

## State Auditor Reports

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**University of Houston System**  
**Identified Findings from Federal and Financial Portions of the State of Texas Statewide Single Audit Report**  
**for the Year Ended August 31, 2023**

Finding Report Number	University	Testing Area	Finding/Recommendation	Corrective Action Plan	Estimated Implementation Date	Repeat Finding	Questioned Costs	Type of Finding
2023-153	UH	Eligibility	Award Federal Supplemental Educational Opportunity Grants (FSEOG) only to eligible students and complete post-withdrawal disbursements within a timely manner.	The Office of Scholarships and Financial Aid will create a reconciliation process that will identify all FSC EOG recipients for a given aid year. This reconciliation process will include a report/query they can be distributed weekly and on demand to identify any discrepancies that will be worked timely. The office will also assign a staff member to conduct R2T4 for quality control. The staff member will be responsible for running a query and creating a report categorizing the type of returns (i.e. - standard R2T4, Post Withdrawal, etc.) with an estimated time for completion on a weekly basis.	March 2024	No	\$0	Significant Deficiency and Non-Compliance
2023-154	UH	Special Tests and Provisions - Disbursement to or On Behalf of Students	The University should strengthen its controls to ensure that it does not credit student ledger accounts for unallowable charges and obtains written authorization from students or parents prior to crediting student ledger accounts for certain charges.	There is a current initiative at the university to complete a comprehensive review of all of our current charge item types for Title IV allowable/non-allowable purposes. The Office of Scholarships and Financial Aid is working with Student Business Services (SBS) and each academic college to departmentalize the charges. Once this effort is complete, we will work with SBS and Accounting to begin setting up and testing the required changes. We are committed to making the necessary changes in order to be in compliance but want to make sure it is understood that this is a monumental undertaking that will require considerable effort. It will demand a massive commitment of resources and time. Due to the nature of PeopleSoft and the effects of effective dating, this update will need to be implemented prior to the beginning of an aid year. We will take precautions to prevent inadvertent errors and system glitches by implementing these changes in 2025-2026. The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges.	February 2025	No	\$0	Significant Deficiency and Non-Compliance
2023-155	UH	Special Tests and Provisions – Return of Title IV Funds	The University should calculate institutional charges in accordance with U.S. Department of Education requirements; ensure that evidence of academic engagement is consistently documented for students in distance education courses, and; strengthen its monitoring controls to ensure that it detects and corrects errors in its calculation of Title IV funds to return.	The University will: 1) Develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and non-allowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV. (2) Coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework. (3) Establish a review process to ensure consistency and accuracy in R2T4 calculations. and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.	March 2024	No	\$0	Significant Deficiency and Non-Compliance
2023-156	UH	Special Tests and Provisions – Enrollment Reporting	The University should develop and implement controls to ensure that campus-level and program-level data elements are reported to NSLDS accurately and in a timely manner.	The Office of the Registrar and the Office of Scholarships and Financial Aid will collaborate to identify the root cause of why some student data is not being reported in a timely manner. The Office of the Registrar will also institute monthly validation into their business processes in alignment with the NSC and NSLDS submission schedule.	February 2025	No	\$0	Significant Deficiency and Non-Compliance
2023-157	UH	Special Tests and Provisions - Gramm-Leach-Bliley Act - Student Information Security	The University should ensure that all elements required by the GLBA are documented and implemented in its information security program.	The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. Any missing requirements will be documented and implemented to ensure full compliance with the GLBA.	June 2024	No	\$0	Significant Deficiency and Non-Compliance
24-555-09	UH	Schedules of Expenditures of Federal Awards (SEFA)	The University of Houston should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year.	The University of Houston has updated its SEFA Standard Operating Procedures on how to determine the correct dollar amount included in the SEFA Schedule 1A and Note 8. In preparation of the SEFA, the preparer will review the “Date Awarded” on the PWs associated with the amount passed from Agency 575 – TDEM to the University. Those PWs with prior fiscal year beginning dates and prior year expenses will be excluded from the SEFA. Only those PWs with current year start dates will be included.	January 2024	Not Applicable	Not Applicable	Significant Deficiency



State of Texas Federal Portion of the

# Statewide Single Audit Report for the Year Ended August 31, 2023



Lisa R. Collier, CPA, CFE, CIDA  
State Auditor

February 2024  
Report No. 24-318

**STATE OF TEXAS  
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## University of Houston

**2023-153****Eligibility**

**Federal Agency:** U.S. Department of Education  
**Federal Program Title:** Student Financial Assistance Cluster  
**Assistance Listing Number:** 84.007; and 84.063  
**Pass-Through Agency:** N/A  
**Award Number:** Federal Supplemental Educational Opportunity Grants (FSEOG), P007A224166; and Federal Pell Grant Program, P063P222333  
**Award Period:** July 1, 2022, to June 30, 2023  
**Statistically Valid Sample:** No and not intended to be a statistically valid sample  
**Type of Finding:** Significant Deficiency and Noncompliance  
**Questioned Costs:** None  
**Repeat Finding:** No

**Federal Supplemental Educational Opportunity Grants (FSEOG):**

The FSEOG program provides grants to eligible undergraduate students. Institutions are required to award FSEOG first to Federal Pell Grant recipients who have the lowest expected family contribution (EFC). If an institution has FSEOG funds remaining after giving FSEOG awards to all Federal Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Federal Pell Grants (Title 34, Code of Federal Regulations (CFR), Section 676.10).

If the total amount of calculated Title IV grant or loan assistance, or both, that a student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student, as of the date that the institution determines that the student has withdrawn, the difference between those amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, CFR, Section 668.22(a)(6) and Section 668.164(i) (Title 34, CFR, Section 668.22(a)(5)).

The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(a)(6)(ii)(B)(1)).

**Based on a review of the full population of student financial assistance recipients, the University of Houston (University) awarded a total of \$6,500 in FSEOG assistance to 5 students who did not also receive a Federal Pell Grant. Specifically:**

- For three students, the University did not award Federal Pell Grants to those students because the students reported on their Free Application for Federal Student Aid (FAFSA) that they had earned a bachelor's degree or were working on a degree beyond a bachelor's degree. After auditors brought these errors to the University's attention, the University canceled the FSEOG awards to those students; therefore there were no questioned costs.
- For one student, the University did not award a Federal Pell Grant to the student for the term in which the student received FSEOG funds. Due to a manual error, the University applied the student's Federal Pell Grant to the wrong term. After auditors brought the error to the University's attention, the University corrected the Federal Pell Grant award to the correct term; therefore there were no questioned costs.

- For one student, the University did not award a Federal Pell Grant to the student due to a hold that was placed on the student's account for an incomplete task. After auditors brought the error to the University's attention, the University reviewed the student's account and determined the hold should be removed. The University processed a post-withdrawal disbursement of Federal Pell Grant funds 324 days after the date of the University's determination that the student withdrew. There were no questioned costs as a result of this error.

Although the University had monitoring controls in place to ensure accurate awarding of federal funds, it did not have an adequate process to identify the errors discussed above.

Recommendations:

The University should:

- Award FSEOG funds only to eligible students.
- Complete post-withdrawal disbursements within a timely manner.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

The Office of Scholarships and Financial Aid will create a reconciliation process that will identify all FSEOG recipients for a given aid year. This reconciliation process will include a report/query that can be distributed weekly and on demand to identify any discrepancies that will be worked timely.

