemed no longer applicable,
- Update and conversion of financial aid policies and procedures manual into electronic format.

The following table provides a summary and grouping of the Institutional and Financial Aid observations noted, along with the respective disposition of these observations within the Medical Center Internal Audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (2)	Medium (4)	Low (1)	Total (7)
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### **Institutional Observations**

 **#1 Establish Segregation of Duties for Student Services Functions** – Student services functions are not clearly defined among Enrollment Services, Student Financial Aid and Student Accounting to protect against the risk of loss of funds or detect errors in vital student information.

## Executive Summary

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- **#2 Align System Access For Appropriate Segregation of Duties and Establish Periodic System Access Monitoring** – Access to student services functions in the PeopleSoft Campus Solutions system does not allow for appropriate segregation of duties and a process to periodically monitor access is not in place, which increases risk of unauthorized transactions.
- **#3 Improve Reconciliation Between PeopleSoft Financials and Campus Solutions Modules** – Incomplete reconciliation of disbursement transactions between PeopleSoft Financials and Campus Solutions resulted in duplicate payments of credit balances to students.
- **#4 Assess Student Fees Structure** – The method by which fees are assessed to students does not ensure proportional funding to the Schools in which the student is enrolled.

### Student Financial Aid Observations

- **#5 Improve Loan Monitoring Timeliness** – Inactive loan sub ledger accounts have not been routinely monitored to ensure borrowing criteria is met and funds are promptly refunded if criteria is not met. This has resulted in the accumulation of three million dollars in funds and the assessment of penalties.
- **#6 Safeguard Student Award Checks** – Scholarship checks are received and remain in the custody of the Financial Aid office for an extended period of time until pickup from students, increasing the risk of lost or stolen checks.

Management has plans to address the issues identified in the report and in some cases has already implemented corrective actions. These responses, along with additional details for the key improvement opportunities listed above and other low risk observations are listed in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

We would like to take the opportunity to thank the departments and individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,

Valla F. Wilson, Associate Vice President for Internal Audit, Chief Audit Executive

## **Executive Summary**

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**Audit Team:**

Sunna Farooq, Internal Auditor  
Lori Muncy, Senior Internal Auditor  
Gabriel Samuel, Senior IT Auditor  
Van Nguyen, Supervisor of Internal Audit  
Jeffrey Kromer, Director, IT & Specialty Audit Services  
Melinda Lokey, Director of Internal Audit

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Joshua Spencer, Associate Vice President and Chief Information Security Officer  
Thomas Spencer, Assistant Vice President, Information Resources Operations and Compliance  
Shannon Williams, Director, Enrollment Services

