UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

FINANCIAL AID
NON-TITLE IV

REPORT NO. AR2018-12

UNIVERSITY OF HOUSTON SYSTEM
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MEMORANDUM

TO: Mr. Roger F. Welder
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: February 20, 2018

SUBJ: Internal Audit Report – UHS Financial Aid, Non-Title IV

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston System. This report is summarized as follows:

Executive Summary:

The Internal Auditing Department conducted a review of various Non-Title IV financial aid programs at the University of Houston System Universities. Our primary objective of this review was to determine whether there are adequate internal controls to help ensure compliance with University policies and State regulations for administering financial aid programs for the Toward Excellence, Access and Success Grant Program; Competitive Scholarship Waiver; Teaching Assistant/Research Assistant Waiver; Hazlewood Act Exemption; and Texas Public Education Grant. In our opinion, the University of Houston System Universities have adequate internal controls to help ensure that the financial aid programs are administered in compliance with University policies and State regulations. Although we noted no matters that we considered to be significant risk exposures and control issues, we did note opportunities for improvement relating to compliance with eligibility requirements. Management is in the process of addressing the opportunities for improvement.

This audit report is scheduled to be included in the agenda materials for the March 8, 2018, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON SYSTEM
FINANCIAL AID, NON-TITLE IV

BACKGROUND:

We performed a review of five Non-Title IV financial aid programs administered at the University of Houston System Universities. These programs included the Toward Excellence, Access and Success (TEXAS) Grant Program; Competitive Scholarship Waiver; Teaching Assistant/Research Assistant (TA/RA) Waiver; Hazlewood Act Exemption; and the Texas Public Education Grant (TPEG). Below is a table representing the amount of financial aid disbursed for each program in FY 2017.

PROGRAM	UH	UHCL	UHD	UHV	TOTAL
TEXAS GRANT	$21,754,577	$1,926,036	$6,885,192	$1,623,078	$32,188,883
COMPETITIVE SCHOLARSHIP WAIVER	$16,559,775	$3,105,515	$367,254	$415,344	$20,447,888
TA/RA WAIVER	$14,236,738	$869,058	N/A	$90,576	$15,196,372
HAZLEWOOD EXEMPTION	$9,269,730	$1,624,889	$1,862,539	$760,367	$13,517,526
TPEG	$5,695,782	$1,049,284	$2,101,132	$601,986	$9,448,184
TOTAL	**$67,516,602**	**$8,574,782**	**$11,216,117**	**$3,491,351**	**$90,798,853**

OBJECTIVE:

The objective of our review was to determine whether there are adequate internal controls to help ensure compliance with University policies and State regulations for administering financial aid programs for the Toward Excellence, Access and Success Grant Program; Competitive Scholarship Waiver; Teaching Assistant/Research Assistant Waiver; Hazlewood Act Exemption; and Texas Public Education Grant.

SCOPE OF WORK:

We interviewed key personnel responsible for administering financial aid, reviewed policies and procedures, reviewed applicable statutes and regulations, and performed other audit procedures, as appropriate.

The TEXAS Grant Program was not included in the scope of the review at UH because the Texas Higher Education Coordinating Board will be performing a review of the program during FY 2018.

CONCLUSION:

In our opinion, the University of Houston System Universities have adequate internal controls to help ensure that the financial aid programs are administered in compliance with University policies and State regulations. Although we noted no matters that we considered to be significant risk exposures and control issues, we did note opportunities for improvement relating to compliance with eligibility requirements. Management is in the process of addressing the opportunities for improvement.

Appendix A lists the areas where there are opportunities for improvement, and recommendations that will enhance the control environment in these areas, and management's responses.

Don F. Guyton
Chief Audit Executive
January 25, 2018

APPENDIX A

OPPORTUNITIES FOR IMPROVEMENT

Teaching or Research Assistant Waiver

According to the Texas Education Code Section 54.212, a teaching or research assistant (TA/RA) and their spouse and children are entitled to have non-resident tuition waived, and pay tuition and other fees or charges required for Texas residents if the assistant is employed at least 0.5 FTE in a teaching or research assistant position, which relates to the student's degree program. During our review of TA/RA waiver recipients for eligibility, we noted the following instances of non-compliance:

- UHCL:
  - A student was employed less than 0.5 FTE during the Spring and Summer 2017 semesters.
  - The spouse of a student who received the waiver was not employed as a teaching or research assistant during the Spring and Summer 2017 semesters. Instead the spouse was employed full-time as a Post Doctoral Fellow at UH.