The office will also assign a staff member to conduct R2T4 quality control. The staff member will be responsible for running a query and creating a report categorizing the type of returns (i.e. – standard R2T4, Post Withdrawal, etc.) with an estimated time for completion on a weekly basis.

Implementation Date: March 2024

Responsible Person: Frank Gomez, Associate Director, SFA

**2023-154****Special Tests and Provisions – Disbursement To or On Behalf of Students**

<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listing Number:</b>	<b>84.063; 84.268; and 84.379</b>
<b>Pass-Through Agency:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>Federal Pell Grant Program, P063P222333; Federal Direct Student Loans, P268K232333; and Teacher Education Assistance for College and Higher Education Grants (TEACH), P379T232333</b>
<b>Award Period:</b>	<b>July 1, 2022, to June 30, 2023</b>
<b>Statistically Valid Sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of Finding:</b>	<b>Significant Deficiency and Noncompliance</b>
<b>Questioned Costs:</b>	<b>None</b>
<b>Repeat Finding:</b>	<b>No</b>

**Allowable Charges:**

An institution may credit a student's ledger account with Title IV, Higher Education Act of 1965 (HEA) program funds to pay for allowable charges associated with the current payment period. Allowable charges are: (1) the amount of tuition, fees, and institutionally provided room and board assessed the student for the payment period or the prorated amount of those charges if the institution debits the student's ledger account for more than the charges associated with the payment period; and (2) the amount incurred by the student for the payment period for purchasing books, supplies, and other educationally related goods and services provided by the institution for which the institution obtains the student's or parent's authorization under Section 668.165(b) (Title 34, Code of Federal Regulations (CFR), Section 668.164(c)(1)).

If an institution obtains written authorization from a student or parent, as applicable, the institution may: (1) use the student's or parent's Title IV, HEA program funds to pay for charges that are included in that authorization, and (2) hold on behalf of the student or parent any Title IV, HEA program funds that would otherwise be paid directly to the student or parent as a credit balance, unless the Secretary provides funds to the institution under the reimbursement payment method or the heightened cash monitoring payment method (Title 34, CFR, Section 668.165(b)(1)).

An institution may not use Title IV funds to pay finance charges or fees that are incurred because a student uses a financing method provided by the school to pay for educational expenses over time. Because students or families choose to incur these additional expenses rather than paying the balance due at registration, the additional charges are not considered educational expenses, and may not be included in a student's cost of attendance. (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 3, Chapter 2).

**For 13 (21 percent) of 62 students tested, the University of Houston (University) used Title IV funds to pay unallowable charges.** Some of those students were affected by both errors discussed below. Specifically:

- For eight students, the University credited student ledger accounts during the payment period for unallowable charges unrelated to tuition, fees, or institutionally provided room and board. The unallowable finance charges paid with Title IV funds included various fees (credit card processing, severance of service, installment origination, and late fees), and various loan charges. Those charges are unallowable whether the University obtains student or parent authorization or not. The University asserted it is conducting a comprehensive review of all charges to determine allowability for Title IV funds.
- For eight students, the University credited student ledger accounts during the payment period for charges other than tuition, fees, or institutionally provided room and board without obtaining the authorization of the student or parent. The unallowable charges paid with Title IV funds included various parking and garage related fees, meal plan tax charges, and book loan university fund charges. Those errors occurred because the University did not have a process to obtain written authorization from a student or parent to apply Title IV funds to charges other than tuition, fees, and institutionally provided room and board.

Not receiving all Title IV funds a student is entitled to impairs students' and parents' ability to budget for the cost of attending.

Recommendations:

The University should strengthen its controls to ensure that:

- It does not credit student ledger accounts for unallowable charges.
- It obtains written authorization from students or parents prior to crediting student ledger accounts for certain charges.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

There is a current initiative at the university to complete a comprehensive review of all of our current charge item types for Title IV allowable/non-allowable purposes. The Office of Scholarships and Financial Aid is working with Student Business Services (SBS) and each academic college to departmentalize the charges. Once this effort is complete, we will work with SBS and Accounting to begin setting up and testing the required changes. We are committed to making the necessary changes in order to be in compliance but want to make sure it is understood that this is a monumental undertaking that will require considerable effort. It will demand a massive commitment of resources and time. Due to the nature of PeopleSoft and the effects of effective dating, this update will need to be implemented prior to the beginning of an aid year. We will take precautions to prevent inadvertent errors and system glitches by implementing these changes in 2025-2026.

The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges.

Implementation Date: February 2025

Responsible Persons: Kevin Burns, Bursar  
Charita Hampton, Interim Executive Director, SFA  
Gretta McClain Gibbs, Director, Accounting Services  
Madiha Syeda, Financial Manager, General Accounting

**2023-155****Special Tests and Provisions – Return of Title IV Funds**

<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listing Number:</b>	<b>84.007; 84.063; 84.268; and 84.379</b>
<b>Pass-Through Agency:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>Federal Supplemental Educational Opportunity Grants (FSEOG), P007A224166; Federal Pell Grant Program, P063P222333; Federal Direct Student Loans, P268K232333; and Teacher Education Assistance for College and Higher Education Grants (TEACH), P379T232333</b>
<b>Award Period:</b>	<b>July 1, 2022, to June 30, 2023</b>
<b>Statistically Valid Sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of Finding:</b>	<b>Significant Deficiency and Noncompliance</b>
<b>Questioned Costs:</b>	<b>None</b>
<b>Repeat Finding:</b>	<b>No</b>

**Return of Title IV Calculations:**

When a student who received Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV grant or loan assistance earned by the student is less than the amount that was disbursed to the student or on the student's behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, CFR, Section 668.22(a)(4)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student or on the student's behalf for the payment period or period of enrollment as of the student's withdrawal date. Students earn 100 percent of their Title IV grant or loan assistance if their withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV grant or loan assistance to be returned is calculated by subtracting the amount of Title IV assistance a student earned from the amount of Title IV assistance that was disbursed to the student or on the student's behalf as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)).

The institution must return the lesser of the total amount of unearned Title IV assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance not earned by the student. For purposes of this calculation, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are usually the charges that were initially assessed to the student for the entire payment period or period of enrollment, as applicable. Initial charges may be adjusted only by those changes the institution made prior to the student's withdrawal, such as a change in enrollment status unrelated to the withdrawal (U.S. Department of Education, *2022- 2023 Federal Student Aid Handbook*, Volume 5, Chapter 1, Section: Institutional Charges).

**The University of Houston (University) made errors in Title IV return calculations for 18 (30 percent) of 60 students tested.** Specifically:

- For 15 students, the University made errors in determining the amount of institutional charges to be used in the return calculation by including unallowable charges in its calculation for those students.
- For two students, the University returned the incorrect amount of Title IV funds due to manual entry errors. For one of those students, the University also incorrectly included unallowable charges in the student's return calculation as discussed above.
- For one student, the University incorrectly canceled the student's Federal Pell Grant award before its calculation. The University asserted that was due to a processing error in its student information system.

There were no questioned costs as a result of those errors because for each student the University returned more than the required amount or the error did not affect the amount of Title IV grant or loan assistance to be returned.

Distance Education:

For distance education, documenting that a student has logged into an online class is not sufficient to demonstrate academic attendance by the student. An institution must demonstrate that a student participated in class or was otherwise engaged in an academically related activity. Only active participation by a student in an instructional activity related to the student's course of study that meets the definition of "academic engagement" in Title 34, CFR, Section 600.2 and takes place during a payment period or period of enrollment qualifies as attendance in an academically related activity (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 5, Chapter 2).

