



The University of Texas at Brownsville

FY 2015 Audit of Financial Aid – Scholarships

May 5, 2015



OFFICE OF INTERNAL AUDITS

The University of Texas at Brownsville

Norma L. Ramos, CIA, CGAP

Chief Audit Executive

Dr. William R. Fannin, President ad Interim
The University of Texas at Brownsville
One West University Boulevard
Brownsville, Texas 78520

Dear Dr. Fannin:

As part of our Audit Plan for fiscal year 2015, we completed the **FY 2015 Audit of Financial Aid - Scholarships** at The University of Texas at Brownsville. The objective of this audit was:

- To determine if adequate controls exist over processes of awarding scholarships and in compliance with policies and procedures.

Our examination was conducted in accordance with guidelines set forth in The University of Texas System's Policies UTS 129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of internal auditing department. UTS 129 requires that we adhere to the *Standards*.

We appreciate the assistance provided by UTB's management and other personnel. We hope the information and analyses presented in our report are helpful.

Sincerely,

A handwritten signature in cursive script that reads "Norma L. Ramos".

Norma L. Ramos, CIA, CGAP
Director of Internal Audits

cc: *The University of Texas at Brownsville Internal Audit Committee*



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Executive Summary

The 2015 approved audit plan included the Audit of Financial Aid – Scholarship Awards at the University of Texas at Brownsville. Our audit was limited to interviews with departmental employees, and review of departmental records.

The audit objective was to determine if adequate controls exist over the administration of scholarships to comply with the university policies and procedures. To meet this objective, we focused on whether students who received the scholarships were eligible, if the appropriate award amount was given, if the determining factors for each award were considered and documented.

Based on the procedures performed, Internal Audits observed the following control weaknesses:

- ✓ Two endowment scholarships totaling \$1,843.33 were awarded to ineligible students,
- ✓ One endowment scholarship was over awarded by \$471.89,
- ✓ One grant scholarship of \$4,555 exceeded the grant scholarship budget authorized by the grantor,
- ✓ Financial Aid processed scholarship awards without Authorizing Official sign-offs on the official Master Listing which serves as the official notification to award scholarships.

We concluded that internal controls over the administration of scholarships to comply with the university policies and procedures needed to be strengthened.

During audit fieldwork, Financial Aid implemented processes to help strengthen the current internal controls to provide reasonable assurance that the University is operating in compliance with applicable policies, laws, and procedures.



Background Information

The University of Texas at Brownsville's approved audit plan for FY 2015 includes the FY 2014 Carry-forward Audit of Financial Aid- Scholarship Awards. The purpose of the Office of Student Financial Aid is to provide students and their parents information regarding federal, state, institutional and other sources of financial aid. The Office of Student Financial Assistance serves as the administrator for these varied funds, which involves personnel in diverse activities such as consumer awareness and application services, program awarding, certification and eligibility monitoring, fund requests, reconciliation and reporting, and continuing with post-attendance services dealing with default prevention and management.

The Financial Aid Office is staffed by a director, associate director, five financial aid advisors, two coordinators, and a system analyst. Financial Aid hired a scholarship coordinator in January 2014 to work exclusively on the administration of scholarships. The Office of Financial Aid went from 19 FTEs in FY 2013 to 8 FTEs in FY 2014, a decrease of 58% in personnel due to the separation between The University of Texas at Brownsville and Texas Southmost College as well as unexpected vacancies. By the beginning of FY 2015, two additional employees were hired for a total of 10 FTEs.

The Financial Aid Office awarded over \$63,937,138 to 7,294 students in all programs including Federal and State Programs as well as scholarships, waivers, and other programs.

Scholarships at the University of Texas at Brownsville (UTB) are made available to students each semester through donations. These gifts are from corporations, businesses, community organizations, individual donors and the university itself. There are five main types of scholarships including:

- UTB general scholarships
- Departmental scholarships
- Miscellaneous scholarships
- Private scholarships
- State programs

Audit Objectives

The audit objective was to determine if adequate controls exist over the administration of scholarships to comply with the university policies and procedures. To meet this objective, we focused on whether students who received the scholarships were eligible, if the appropriate award amount was given, if the determining factors for each award were considered and documented.