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating:</b> High <span style="color: orange;">n</span></p> <p><b>1. Establish Segregation of Duties for Student Services Functions</b></p> <p>Student services functions are not clearly defined among Enrollment Services, Student Financial Aid and Student Accounting due to the previous Registrar performing dual roles. Changes have been made over the past year to enhance functional independence, however, conflicting duties were identified as follows:</p> <ul style="list-style-type: none"> <li>• Office of Enrollment Services is responsible for managing student records and also performs key Student Accounting activities such as applying tuition waivers and authorizing payments to students.</li> <li>• Cash Management is responsible for portions of the Student Accounting function, such as billing tuition and fees, disbursing financial aid funds approved by the Office of Student Financial Aid, collecting student payments, and maintaining student accounting records. Cash Management also controls incoming and outgoing wire transactions for the Medical Center.</li> </ul>	<ol style="list-style-type: none"> <li>1. Establish optimal state of student services. Perform a comprehensive assessment of student services functions to ensure appropriate alignment of duties and responsibilities, enhanced student support and communication.</li> <li>2. Implement plan to separate key functions between Enrollment Services, Student Financial Aid and Student Accounting (formerly Cash Management).</li> <li>3. Update system security access based on assessment and implementation of plan to update roles and responsibilities.</li> </ol>	<p><b>Management Action Plans:</b></p> <ol style="list-style-type: none"> <li>1. Assessment of key responsibilities has been defined for each of the three groups. A sample of highlights include:           <ol style="list-style-type: none"> <li>A. Accounting and Fiscal Services is creating a Student Accounting function that will be separate from Cash Management and will include a customer service function to address student inquiries regarding account balances.</li> <li>B. Office of Enrollment Services will evaluate requests for tuition and fee waivers in coordination with Student Financial Aid and once approved will send to Student Accounting for processing.</li> <li>C. Requests for Leave of Absence will be initiated by the Schools, provided to Student Financial Aid for student counseling of impact and then sent to Enrollment Services for processing within the system.</li> </ol> </li> </ol>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<ul style="list-style-type: none"> <li>· The Office of Student Financial Aid performs student account review and addresses student inquiries, functions typically performed by Student Accounting.</li> <li>· System security access for all three functions is greater than minimum necessary and does not allow for adequate segregation of duties.</li> </ul> <p>Inadequate segregation of duties for key processes increases the risk of errors in vital student information or loss of funds and increases the risk of non-compliance with the Higher Education Act of 1965, title IV<sup>1</sup>.</p> <p><sup>1</sup> Higher Education Act of 1965, Title IV      34 CFR part 668 (Federal Student Aid Office, Department of Education): <i>To participate in federally funded student financial aid programs, a school must be able to demonstrate that adequate checks and balances are in place. A school's internal control system should, at a minimum, include:</i></p> <ul style="list-style-type: none"> <li>a) separating the functions of authorizing and awarding FSA aid and disbursing FSA program funds</li> <li>b) tracking trial balances to determine accounts are in balance</li> <li>c) reconciling cash between ledger balance and bank balance</li> <li>d) reconciling federal funds to ensure drawn down are disbursed or returned within the allowed time frames</li> <li>e) maintaining adequate electronic data processing (EDP) controls</li> </ul>		<p><b>Action Plan Owners:</b></p> <p>Vice President and Chief Operating Officer for Academic Affairs</p> <p>Senior Associate Dean, Academic Administration</p> <p>Assistant Vice President, Accounting &amp; Financial Reporting</p> <p><b>Target Completion Date:</b></p> <p>Completed</p> <p><b>Management Action Plans:</b></p> <p>2. Implement plan to separate key functions:</p> <ol style="list-style-type: none"> <li>A. Next step is to assign responsible parties for key responsibilities within each area.