**For 1 (7 percent) of 14 students tested, the University did not have evidence of academic engagement in the distance education course from which the student's withdrawal date was determined.** The University relies on the last dates of academic activity provided by instructors to determine the withdrawal date for return of Title IV purposes for students who unofficially withdraw. However, the University did not have an adequate review process in place to ensure that it maintained documentation supporting attendance in distance education courses. As a result, the University could not demonstrate that the student participated or otherwise engaged in an academically related activity in that course to support the last date of attendance used by the University for return of Title IV purposes.

The University did not have an adequate monitoring process to identify the errors discussed above. Not having a process that consistently calculates and returns the correct amount of Title IV funds increases the risk that the University could return the incorrect amount of Title IV funds.

Recommendations:

The University should:

- Calculate institutional charges in accordance with U.S. Department of Education requirements.
- Ensure that evidence of academic engagement is consistently documented for students in distance education courses.
- Strengthen its monitoring controls to ensure that it detects and corrects errors in its calculation of Title IV funds to return.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

- (1) The University will develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and non-allowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV.
- (2) The University will coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework.
- (3) The University will establish a review process to ensure consistency and accuracy in R2T4 calculations. and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.

Implementation Date: March 2024

Responsible Person: Frank Gomez, Associate Director, SFA

**2023-156**

**Special Tests and Provisions – Enrollment Reporting**

<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listing Number:</b>	<b>84.063; and 84.268</b>
<b>Pass-Through Agency:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>Federal Pell Grant Program, P063P222333; and Federal Direct Student Loans, P268K232333</b>
<b>Award Period:</b>	<b>July 1, 2022, to June 30, 2023</b>
<b>Statistically Valid Sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of Finding:</b>	<b>Significant Deficiency and Noncompliance</b>
<b>Questioned Costs:</b>	<b>None</b>
<b>Repeat Finding:</b>	<b>No</b>

Federal regulations and related guidance governing Title IV student aid programs require schools to report the enrollment of students who receive federal student aid (U.S. Department of Education, *National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, November 2022, Chapter 2). Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Direct Student Loan (Direct Loan) has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Section 685.309(b)). Enrollment reporting roster files also must include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2); and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status. For enrollment status changes to three-quarter-time, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 1, 4, 7, and Appendix C). Institutions also are required to report the program(s) of attendance for the student, including classification of instructional programs (CIP) code, program credential level, program length, program enrollment status, and other data about the program. The program enrollment effective date is the date that the current enrollment status reported for a student was first effective and the program begin date is the date the student first began attending the program being reported (*NSLDS Enrollment Reporting Guide*, November 2022, Chapters 1 and 4). For a student who has graduated, institutions that initially report a withdrawn status must subsequently report the student as having graduated by certifying a “G” status at the campus level and/or program level as appropriate (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 4, Section 4.4.3).

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes to NSLDS when required. Although the University uses the services of NSC, the University still has the primary responsibility to report any changes in student enrollment status accurately and in a timely manner (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 3, Section 3.3).

**For 3 (5 percent) of 61 students tested, the University did not report graduated status changes or did not accurately report graduated status changes at the campus and program levels to NSLDS.** Specifically:

- For two students, the University did not report a graduated status at the program level. However, the graduated status for both students was correctly reported at the campus level. The University asserted that it reported the graduated statuses to NSC; however, NSLDS had no record found reported for the program level.
- For one student, a graduated status was not reported at the campus level, and the effective date of the graduated status was incorrectly reported at the program level. The University asserted that it reported the graduated status accurately to NSC.

**For 24 (75 percent) of 32 students tested who received a Direct Loan and ceased to be enrolled on at least a half-time basis or changed their permanent address, the student’s enrollment status was not reported to NSLDS in a timely manner.** Specifically:

- For 23 students, the students’ graduated status for the Spring 2023 term was not received by NSLDS until 85 days after that status became effective on May 11, 2023. The University certified and submitted the graduation file to NSC on June 22, 2023; however, the statuses were not received by NSLDS until August 4, 2023.
- For one student, the University reported the status change 146 days after the student’s graduated status became effective.

The errors discussed above occurred because the University did not have a process to ensure that student enrollment and program information reported to NSC was accurately reported to NSLDS in a timely manner. Not reporting student status changes accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules.

**Recommendation:**

The University should develop and implement controls to ensure that campus-level and program-level data elements are reported to NSLDS accurately and in a timely manner.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

The Office of the Registrar and the Office of Scholarships and Financial Aid will collaborate to identify the root cause of why some student data is not being reported in a timely manner. The Office of the Registrar will also institute monthly validation into their business processes in alignment with the NSC and NSLDS submission schedule.

Implementation Date: February 2025

Responsible Persons: Rachel Honora, Senior Associate Registrar  
Reggie Brazzle, Director of Operations, SFA

**2023-157**

**Special Tests and Provisions - Gramm-Leach-Bliley Act - Student Information Security**

<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Assistance Listing Number:</b>	<b>Cross-cutting</b>
<b>Pass-Through Agency:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>Cross-cutting</b>
<b>Award Period:</b>	<b>July 1, 2022, to June 30, 2023</b>
<b>Statistically Valid Sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of Finding:</b>	<b>Significant Deficiency and Noncompliance</b>
<b>Questioned Costs:</b>	<b>None</b>
<b>Repeat Finding:</b>	<b>No</b>

Gramm-Leach-Bliley Act:

Institutions must protect sensitive data, including information obtained in support of the administration of federal student financial assistance programs, as required by the Gramm-Leach-Bliley Act (GLBA) (Public Law 106-102). Under their Program Participation Agreement (PPA) and the GLBA, postsecondary educational institutions must protect student financial aid information, with particular attention to information provided by the Department of Education or otherwise obtained in support of the administration of the Title IV Federal student financial aid programs (*Dear Colleague Letter*, July 1, 2016 (GEN-16-12)). Institutions are required to develop, implement, and maintain an information security program that includes the minimum elements in Title 16, Code of Federal Regulations (CFR), Section 314.4. Those minimum requirements include conducting a periodic inventory of data, noting where it is collected, stored, or transmitted (Title 16, CFR, Section 314.4(c)(1)). In addition, the institution must designate a qualified individual responsible for overseeing, implementing, and enforcing the institution's information security program (Title 16, CFR, Section 314.4(a)).

**The University of Houston's (University) information security program did not address the implementation of all minimum safeguards as required by the GLBA.** Specifically, while the University had designated a Qualified Individual to coordinate its information security program and had a written information security program in place, that program did not meet the requirements for conducting a periodic inventory of data. Not implementing all required safeguards in its information security program increases the University's risk of data breach or loss.

Recommendation:

The University should ensure that all elements required by the GLBA are documented and implemented in its information security program.

Views of Responsible Officials:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan:

The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. Any missing requirements will be documented and implemented to ensure full compliance with the GLBA.