- UHV:
  - A student was employed less than 0.5 FTE during the Fall 2016 and Spring 2017 semesters.
  - Two students were not employed during the Summer 2017 semester.

UHCL and UHV do not have adequate policies and procedures to help ensure the students are employed at least 0.5 FTE in a TA/RA position relating to the student's degree program. UH verifies that students are employed on or before the official census date and employed through the last official class day of the respective term.

Recommendation (UHCL): The Financial Aid department should develop procedures to help ensure student's employment and eligibility in accordance with the TA/RA waiver requirements.

Management's Response (UHCL): Financial Aid will coordinate with the Office of Human Resources to develop procedures to verify that the students being submitted by the Business Coordinators in the colleges are eligible for the waiver. Financial Aid will develop procedures to ensure that spouses are eligible for the waiver per Texas Education Code 54.212. This will be completed by June 1, 2018.

Recommendation (UHV): The Financial Aid department should develop procedures to help ensure student's employment in accordance with the TA/RA waiver requirements.

Management's Response (UHV): The Office of the Provost is updating the policy and procedures for the TA/RA waivers located in the *Dean's Manual*. The revised procedures will

include a definition of teaching/research assistantships, including appropriate tasks and workloads to qualify for the waiver and a policy for monitoring workloads. The *Dean's Manual* will be updated by April 1, 2018.

Competitive Scholarship Waiver

According to the Texas Education Code Section 54.213 and the Texas Administrative Code Rule 21.2263, the competitive scholarship waiver allows non-resident students who have been awarded a competitive scholarship of at least $1,000 to pay the resident tuition rate. Additionally, competitive scholarships must be awarded by a scholarship committee that is authorized in writing by the institution's administration to grant competitive scholarships for the purpose of the waiver, and the scholarship must be open to both Texas residents and non-residents. During our review of competitive scholarship waiver recipients for eligibility, we noted the following instances of non-compliance:

- UHD:
  - An institutional scholarship committee has not been established.
  - A complete listing of competitive scholarships was not maintained.
  - There were five scholarships that were identified as competitive and eligible for the waiver; however, a determination has not been made whether other scholarships are eligible for the competitive scholarship waiver.

- UHV:
  - A scholarship committee was established, but was not authorized in writing.
  - A student who was awarded the International Merit Scholarship was granted the competitive scholarship waiver; however, this scholarship did not meet the eligibility requirements for the waiver as the scholarship was not open to both Texas residents and non-residents.

Additionally, UH did not have a process in place to verify that students receiving the scholarship waiver either met Selective Service registration requirements or were exempt prior to the award of the waiver. The Texas Administration Code Rule 21.2263 requires that waiver recipients either meet Selective Service registration requirements or are exempt. During the audit, UH provided proof of Selective Service registration or exemption for all students reviewed. Also, UH implemented a checklist to verify registration or exemption from Selective Service during the audit.

Recommendation (UHD): UHD should establish a formal institutional scholarship committee in accordance with the competitive scholarship requirements. The scholarship committee should maintain a listing of competitive scholarships that identifies the waiver eligibility criteria for those scholarships to help ensure all students who receive a competitive scholarship and meet the criteria are awarded the waiver.

Management's Response (UHD): UHD has an established General Scholarship Committee appointed by the administration. The charge of the committee, however, will be expanded to include:

1. Reviewing and approving a complete listing of all UHD scholarships.
2. Determining which scholarships meet requirements to be identified as a competitive scholarship for waiver purposes.
3. Sending a formal letter to all departments identifying all competitive scholarships and waiver criteria for those scholarships.
4. Reviewing annually the scholarship listing for proper maintenance.

This action will be completed by March 1, 2018.

Recommendation (UHV): UHV should retain formal authorization of the scholarship committee in accordance with the competitive scholarship requirements. The scholarship committee should maintain a listing of competitive scholarships that identifies the waiver eligibility criteria for those scholarships to help ensure all students who receive a competitive scholarship and meet the criteria are awarded the waiver.