</li> <li>B. Develop/update operating procedures for key responsibilities.</li> </ol>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><b>Action Plan Owners:</b></p> <p>Vice President and Chief Operating Officer for Academic Affairs</p> <p>Senior Associate Dean, Academic Administration</p> <p>Assistant Vice President, Accounting &amp; Financial Reporting</p> <p><b>Target Completion Date:</b></p> <p>January 31, 2018</p> <p><b>Management Action Plans:</b></p> <p>3. Update system access permissions based on key responsibilities and assigned responsible parties.</p> <p><b>Action Plan Owners:</b></p> <p>Assistant Vice President, Academic Information Systems</p> <p><b>Target Completion Date:</b></p> <p>April 30, 2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating:</b> High <span style="color: orange;">n</span></p> <p><b>2. Align System Access For Appropriate Segregation of Duties and Establish Periodic System Access Monitoring</b></p> <p>Access to student services functions in the PeopleSoft Campus Solutions system does not provide appropriate segregation of duties. Additionally, a process to periodically monitor access is not in place. These situations present a risk of unauthorized access, which may lead to inappropriate transactions or misappropriation of funds.</p> <ul style="list-style-type: none"> <li>• The Director of Financial Aid has editor access in Student Financials module to key functions when only read access is required.</li> <li>• Update access to Financial Aid menus are granted to users in several departments outside SFA, including Student Accounting and Enrollment Services, when only read access is required.</li> </ul>	<ol style="list-style-type: none"> <li>1. Coordinate with Information Resources to ensure that elevated access granted to the Student Financial menus is reduced to view only access where appropriate.</li> <li>2. Review the access granted to the departments for appropriateness and consider reducing access to read only. Where more than read access is needed, a business justification should be provided.</li> <li>3. Submit termination transaction for contractor and periodically review nonemployee access to ensure prompt deactivation of access when no longer needed.</li> <li>4. Going forward, implement procedures to periodically review access for all Financial Aid users.</li> </ol>	<p><b>Management Action Plans:</b></p> <ol style="list-style-type: none"> <li>1. We have identified all Financial Aid menus to which access for the Director of Financial Aid can be reduced to view only and will coordinate with Information Resources to implement those changes.</li> </ol> <p><b>Action Plan Owners:</b></p> <p>Director, Office of Student Financial Aid Assistant Vice President, Academic Information Systems</p> <p><b>Target Completion Date:</b></p> <p>January 31, 2018</p> <p><b>Management Action Plans:</b></p> <ol style="list-style-type: none"> <li>2. We have identified all Financial Aid menus to which access for other department users can be reduced and will coordinate with Information Resources to implement those changes.</li> </ol> <p><b>Action Plan Owners:</b></p> <p>Director, Office of Student Financial Aid Assistant Vice President, Academic Information Systems</p> <p><b>Target Completion Date:</b></p> <p>January 31, 2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<ul style="list-style-type: none"> <li>• A contractor maintained access but had taken family leave in May 2017 and did not return to the contract firm. This was not timely detected due to the following control breakdowns:           <ul style="list-style-type: none"> <li>• HR monitoring reports to verify the active status were not routed to the appropriate SFA management supervising their work due to incorrect designation of their supervisor in the HCM system.</li> <li>• The contractor's job record in HCM did not have an expected end date after which their access would be automatically removed as required by policy <i>ISR-111 System Access Management</i>.