Implementation Date: June 2024

Responsible Person: Jana Chvatal, Interim AVC/AVP, IT Security & CISO

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
AND CORRECTIVE ACTION PLAN**

**FEDERAL PORTION OF THE STATEWIDE SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2023**

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## University of Houston

2020-126**Eligibility****Special Tests and Provisions – Institutional Eligibility****Activities Allowed or Unallowed****Cash Management****Special Tests and Provisions – Verification****Special Tests and Provisions – Disbursements To or On Behalf of Students****Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)****Special Tests and Provisions – General Program Eligibility****Special Tests and Provisions – Distance Education Program**

<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Award year:</b>	<b>July 1, 2019, to June 30, 2020</b>
<b>Award numbers:</b>	<b>CFDA 84.063, Federal Pell Grant Program, P063P192333; CFDA 84.268, Federal Direct Student Loans, P268K202333; CFDA 84.033, Federal Work-Study Program, P033A194166; and CFDA 93.925, Scholarships for Health Professions Students from Disadvantaged Backgrounds, 5 T08HP30152-04-00</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2020</b>
<b>Status:</b>	<b>Implemented</b>

Incarcerated Students

An institution does not qualify as an eligible institution if, for its latest complete award year, more than 25 percent of its regular enrolled students were incarcerated (Title 34, CFR, Section 600.7(a)(1)(iii)), and institutions must demonstrate compliance with that requirement (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 2, Chapter 1).

**The University of Houston (University) did not have procedures to identify incarcerated students, and it was not able to demonstrate that less than 25 percent of its enrolled students were incarcerated for the 2019-2020 award year.** The University did not have a process to identify incarcerated students to demonstrate that it is meeting the incarcerated student limitation; however, auditors did not note any evidence of incarceration for the 60 students tested. Not having procedures in place to identify incarcerated students increases the risk that the University may not qualify as an eligible institution.

Corrective Action:

Corrective action was taken.

## University of Houston – Clear Lake

2020-132**Eligibility****Special Tests and Provisions – Institutional Eligibility****Activities Allowed or Unallowed****Cash Management****Reporting****Special Tests and Provisions – Disbursements To or On Behalf of Students****Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)****Special Tests and Provisions – General Program Eligibility****Special Tests and Provisions – Distance Education Program**

<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Award year:</b>	<b>July 1, 2019, to June 30, 2020</b>
<b>Award numbers:</b>	<b>CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A194160; CFDA 84.033, Federal Work-Study Program, P033A194160; CFDA 84.063, Federal Pell Grant Program, P063P193465; CFDA 84.268, Federal Direct Student Loans, P268K203465; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T203465</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$135,318</b>
<b>Repeat finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2020</b>
<b>Status:</b>	<b>Implemented</b>

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus their expected family contribution (EFC) (Title 20, United States Code (USC), Chapter 28, Subchapter IV, Section 1087kk). COA refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, USC, Chapter 28, Section 1087ll).

For Title IV programs, the EFC is the amount a student and his/her family are expected to pay for educational expenses, and it is computed by the federal central processor and included on the student's Institutional Student Information Record (ISIR) provided to the institution. An overaward exists when a student's financial aid exceeds his/her need. Therefore, awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 4, Chapter 3; and Title 34, Code of Federal Regulations (CFR), Sections 668.2, 673.5, and 685.301).

The University of Houston – Clear Lake (University) established different COA budgets for each term based on a student's classification (undergraduate or graduate); residency (in-state or out-of-state); living status (on-campus, off-campus, or living with parents); and enrollment level (full-time, three-quarter-time, half-time, or less-than-half-time).

**For 27 (42 percent) of 64 students tested, the University incorrectly calculated the COA.** Those errors occurred because the University did not correctly load the budget components for the Summer 2020 term into its student information system. This issue would have affected all students who enrolled in the Summer 2020 term. Auditors did not identify students during testing who were overawarded financial assistance as a result of the COA issue; therefore, there are no questioned costs. However, incorrectly establishing COA budgets increases the risk of overawarding or underawarding financial assistance to students.

Corrective Action:

Corrective action was taken.

**2020-133**

**Special Tests and Provisions – Verification**

<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Award year:</b>	<b>July 1, 2019, to June 30, 2020</b>
<b>Award number:</b>	<b>CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A194160; CFDA 84.033, Federal Work-Study Program, P033A194160; CFDA 84.063, Federal Pell Grant Program, P063P193465; CFDA 84.268, Federal Direct Student Loans, P268K203465; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T203465</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2020</b>
<b>Status:</b>	<b>Implemented</b>

**Verification of Applications**

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, education credits, individual retirement account deductions, high school completion, the student's identity, and the statement of educational purpose (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56; and *Federal Register*, Volume 83, Number 60).

When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the applicant's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's subsidized financial aid awards on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR) (Title 34, CFR, Section 668.59).

**For 2 (3 percent) of 62 students tested, the University of Houston – Clear Lake (University) did not accurately verify certain required items on the students' FAFSAs.** For one of those students, the University did not accurately verify the student's U.S. income taxes paid. For the other student, the University did not accurately verify the parent's AGI. Those errors occurred because of manual errors the University made during its verification process.

When auditors brought those errors to the University's attention, the University made corrections to the students' ISIRs. Although those errors caused the EFC to be incorrect for both students, there was no impact on the amount of student financial assistance the student received; therefore, there were no questioned costs. However, not verifying FAFSA information accurately could result in the University overawarding or underawarding student financial assistance.

**Corrective Action:**

Corrective action was taken.

**2020-134****Special Tests and Provisions – Return of Title IV Funds**

<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Award year:</b>	<b>July 1, 2019, to June 30, 2020</b>
<b>Award numbers:</b>	<b>CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A194160; CFDA 84.063, Federal Pell Grant Program, P063P193465; CFDA 84.268, Federal Direct Student Loans, P268K203465; and CFDA 84.379, Teacher Education Assistance for College and Higher Education Grants, P379T203465</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2020</b>
<b>Status:</b>	<b>Implemented</b>

**Return of Title IV Calculations**

When a student who received Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV grant or loan assistance earned by the student is less than the amount that was disbursed to the student or on his/her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, CFR, Section 668.22(a)(4)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student or on his/her behalf for the payment period or period of enrollment as of the student's withdrawal date. Students earn 100 percent of their Title IV grant or loan assistance if their withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV grant or loan assistance to be returned is calculated by subtracting the amount of Title IV assistance a student earned from the amount of Title IV assistance that was disbursed to the student or on his/her behalf as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)). The institution must return the lesser of the total amount of unearned Title IV assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance not earned by the student. For purposes of this calculation, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are usually the charges that were initially assessed to the student for the entire payment period or period of enrollment, as applicable. Initial charges may be adjusted only by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status unrelated to the withdrawal) (U.S. Department of Education, *2019-2020 Federal Student Aid Handbook*, Volume 5, Chapter 1, page 5-18).

The total number of calendar days in a payment period or period of enrollment includes all days within the payment period or period of enrollment that the student was scheduled to complete, excluding scheduled breaks of at least five consecutive days. Scheduled breaks of at least five consecutive days are also excluded from the number of calendar days the student completed in that period (Title 34, CFR, Section 668.22(f)(2)(i)).