Management's Response (UHV): We have prepared a memo that establishes the formal authorization of the scholarship committee and developed a listing of competitive scholarships that identifies the waiver eligibility criteria for those scholarships. Additionally, the Scholarship section of the *Financial Aid Manual* has been updated to meet all Competitive Scholarship waiver requirements. The updated manual now includes a process in which we retain formal authorization and maintain a listing of scholarships that meet the eligibility requirements and list the criteria for the awarding of a competitive scholarship in accordance with the competitive scholarship waiver requirements.

Hazlewood Act Exemption

According to the Texas Administrative Code Rule 461.70, the Hazlewood Act provides eligible veterans, spouses, and dependent children a tuition exemption of up to a maximum of 150 semester credit hours. The exemption allows for a spouse of a deceased veteran to waive the right to unused semester credit hours; however, the spouse must provide documentation identifying themselves as the designee to be eligible to transfer the unused semester credit hours to another recipient.

In one instance, documentation confirming that the designee was the spouse of the deceased veteran and had the right to transfer unused credit hours to the legacy recipient was not maintained by UHD. As such, we could not determine if the individual who signed as the designee was the spouse of the deceased veteran, and therefore was eligible to transfer the credit hours to the recipient who received the exemption. According to the Financial Aid Processing Coordinator/Hazlewood Specialist, the mother of the legacy recipient was presumed to be the spouse of the deceased veteran, and proper verification was never obtained.

Recommendation (UHD): The Financial Aid department should implement a process to help ensure the designee has met all eligibility requirements prior to the transfer of unused semester credit hours to another recipient.

Management's Response (UHD): UHD addressed the concern during the audit and updated an existing procedure to ensure all appropriate documentation is received prior to determining eligibility for Hazlewood. The Financial Aid Compliance Officer has implemented a quality assurance measure by reviewing files to ensure all required documentation needed has been received as appropriate.

Toward Excellence, Access and Success (TEXAS) Grant Program

According to the Texas Education Code Subchapter M., the Toward Excellence, Access and Success (TEXAS) Grant Program gives priority consideration to initial year students who have met additional eligibility requirements and have met the state financial aid priority deadline of March 15th.

Policies and procedures at UHD for administering the TEXAS Grant Program indicate that the priority model is used to award grants for initial year students. However, the Financial Aid department does not use the priority model for priority consideration for initial year TEXAS Grant Program recipients because there is usually sufficient funding to award the grant to all eligible students.

Recommendation (UHD): The Financial Aid department should implement a process to help ensure the priority model is utilized in accordance with state regulations and internal policies for initial year TEXAS Grant Program recipients.

Management's Response (UHD): UHD's policy is to utilize the priority model for priority consideration for initial year TEXAS Grant Program recipients. To ensure adequate oversite, UHD will strengthen quality assurance measures for determining eligibility based on priority model. As a result of this cited improvement, the Financial Aid Office will restructure and retrain appropriate staff to ensure proper application of the policy. This action will be completed by May 1, 2018.

University of Houston System
Internal Auditing Department

UHS Financial Aid, Non-Title IV - AR2018-12
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level:	**High** **Medium** **Low**	
June 1, 2018	Billy Satterfield Executive Director Financial Aid/Registrar	Develop procedures to help ensure student's employment and eligibility in accordance with the TA/RA waiver requirements.
April 1, 2018	David Cockrum Interim Provost	Develop procedures to help ensure student's employment in accordance with the TA/RA waiver requirements.
Action Complete	LaTasha Goudeau Director Financial Aid	Establish a formal institutional scholarship committee.
April 1, 2018	LaTasha Goudeau Director Financial Aid	Expand the charge of the General Scholarship committee and maintain a listing of competitive scholarships.
Action Complete	Lashon Williams Director Financial Aid	Retain formal authorization of the scholarship committee and maintain a listing of competitive scholarships.
Action Complete	LaTasha Goudeau Director Financial Aid	Implement a process to help ensure the Hazlewood exemption designee has met all eligibility requirements prior to the transfer of unused semester credit hours to another recipient.
May 1, 2018	LaTasha Goudeau Director Financial Aid	Implement a process to help ensure the priority model is utilized in accordance with state regulations and internal policies for initial year TEXAS Grant Program recipients.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.