</li> </ul> </li> </ul>	<p>5. Coordinate with HR, Business Administrative Systems and Information Security to evaluate options to improve policies and procedures for establishing and monitoring non-employee access including: (1) ensuring their "Reports To" manager is designated as their direct supervisor in the department where they are performing services whenever possible, and (2) ensuring job records in HCM include an expected end date no longer than one year in the future as required by policy <i>ISR-111 System Access Management</i>.</p>	<p><b>Management Action Plans:</b></p> <p>3. Termination transaction was submitted for the contract employee as of December 1, 2017. HR Active Employee Listing reports will be monitored monthly.</p> <p><b>Action Plan Owners:</b></p> <p>Director, Office of Student Financial Aid Assistant Vice President, Academic Information Systems</p> <p><b>Target Completion Date:</b></p> <p>Completed</p> <p><b>Management Action Plans:</b></p> <p>4. Going forward, we will coordinate with Information Resources to annually review Financial Aid access.</p> <p><b>Action Plan Owners:</b></p> <p>Director, Office of Student Financial Aid Assistant Vice President, Academic Information Systems</p> <p><b>Target Completion Date:</b></p> <p>August 31, 2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><b>Management Action Plans:</b></p> <p>5. Representatives from HR, Business Administrative Systems and Information Security will evaluate options, formulate a plan and implement identified improvements to policies and procedures for establishing and monitoring non-employees. A plan will be finalized by January 31, 2018. Actions not requiring IR resources will be completed by March 31, 2018. Other actions requiring IR resources to be completed by December 31, 2018.</p> <p><b>Action Plan Owners:</b></p> <p>Assistant Vice President, Compensation, Employee Benefits and HR Information Systems</p> <p>Assistant Vice President, Business Administrative Systems</p> <p>Associate Vice President and Chief Information Security Officer</p> <p><b>Target Completion Date:</b></p> <p>January 31, 2018 – develop plan</p> <p>March 31, 2018 - Actions not requiring IR resources</p> <p>December 31, 2018 - actions requiring IR resources</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating:</b> Medium <span style="color: yellow;">n</span></p> <p><b>3. Improve Reconciliation Between PeopleSoft Financials and Campus Solutions</b></p> <p>Duplicate student credit balance payments were made due to incorrect student direct deposit bank routing numbers within the student's academic profile. These errors were not detected in a timely manner due to the lack of timely reconciliation between the PeopleSoft Financials (PS) and Campus Solutions (CS) systems. Currently this reconciliation is performed annually.</p> <p>Three reissued financial aid disbursements to students totaling \$34k were erroneously duplicated due to the original payment transactions not properly voided or reversed before the reissued transactions were processed.</p> <p>Lack of timely reconciliation between these modules can increase the risk of inaccurate or unauthorized transactions.</p>	<ol style="list-style-type: none"> <li>1. Notify the two students receiving duplicate ACH payments for reimbursement or repayment plan. Coordinate with Accounts Payable to cancel the outstanding check.</li> <li>2. Implement additional requirements for reconciling PS payment vouchers and procedures for resolving exceptions (i.e. require reconciling PS Financials and Campus Solutions for a returned ACH before reprocessing). Coordinate with IR Administrative Systems and Academic Information Systems to enhance reconciliation controls and identify possible enhancements to system controls.</li> </ol>	<p><b>Management Action Plans:</b></p> <ol style="list-style-type: none"> <li>1. One of the duplicated ACH payments was collected in December when the second half of the student's financial aid became available. The second student has confirmed the error and will reimburse. Accounting and Fiscal Services (A&amp;FS) has fully canceled the outstanding check in the third case.</li> <li>2. A&amp;FS is coordinating with IR Administrative Systems and Administrative Information Systems to ensure the error doesn't happen again. We have determined the following controls will be or have been put in place to reduce the risk of this occurring again:             <ol style="list-style-type: none"> <li>A. ACH - If a routing number fails, A&amp;FS will not cancel the payment in CS, and will ask the student to update their information and let the payment clear. A&amp;FS will wait three business days and verify that the payment has been sent to PS. Additionally, the ACH will not be reissued until the cancellation is confirmed. This was implemented as of December 7, 2017.