**For 13 (48 percent) of 27 students tested, the University of Houston – Clear Lake (University) incorrectly calculated the amount of Title IV funds to be returned or returned the incorrect amount of funds.** For a majority of the students discussed below, there were multiple errors in the return calculation. Specifically:

- For 10 students, the University incorrectly determined the total number of days in the payment period for the Spring 2020 or Summer 2020 terms. Specifically, the University used start and end dates for the payment period that did not correspond to the actual start and end dates for the specific parts of the term that each student was scheduled to complete. Although the amount of unearned Title IV assistance calculated for those students was incorrect, funds were not required to be returned per Section 3508 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act; therefore, there were no questioned costs.
- For five students, the University did not exclude any break days from the Spring 2020 term as required. Those errors occurred because the University did not load the break days into its student information system when setting up the payment period; therefore, this issue would have affected all students who withdrew from the Spring 2020 term. Although the amount of unearned Title IV assistance calculated for those five students was incorrect, there were no questioned costs because (1) the University returned more funds than required or (2) funds were not required to be returned per Section 3508 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- For three students, the University made a manual error in determining the amount of institutional charges to be used in the return calculation. For two of those students who withdrew from the Summer 2020 term, a return of Title IV funds was not required per Section 3508 of the CARES Act; therefore, there are no questioned costs. However, for one student who withdrew from the Fall 2019 term, the University returned \$949 less than it should have returned. After auditors brought the error to the University's attention, it returned those funds to the U.S. Department of Education; therefore, there were no questioned costs.
- For one student, the University returned the incorrect amount of Title IV funds due to a manual entry error. Specifically, the University returned \$36 less than it should have returned. After auditors brought the error to the University's attention, it returned those funds to the U.S. Department of Education; therefore, there were no questioned costs.
- For one student, the University incorrectly included a loan in the return calculation that had not been originated at the time the student withdrew. As a result, the amount of unearned Title IV assistance calculated for that student was incorrect. However, a return of Title IV funds was not required per Section 3508 of the CARES Act; therefore, there were no questioned costs.

**In addition, for 6 (17 percent) of 36 students tested who did not have a return of Title IV funds made, the University did not perform a return calculation as required.** Specifically:

- For five students who withdrew from the Spring 2020 or Summer 2020 terms, the University did not perform a return calculation as required. After auditors brought those errors to the University's attention, it performed return calculations as required. However, returns of Title IV funds were not required per Section 3508 of the CARES Act; therefore, there were no questioned costs.
- For one student, the University did not perform a return calculation and return funds as required due to a staff oversight. That student did not begin attendance in the Spring 2020 term; therefore, the student did not earn any Title IV funds for that term. After auditors brought the error to the University's attention, it returned the \$12,218 in Federal Direct Student Loans for which the student was not eligible to the U.S. Department of Education; therefore, there were no questioned costs.

The University did not have an effective monitoring process to identify those errors. Having a process that does not consistently calculate and return the correct amount of Title IV funds increases the risk that the University could return less Title IV funds than it is required to return.

Timeliness of Returns

An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(j)).

**For 2 (10 percent) of 20 students tested who withdrew and required a return of Title IV funds, the University did not return the funds within the required time frame.** Specifically, for those students, the University determined the withdrawal dates and performed the return calculations; however, it did not return the Title IV funds within the required 45-day time frame due to an oversight in processing the return of those funds. The University returned the funds for those two students 62 and 208 days after it had determined that those students had withdrawn. Not making returns within required time frames reduces the information available to the U.S. Department of Education for its program management.

Corrective Action:

Corrective action was taken.

**2020-135**

**Special Tests and Provisions – Enrollment Reporting**

<b>Federal Program Title:</b>	<b>Student Financial Assistance Cluster</b>
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Award year:</b>	<b>July 1, 2019, to June 30, 2020</b>
<b>Award numbers:</b>	<b>CFDA 84.063, Federal Pell Grant Program, P063P193465; and CFDA 84.268, Federal Direct Student Loans, P268K203465</b>
<b>Statistically valid sample:</b>	<b>No and not intended to be a statistically valid sample</b>
<b>Type of finding:</b>	<b>Significant Deficiency and Non-Compliance</b>
<b>Questioned Costs:</b>	<b>\$0</b>
<b>Repeat finding:</b>	<b>No</b>
<b>Initial Year Written:</b>	<b>2020</b>
<b>Status:</b>	<b>Implemented</b>

Federal regulations and related guidance governing Title IV student aid programs require schools to report the enrollment of students who receive federal student aid (*National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, November 2019, Chapter 2). Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Direct Student Loan (Direct Loan) has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Section 685.309(b)). Enrollment reporting roster files must also include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2); and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status. For enrollment level changes to three-quarter-time, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (*NSLDS Enrollment Reporting Guide*, November 2019, Chapter 1 and Appendix C). Institutions also are required to report the program(s) of attendance for the student, including classification of instructional programs (CIP) code, program credential level, program length, program enrollment status, and other data about the program. The program enrollment effective date is the date that the current enrollment status reported for a student was first effective and the program begin date is the date the student first began attending the program being reported (*NSLDS Enrollment Reporting Guide*, November 2019, Chapters 1 and 4).

The University of Houston – Clear Lake (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes when required to NSLDS. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS, as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to report any changes in student enrollment status accurately and in a timely manner (*NSLDS Enrollment Reporting Guide*, November 2019, Chapter 3).

**For 22 (35 percent) of 62 students tested, the University did not report the enrollment status change or did not accurately report program-level data elements to NSLDS. Specifically:**

- For 13 students, the program begin date was reported incorrectly. The University reported the date that the students declared their majors or changed their academic programs, instead of the first day of the term in which the student actually began attendance in the program. Those errors were caused by issues related to the configuration of the enrollment reporting processes in the University's student information system.
- For 6 students, the enrollment effective date was reported correctly to NSLDS at the campus-level; however, a different enrollment effective date was incorrectly reported at the program-level for the same enrollment status. The effective date reported at the program-level should be the same date reported at the campus-level because those dates reflect the same enrollment status change. The University did not have a process to ensure that information was reported accurately at the program-level.

- For 2 students, both the program begin date and the program-level enrollment status effective date were reported incorrectly because of the issues discussed above.
- For 1 student, the University did not report the student's withdrawal status to NSLDS. That student unofficially withdrew from the Spring 2020 term. The University did not report any students who were determined to have unofficially withdrawn from the Spring 2020 term. The University asserted that it did not report the student withdrawals because it had been waiting on guidance for reporting requirements under Section 3508 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which waived the statutory requirement for institutions to return Title IV funds as the result of student withdrawals related to a qualifying emergency. The CARES Act did not waive the requirement for institutions to report student withdrawals to NSLDS.

Not reporting student enrollment and program information accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and whether a borrower will retain or lose the interest subsidy under the 150 percent subsidized Direct Loan limit.

Corrective Action:

Corrective action was taken.

**STATE OF TEXAS  
CORRECTIVE ACTION PLAN – OTHER AUDITORS  
YEAR ENDED AUGUST 31, 2023**

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**Corrective Action Plan – Other Auditors**

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University of Houston

2023-xxx Eligibility

Finding 2023-153

**Federal Agency:** U.S. Department of Education  
**Federal Program Title:** Student Financial Assistance Cluster  
**Assistance Listing Number:** 84.007; and 84.063  
**Pass-Through Agency:** N/A  
**Award Number:** Federal Supplemental Educational Opportunity Grants (FSEOG), P007A224166; and Federal Pell Grant Program, P063P222333  
**Award Period:** July 1, 2022, to June 30, 2023  
**Statistically Valid Sample:** No and not intended to be a statistically valid sample  
**Type of Finding:** Significant Deficiency and Noncompliance  
**Questioned Costs:** None  
**Repeat Finding:** No

**Federal Supplemental Educational Opportunity Grants (FSEOG)**

The FSEOG program provides grants to eligible undergraduate students. Institutions are required to award FSEOG first to Federal Pell Grant recipients who have the lowest expected family contribution (EFC). If an institution has FSEOG funds remaining after giving FSEOG awards to all Federal Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Federal Pell Grants (Title 34, Code of Federal Regulations (CFR), Section 676.10).