FY 2015 Audit of Financial Aid – Scholarship Awards

Our audit did not include a review of Pell grants or other federal financial programs as the Texas State Auditor’s Office covers these areas as part of their A-133 Federal Single Audit for the State of Texas.

Scope of Work

The nature and extent of our audit tests were as follows:

- We reviewed applicable policies and procedures, laws and regulations.
- We reviewed scholarship agreements
- We administered an internal control questionnaire
- We interviewed key personnel.

Our examination was conducted in accordance with guidelines set forth in The University of Texas System’s Policies UTS 129 and the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of internal auditing department. UTS 129 requires that we adhere to the *Standards*.

Audit Results

The scope of this audit included scholarship awards for the period of September 11, 2013 through August 31, 2014.

The number of students and amount awarded from September 1, 2013 through August 31, 2014 included below.

Student Classification	# of awarded Scholarships	\$ Awarded
Undergraduate	1,161	\$3,597,451.97
Graduate	389	\$706,967.82
Continuing Education	1	\$900.00

Total **\$3,598,351.97**

Source: Information provided by Financial Aid Office.



FY 2015 Audit of Financial Aid – Scholarship Awards

We tested a sample of 30 out of 4,238 scholarship awards including waivers for a total of \$92,251.95. We focused on whether students who received the scholarships were eligible, if the appropriate award amount was given, if the determining factors for each award were considered and documented, and if the eligibility information was maintained in accordance with UTB policy.

Type of Scholarship	Sample Size	Total Amount
Endowments	7	\$ 15,824.21
Grants	6	\$ 17,867.18
Outside Scholarships	4	\$ 6,875.00
State	4	\$ 10,960.08
University	7	\$ 38,790.83
Waivers	2	\$ 1,934.65
Total	30	\$ 92,251.95

Observations:

Internal Audits identified the following observations:

- Two endowment scholarships totaling \$1,843.33 were awarded to ineligible students who did not meet the terms of the endowment agreements. The endowment scholarships were awarded by the Financial Aid Office based on instruction from the endowment account managers.
- One endowment scholarship was over awarded by \$471.89. The endowment allows for tuition, fees, and books. Total Tuition and Fees and book allowance for the student was \$2,528.11 however total endowment scholarship award was \$3,000 resulting in an over-award by \$471.89.
- One grant scholarship award of \$4,555 exceeded the grant scholarship budget. Financial Aid did not required grant principal investigators (PIs) to submit copies of the grant agreements to ensure that scholarship awards are within grant agreement requirements.
- Financial Aid processed scholarship awards without Authorizing Official sign-offs on the official Master Listing. The Master Listing is the document submitted to Financial Aid by the scholarship authorizing official. The following instances were observed for processed Master Listings:
 - 2 had names of Authorizing Official, however they did not sign off.
 - 6 instances where the Authorizing Official's name was missing and signature missing.
 - 1 person who signed as the Authorizing Official but who was not a UTB employee.

During audit fieldwork, Internal Audits observed Financial Aid Scholarship Coordinator immediately implement the following to strengthen the Financial Aid scholarship awarding process:

- Effective immediately, Financial Aid does not allow scholarship account managers to deviate from the endowment agreements.
- Effective immediately, Financial Aid Scholarship Coordinator asks the Office of Sponsored Programs to review and approve all grant scholarship award requests to ensure they adhere to



the grant terms.

- Effective immediately, the Financial Aid Coordinator does not process any scholarship awards without the authorizing official signature.

Conclusion

Internal Audits concluded that internal controls over the administration of scholarships to comply with the university policies and procedures needed to be strengthened.

During audit fieldwork, Financial Aid implemented processes to help strengthen the current internal controls to provide reasonable assurance that the University is operating in compliance with applicable policies, laws, and procedures.

Beginning in September 1, 2015, UTB and UTPA will consolidate into UTRGV. Internal Audits will follow-up with the Financial Aid Director for UTRGV to ensure that the control issues identified in this audit are addressed and mitigated in the consolidated UTRGV Financial Aid scholarship award processes.