</li> </ol> </li> </ol>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Specific details related to the three payments are as follows:</p> <ul style="list-style-type: none"> <li>· Two of the payments were direct deposit (ACH) payments that were held in suspense in Campus Solutions and not posted in PS due to an incorrect bank routing number. When the student corrected their bank routing number in CS, the original transaction processed for payment in PS.</li> <li>· One of the duplicated payments, a paper check, was not properly canceled. The check cancellation process is a manual process using a paper form. In this case, the paper form was never received in Accounts Payable. Cash Management properly defaced the paper check with the Void stamp and the student did not receive the duplicated payment.</li> </ul>		<p>B. Cancellation of payments – The process for canceling checks now goes through ServiceNow to ensure forms are not lost. This process was implemented in May 2017. We will also add ACH cancellations to that process and this was implemented by December 7, 2017.</p> <p>C. For all types of payments – The PS support team will create a query to allow for better reconciliation between the systems. A&amp;FS will increase the reconciliation of the two systems to monthly to catch differences timely. Will begin reconciling with the December 2017 close.</p> <p>D. Academic Information Systems (AIS) will turn off internal routing number validation in PS/CS to allow the CashPro banking system to provide an error message. This is the same process as a broken account number and is more robust than current processes. Error messages should be received in two business days. AIS will implement by February 28, 2018.</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><b>Action Plan Owners:</b></p> <p>Assistant Vice President Office of Accounting and Fiscal Services</p> <p>Assistant Vice President, Administrative Systems</p> <p>Assistant Vice President, Academic Information Systems</p> <p><b>Target Completion Date:</b></p> <p>1. Completed</p> <p>2A. Completed</p> <p>2B. Completed</p> <p>2C. January 31, 2018</p> <p>2D. February 28, 2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating:</b> Medium <span style="color: yellow;">n</span></p> <p><b>4. Assess Student Services Fee Structure</b></p> <p>The student fee structure is not aligned with the benefits applied to the respective Schools and degree programs.</p> <p>There is a surplus of approximately \$3.1 million in several sub ledger accounts, as follows:</p> <ul style="list-style-type: none"> <li>The Bryan Williams Student Center operations sub ledger has a credit balance of \$2.8 million from student services fees contributed by all three schools. Two-thirds of this amount is held in reserve for general and capital needs use.</li> <li>The Student Center Discount Fund carries a credit balance of \$300k that appears to be inactive.</li> <li>The Central Accounting Office sub ledgers have combined credit balances of \$40k from annual lab fees assessed to medical students and other school students.</li> </ul> <p>In addition, the student microscope fee requires review as technological advancements and migration to digital images has reduced the need for traditional microscopes. Students are currently assessed a microscope fee ranging from \$75 per school term to \$150 per year based on the students' degree program and program year.</p>	<p>Finalize and implement plan with input from the Student Leadership Council to incorporate the following options:</p> <ul style="list-style-type: none"> <li>Allocate surplus funds to the respective schools</li> <li>Sponsor campus activities to benefit students</li> <li>Upgrade current amenities or introduce additional student amenities.</li> </ul>	<p><b>Management Action Plans:</b> The Provost's Office has commenced an analysis of student fee accounts to review options for returning a portion of the balance to the students via sponsored student activities, amenities or lower assessed fees.</p> <p><b>Action Plan Owner:</b> Vice President and Chief Operating Officer for Academic Affairs Director of Operations &amp; Analytics, Academic Affairs</p> <p><b>Target Completion Date:</b> April 30, 2018</p>