If the total amount of calculated Title IV grant or loan assistance, or both, that a student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student, as of the date that the institution determines that the student has withdrawn, the difference between those amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, CFR, Section 668.22(a)(6) and Section 668.164(i) (Title 34, CFR, Section 668.22(a)(5)).

The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(a)(6)(ii)(B)(1)).

Based on a review of the full population of student financial assistance recipients, the University of Houston (University) awarded a total of \$6,500 in FSEOG assistance to 5 students who did not also receive a Federal Pell Grant. Specifically:

- For three students, the University did not award Federal Pell Grants to those students because the students reported on their Free Application for Federal Student Aid (FAFSA) that they had earned a bachelor's degree or were working on a degree beyond a bachelor's degree. After auditors brought these errors to the University's attention, the University canceled the FSEOG awards to those students; therefore there were no questioned costs.
- For one student, the University did not award a Federal Pell Grant to the student for the term in which the student received FSEOG funds. Due to a manual error, the University applied the student's Federal Pell Grant to the wrong term. After auditors brought the error to the University's attention, the University corrected the Federal Pell Grant award to the correct term; therefore there were no questioned costs.

**2023-xxx (Continued)**

- For one student, the University did not award a Federal Pell Grant to the student due to a hold that was placed on the student's account for an incomplete task. After auditors brought the error to the University's attention, the University reviewed the student's account and determined the hold should be removed. The University processed a post-withdrawal disbursement of Federal Pell Grant funds 324 days after the date of the University's determination that the student withdrew. There were no questioned costs as a result of this error.

Although the University had monitoring controls in place to ensure accurate awarding of federal funds, it did not have an adequate process to identify the errors discussed above.

**Recommendations**

The University should:

- Award FSEOG funds only to eligible students.
- Complete post-withdrawal disbursements within a timely manner.

**Views of Responsible Officials:** The University acknowledges and agrees with the findings.

Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

**Corrective Action Plan:** The Office of Scholarships and Financial Aid will create a reconciliation process that will identify all FSEOG recipients for a given aid year. This reconciliation process will include a report/query that can be distributed weekly and on demand to identify any discrepancies that will be worked timely.

The office will also assign a staff member to conduct R2T4 quality control. The staff member will be responsible for running a query and creating a report categorizing the type of returns (i.e. – standard R2T4, Post Withdrawal, etc.) with an estimated time for completion on a weekly basis.

**Implementation Date(s):** March 2024

**Responsible Persons:** Frank Gomez, Associate Director, SFA



**Federal Agency:** U.S. Department of Education  
**Federal Program Title:** Student Financial Assistance Cluster  
**Assistance Listing Number:** 84.063; 84.268; and 84.379  
**Pass-Through Agency:** N/A  
**Award Number:** Federal Pell Grant Program, P063P222333; Federal Direct Student Loans, P268K232333; and Teacher Education Assistance for College and Higher Education Grants (TEACH), P379T232333  
**Award Period:** July 1, 2022 to June 30, 2023  
**Statistically Valid Sample:** No and not intended to be a statistically valid sample  
**Type of Finding:** Significant Deficiency and Noncompliance  
**Questioned Costs:** None  
**Repeat Finding:** No

**Allowable Charges**

An institution may credit a student's ledger account with Title IV, Higher Education Act of 1965 (HEA) program funds to pay for allowable charges associated with the current payment period. Allowable charges are: (1) the amount of tuition, fees, and institutionally provided room and board assessed the student for the payment period or the prorated amount of those charges if the institution debits the student's ledger account for more than the charges associated with the payment period; and (2) the amount incurred by the student for the payment period for purchasing books, supplies, and other educationally related goods and services provided by the institution for which the institution obtains the student's or parent's authorization under Section 668.165(b) (Title 34, Code of Federal Regulations (CFR), Section 668.164(c)(1)).



**2023-xxx (Continued)**

If an institution obtains written authorization from a student or parent, as applicable, the institution may:

(1) use the student's or parent's Title IV, HEA program funds to pay for charges that are included in that authorization, and (2) hold on behalf of the student or parent any Title IV, HEA program funds that would otherwise be paid directly to the student or parent as a credit balance, unless the Secretary provides funds to the institution under the reimbursement payment method or the heightened cash monitoring payment method (Title 34, CFR, Section 668.165(b)(1)).

An institution may not use Title IV funds to pay finance charges or fees that are incurred because a student uses a financing method provided by the school to pay for educational expenses over time. Because students or families choose to incur these additional expenses rather than paying the balance due at registration, the additional charges are not considered educational expenses, and may not be included in a student's cost of attendance (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 3, Chapter 2).

**For 13 (21 percent) of 62 students tested, the University of Houston (University) used Title IV funds to pay unallowable charges.** Some of those students were affected by both errors discussed below. Specifically:

- For eight students, the University credited student ledger accounts during the payment period for unallowable charges unrelated to tuition, fees, or institutionally provided room and board. The unallowable finance charges paid with Title IV funds included various fees (credit card processing, severance of service, installment origination, and late fees), and various loan charges. Those charges are unallowable whether the University obtains student or parent authorization or not. The University asserted it is conducting a comprehensive review of all charges to determine allowability for Title IV funds.
- For eight students, the University credited student ledger accounts during the payment period for charges other than tuition, fees, or institutionally provided room and board without obtaining the authorization of the student or parent. The unallowable charges paid with Title IV funds included various parking and garage related fees, meal plan tax charges, and book loan university fund charges. Those errors occurred because the University did not have a process to obtain written authorization from a student or parent to apply Title IV funds to charges other than tuition, fees, and institutionally provided room and board.

Not receiving all Title IV funds a student is entitled to impairs students' and parents' ability to budget for the cost of attending.

**Recommendations**

The University should strengthen its controls to ensure that:

- It does not credit student ledger accounts for unallowable charges.
- It obtains written authorization from students or parents prior to crediting student ledger accounts for certain charges.

**Views of Responsible Officials:** The University acknowledges and agrees with the findings.

Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

**Corrective Action Plan:** There is a current initiative at the university to complete a comprehensive review of all of our current charge item types for Title IV allowable/non-allowable purposes. The Office of Scholarships and Financial Aid is working with Student Business



Services (SBS) and each academic college to departmentalize the charges. Once this effort is complete, we will work with SBS and Accounting to begin setting up and testing the required changes. We are committed to making the necessary changes in order to be in compliance but want to make sure it is understood that this is a monumental undertaking that will require considerable effort. It will demand a massive commitment of resources and time. Due to the nature of PeopleSoft and the effects of effective dating, this update will need to be implemented prior to the beginning of an aid year. We will take precautions to prevent inadvertent errors and system glitches by implementing these changes in 2025-2026.

The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges.