## **Detailed Observations and Action Plans Matrix**

Observation	Recommendation	Management Response
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## **Student Financial Aid Observations**

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating:</b> Medium <span style="color: yellow;">n</span></p> <p><b>5. Improve Loan Monitoring Timeliness</b></p> <p>Financial aid funds intended for student assistance were not adequately monitored to ensure required borrowing criteria were met. These funds were allowed to accumulate over time, which the current aggregate balance of \$3.7 million is subject to federal government assessed penalties and required refunding to the funding source. To avoid future penalties, the university must exit the program and return funds to the funding source.</p> <ul style="list-style-type: none"> <li>The federal Department of Health and Human Services (DHHS) Student Financial Aid Primary Care Loan program is not active but carries a balance of \$3 million because UTSW has not met loan criteria of attaining primary care commitment of 50% or more by enrolled medical students. The penalty assessed in 2017 was \$80k.</li> <li>The DHHS Health Professions Student Loan Fund with a balance of \$686K has been in an inactive status since 1992 and should be returned to the lender.</li> <li>The Texas Public Education Grants (TPEG funds) has a credit balance of \$877k while the Student Emergency Loan Fund has a debit balance of \$791k (net balance of \$86k combined) requiring reconciliation.</li> </ul>	<ol style="list-style-type: none"> <li>Obtain approval from Dean and Provost Office to exit the loan programs.</li> <li>Update account reconciliation and monitoring procedures to include periodic quality review of loan programs with high balances or fluctuation.</li> <li>Close out sub ledger accounts and ensure balances are zero once repayments have been processed.</li> <li>Going forward, implement monitoring procedures to ensure compliance with key lender provisions prior to accepting funds.</li> </ol>	<p><b>Management Action Plans:</b></p> <ol style="list-style-type: none"> <li>The University is seeking exit from the DHHS program and has received the Final Liability letter detailing the required payment to exit the program. This is currently in review for approval to pay the liability.</li> <li>We are coordinating with the Provost's Office to address the remaining TPEG and Student Emergency Loan sub ledger balances.</li> <li>-4. We will implement reconciliation and monitoring procedures to ensure compliance with key lender provisions going forward.</li> </ol> <p><b>Action Plan Owner:</b> Director, Office of Student Financial Aid</p> <p><b>Target Completion Date:</b></p> <ol style="list-style-type: none"> <li>Completed</li> <li>- 4. March 31, 2018</li> </ol>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating:</b> Medium <span style="color: yellow;">n</span></p> <p><b>6. Safeguard Student Award Checks</b></p> <p>Scholarship checks issued by the Southwestern Medical Foundation are made payable to student recipients and are mailed to the Financial Aid Office for distribution, which has been a standard practice. These checks are in the custody of the Financial Aid office for an extended period of time until they are picked up by the student, increasing the risk of lost or stolen checks as well as institutional exposure to undesirable publicity.</p> <p>Southwestern Medical Foundation scholarship checks totaling \$207k were awarded to 173 students during Financial Aid Year 2017.</p> <p>Maintaining hard copy checks for an extended period of time increases the risk of lost or stolen checks.</p>	<p>Coordinate with the Office of Endowment to mail scholarship checks directly to student recipients.</p>	<p><b><u>Management Action Plan:</u></b> The Office of Student Financial Aid will coordinate with the Endowment office to ensure scholarship checks are mailed directly to the student recipients.</p> <p><b><u>Action Plan Owner:</u></b> Director, Office of Student Financial Aid</p> <p><b><u>Target Completion Date:</u></b> May 31, 2018</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating:</b> Low <span style="color: green;">n</span></p> <p><b>7. Ensure Compliant Financial Aid Awards</b></p> <p>Two forms of financial aid awarded in school year 2016-2017 did not meet qualification requirements:</p> <ul style="list-style-type: none"> <li>Students enrolled in the School of Health Professions Radiation Therapy Certificate program have been receiving federal financial aid and required reporting is not in place for the loan program. Title IV rules require institutions to publish consumer information required for gaining employment to qualify. This affects five of eight students enrolled for 2016-2017 for a total of \$123k.</li> <li>The Diversity Initiative Scholarship program is not consistent with the federal non-discrimination statute. These awards totaled \$20k to Graduate School of Biomedical Sciences and School of Health Professions students in 2016-2017. The Student Financial Aid Office is recommending discontinuation of this form of scholarship.</li> </ul> <p>Awarding scholarships that are not in compliance with key provisions results in penalties.</p>	<ol style="list-style-type: none"> <li>Implement recommendations approved by the Provost's Office to wind down these programs, including payment of penalties and fees assessed.</li> <li>Develop recommendation for applicable external communication/reporting (i.e. Fiscal Operations Report and Application to Participate or FISAP).</li> </ol>	<p><b>Management Action Plans:</b></p> <p>1A. The Provost Office has agreed to grandfather the Radiation Therapy Certificate Program students for the upcoming year with financial aid and then cease awarding aid to students in this program completely. No new Radiation Therapy (RT) students will be awarded financial aid for 2017-2018 and beyond.</p> <p>1B. The Student Financial Aid Office has recommended the discontinuation of the Diversity Initiative Scholarship program beginning with school year 2017-2018.</p> <p><b>Action Plan Owner:</b> Vice President and Chief Operating Officer for Academic Affairs Director, Student Financial Aid</p> <p><b>Target Completion Date:</b> 1A. Completed 1B. March 31, 2018</p> <p><b>Management Action Plans</b></p> <p>2. Management agrees and will complete required FISAP reporting.</p> <p><b>Action Plan Owner:</b> Director, Office of Student Financial Aid</p> <p><b>Target Completion Date:</b> October 1, 2018</p>

## Appendix A – Risk Classifications and Definitions

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As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

<b>Risk Definition-</b> The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	Degree of Risk and Priority of Action	
	Priority	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
	Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions.

It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

## Appendix B – Student Financial Aid Process Map