**Implementation Date(s):** February 2025

**Responsible Persons:** Kevin Burns, Bursar and Charita Hampton, Interim Executive Director, SFA and Gretta McClain Gibbs, Director, Accounting Services and Madiha Syeda, Financial Manager, General Accounting



Office of  
Scholarships and Financial Aid  
Office of the Provost

2023-xxx Special Tests and Provisions – Return of Title IV Funds

Finding 2023-155

**Federal Agency:** U.S. Department of Education  
**Federal Program Title:** Student Financial Assistance Cluster  
**Assistance Listing Number:** 84.007; 84.063; 84.268; and 84.379  
**Pass-Through Agency:** N/A  
**Award Number:** Federal Supplemental Educational Opportunity Grants (FSEOG); P007A224166; Federal Pell Grant Program, P063P222333; Federal Direct Student Loans, P268K232333; and Teacher Education Assistance for College and Higher Education Grants (TEACH), P379T232333  
**Award Period:** July 1, 2022, to June 30, 2023  
**Statistically Valid Sample:** No and not intended to be a statistically valid sample  
**Type of Finding:** Significant Deficiency and Noncompliance  
**Questioned Costs:** None  
**Repeat Finding:** No

#### Return of Title IV Calculations

When a student who received Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV grant or loan assistance earned by the student is less than the amount that was disbursed to the student or on the student's behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, CFR, Section 668.22(a)(4)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student or on the student's behalf for the payment period or period of enrollment as of the student's withdrawal date. Students earn 100 percent of their Title IV grant or loan assistance if their withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV grant or loan assistance to be returned is calculated by subtracting the amount of Title IV assistance a student earned from the amount of Title IV assistance that was disbursed to the student or on the student's behalf as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)). The institution must return the lesser of the total amount of unearned Title IV assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance not earned by the student. For purposes of this calculation, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are usually the charges that were initially assessed to the student for the entire payment period or period of enrollment, as applicable. Initial charges may be adjusted only by those changes the institution made prior to the student's withdrawal, such as a change in enrollment status unrelated to the withdrawal (U.S. Department of Education, 2022- 2023 *Federal Student Aid Handbook*, Volume 5, Chapter 1, Section: Institutional Charges).

**2023-xxx (Continued)**

The University of Houston (University) made errors in Title IV return calculations for 18 (30 percent) of 60 students tested. Specifically:

- For 15 students, the University made errors in determining the amount of institutional charges to be used in the return calculation by including unallowable charges in its calculation for those students.
- For two students, the University returned the incorrect amount of Title IV funds due to manual entry errors. For one of those students, the University also incorrectly included unallowable charges in the student's return calculation as discussed above.
- For one student, the University incorrectly canceled the student's Federal Pell Grant award before its calculation. The University asserted that was due to a processing error in its student information system.

There were no questioned costs as a result of those errors because for each student the University returned more than the required amount or the error did not affect the amount of Title IV grant or loan assistance to be returned.

**Distance Education**

For distance education, documenting that a student has logged into an online class is not sufficient to demonstrate academic attendance by the student. An institution must demonstrate that a student participated in class or was otherwise engaged in an academically related activity. Only active participation by a student in an instructional activity related to the student's course of study that meets the definition of "academic engagement" in Title 34, CFR, Section 600.2 and takes place during a payment period or period of enrollment qualifies as attendance in an academically related activity (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 5, Chapter 2).

**For 1 (7 percent) of 14 students tested, the University did not have evidence of academic engagement in the distance education course from which the student's withdrawal date was determined.** The University relies on the last dates of academic activity provided by instructors to determine the withdrawal date for return of Title IV purposes for students who unofficially withdraw. However, the University did not have an adequate review process in place to ensure that it maintained documentation supporting attendance in distance education courses. As a result, the University could not demonstrate that the student participated or otherwise engaged in an academically related activity in that course to support the last date of attendance used by the University for return of Title IV purposes.

The University did not have an adequate monitoring process to identify the errors discussed above. Not having a process that consistently calculates and returns the correct amount of Title IV funds increases the risk that the University could return the incorrect amount of Title IV funds.

**Recommendations**

The University should:

- Calculate institutional charges in accordance with U.S. Department of Education requirements.
- Ensure that evidence of academic engagement is consistently documented for students in distance education courses.
- Strengthen its monitoring controls to ensure that it detects and corrects errors in its calculation of Title IV funds to return.

**Views of Responsible Officials:** The University acknowledges and agrees with the findings.

Through analysis of the exceptions identified in the audit, the University will work to develop and



implement corrective action to further improve the processes.

**Corrective Action Plan:** (1) The University will develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and non-allowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV.

(2) The University will coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework.

(3) The University will establish a review process to ensure consistency and accuracy in R2T4 calculations, and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.

**Implementation Date(s):** March 2024

**Responsible Persons:** Frank Gomez, Associate Director, SFA



<b>Federal Agency:</b>	U.S. Department of Education
<b>Federal Program Title:</b>	Student Financial Assistance Cluster
<b>Assistance Listing Number:</b>	84.063; and 84.268
<b>Pass-Through Agency:</b>	N/A
<b>Award Number:</b>	Federal Pell Grant Program, P063P222333; and Federal Direct Student Loans, P268K232333
<b>Award Period:</b>	July 1, 2022, to June 30, 2023
<b>Statistically Valid Sample:</b>	No and not intended to be a statistically valid sample
<b>Type of Finding:</b>	Significant Deficiency and Noncompliance
<b>Questioned Costs:</b>	None
<b>Repeat Finding:</b>	No

Federal regulations and related guidance governing Title IV student aid programs require schools to report the enrollment of students who receive federal student aid (U.S. Department of Education, *National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, November 2022, Chapter 2). Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Direct Student Loan (Direct Loan) has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Section 685.309(b)). Enrollment reporting roster files also must include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2); and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status. For enrollment status changes to three-quarter-time, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 1, 4, 7, and Appendix C). Institutions also are required to report the program(s) of attendance for the student, including classification of instructional programs (CIP) code, program credential level, program length, program enrollment status, and other data about the program. The program enrollment effective date is the date that the current enrollment status reported for a student was first effective and the program begin date is the date the student first began attending the program being reported (*NSLDS Enrollment Reporting Guide*, November 2022, Chapters 1 and 4). For a student who has graduated, institutions that initially report a withdrawn status must subsequently report the student as having graduated by certifying a "G" status at the campus level and/or program level as appropriate (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 4, Section 4.4.3).

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes to NSLDS when required. Although the University uses the services of NSC, the University still has the primary responsibility to report any changes in student enrollment status accurately and in a timely manner (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 3, Section 3.3).

**2023-xxx (Continued)**

**For 3 (5 percent) of 61 students tested, the University did not report graduated status changes or did not accurately report graduated status changes at the campus and program levels to NSLDS.** Specifically:

- For two students, the University did not report a graduated status at the program level. However, the graduated status for both students was correctly reported at the campus level. The University asserted that it reported the graduated statuses to NSC; however, NSLDS had no record found reported for the program level.
- For one student, a graduated status was not reported at the campus level, and the effective date of the graduated status was incorrectly reported at the program level. The University asserted that it reported the graduated status accurately to NSC.

**For 24 (75 percent) of 32 students tested who received a Direct Loan and ceased to be enrolled on at least a half-time basis or changed their permanent address, the student's enrollment status was not reported to NSLDS in a timely manner.** Specifically:

- For 23 students, the students' graduated status for the Spring 2023 term was not received by NSLDS until 85 days after that status became effective on May 11, 2023. The University certified and submitted the graduation file to NSC on June 22, 2023; however, the statuses were not received by NSLDS until August 4, 2023.
- For one student, the University reported the status change 146 days after the student's graduated status became effective.

The errors discussed above occurred because the University did not have a process to ensure that student enrollment and program information reported to NSC was accurately reported to NSLDS in a timely manner. Not reporting student status changes accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules.

**Recommendation**

The University should develop and implement controls to ensure that campus-level and program-level data elements are reported to NSLDS accurately and in a timely manner.

**Views of Responsible Officials:** The University acknowledges and agrees with the findings.

Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

**Corrective Action Plan:** The Office of the Registrar and the Office of Scholarships and Financial Aid will collaborate to identify the root cause of why some student data is not being reported in a timely manner. The Office of the Registrar will also institute monthly validation into their business processes in alignment with the NSC and NSLDS submission schedule.

**Implementation Date(s):** February 2025

**Responsible Persons:** Rachel Honora, Senior Associate Registrar and Reggie Brazzle, Director of Operations, SFA



<b>Federal Agency:</b>	U.S. Department of Education
<b>Federal Program Title:</b>	Student Financial Assistance Cluster
<b>Assistance Listing Number:</b>	Cross-cutting
<b>Pass-Through Agency:</b>	N/A
<b>Award Number:</b>	Cross-cutting
<b>Award Period:</b>	July 1, 2022, to June 30, 2023
<b>Statistically Valid Sample:</b>	No and not intended to be a statistically valid sample
<b>Type of Finding:</b>	Significant Deficiency and Noncompliance
<b>Questioned Costs:</b>	None
<b>Repeat Finding:</b>	No

#### Gramm-Leach-Bliley Act

Institutions must protect sensitive data, including information obtained in support of the administration of federal student financial assistance programs, as required by the Gramm-Leach-Bliley Act (GLBA) (Public Law 106-102). Under their Program Participation Agreement (PPA) and the GLBA, postsecondary educational institutions must protect student financial aid information, with particular attention to information provided by the Department of Education or otherwise obtained in support of the administration of the Title IV Federal student financial aid programs (*Dear Colleague Letter*, July 1, 2016 (GEN-16-12)). Institutions are required to develop, implement, and maintain an information security program that includes the minimum elements in Title 16, Code of Federal Regulations (CFR), Section 314.4. Those minimum requirements include conducting a periodic inventory of data, noting where it is collected, stored, or transmitted (Title 16, CFR, Section 314.4(c)(1)). In addition, the institution must designate a qualified individual responsible for overseeing, implementing, and enforcing the institution's information security program (Title 16, CFR, Section 314.4(a)).

**The University of Houston's (University) information security program did not address the implementation of all minimum safeguards as required by the GLBA.** Specifically, while the University had designated a Qualified Individual to coordinate its information security program and had a written information security program in place, that program did not meet the requirements for conducting a periodic inventory of data. Not implementing all required safeguards in its information security program increases the University's risk of data breach or loss.

#### Recommendation

The University should ensure that all elements required by the GLBA are documented and implemented in its information security program.

**Views of Responsible Officials:** The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

**Corrective Action Plan:** The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. Any missing requirements will be documented and implemented to ensure full



Office of  
Scholarships and Financial Aid  
Office of the Provost

compliance with the GLBA.

**Implementation Date(s):** June 2024

**Responsible Persons:** Jana Chvatal, Interim AVC/AVP, IT Security & CISO



# Statewide Single Audit Report for the Year Ended August 31, 2023

Lisa R. Collier, CPA, CFE, CIDA  
State Auditor

- The State's basic financial statements for fiscal year 2023 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.
- The State's Schedule of Expenditures of Federal Awards for fiscal year 2023 was materially correct in relation to the State's basic financial statements.
- We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards.

In our audit opinion dated February 22, 2024, we concluded that the basic financial statements for the State of Texas presented fairly, in all material respects, the financial position and activities of the State for the fiscal year ended August 31, 2023. The Office of the Comptroller of Public Accounts (Comptroller's Office) prepared the basic financial statements and published our audit opinion as part of the Annual Comprehensive Financial Report (ACFR) for fiscal year 2023, which it intends to post on its website at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

The consolidated financial statements provide a comprehensive view of the State's financial activities during the fiscal year and an overall picture of the financial position of the State at the end of the fiscal year. Compiling the State's consolidated financial statements is a major undertaking; those financial statements combine financial information for more than 200 state agencies and higher education institutions.

• *Audit Objective* | p.35

*This audit was conducted in accordance with Texas Government Code, Section 403.013(c), and Title 31, United States Code, Section 7502.*

## INDEPENDENT AUDITOR'S REPORT

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## SCHEDULE OF FINDINGS AND RESPONSES

Schedules of Expenditures of  
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Summary Schedule of Prior  
Audit Findings  
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Controls Over Financial  
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[Chapter 4-B | p. 27](#)

For more information about this audit, contact Audit Managers  
Michael Clayton, Becky Beachy, or State Auditor Lisa Collier at 512-  
936-9500.

Internal Audit 05/15/24



## Chapter 1

### Summary of Auditor's Results

#### Financial Statements

- |   |            |
|---|------------|
| 1. Type of auditor's report issued:   | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a. <b>Material weakness</b> identified?   | No         |
| b. <b>Significant deficiencies</b> identified not considered to be material weaknesses? | Yes        |
| c. <b>Noncompliance material to financial statements</b> noted?                         | No         |

#### Federal Awards

Findings regarding the Schedule of Expenditures of Federal Awards for fiscal year 2023 are included in Chapter 2 of this report. All other fiscal year 2023 federal award information was issued in a separate report (see [State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023](#), by CLA).



**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**Independent Auditor's Report**

The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, Comptroller of Public Accounts  
The Honorable Dan Patrick, Lieutenant Governor  
The Honorable Dade Phelan, Speaker of the House of Representatives  
and  
Members of the Legislature, State of Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Texas as of and for the year ended August 31, 2023, and the related notes to the consolidated financial statements, which collectively comprise the State of Texas's basic financial statements, and have issued our report thereon dated February 22, 2024. Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation, the University of Texas System, the Texas Lottery Commission, the Employees Retirement System, and the Texas Treasury Safekeeping Trust Company, as described in our report on the State of Texas's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

## Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items that we consider to be significant deficiencies for the State of Texas as a whole.

### Summary of Findings and Responses

Agency or Higher Education Institution	Finding Numbers
Department of State Health Services	<a href="#">24-555-01</a>
Office of the Governor	<a href="#">24-555-02</a>
Texas Department of Agriculture	<a href="#">24-555-03</a>
Lamar University	<a href="#">24-555-04</a>
Texas State University	<a href="#">24-555-05</a>
The University of Texas at Arlington	<a href="#">24-555-06</a>
The University of Texas at Austin	<a href="#">24-555-07</a>
The University of Texas at Dallas	<a href="#">24-555-08</a>
University of Houston	<a href="#">24-555-09</a>

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the management of the audited entities.

## Other Work Performed by the State Auditor's Office

We issued opinions on the following financial statements, which are consolidated into the basic financial statements of the State of Texas:

- [\*A Report on the Audit of the Teacher Retirement System's Fiscal Year 2023 Financial Statements\*](#) (State Auditor's Office Report No. 24-006, November 2023).
- [\*A Report on the Audit of the Department of Housing and Community Affairs' Fiscal Year 2023 Financial Statements\*](#) (State Auditor's Office Report No. 24-010, December 2023).
- [\*A Report on the Audit of the Texas Permanent School Fund Corporation's Fiscal Year 2023 Financial Statements\*](#) (State Auditor's Office Report No. 24-008, January 2024).

This report, insofar as it relates to the entities listed above, does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

## State's Responses to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the State's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA  
State Auditor

February 22, 2024



This section identifies the significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. There are no significant deficiencies related to the State's basic financial statements, but Chapter 2 discusses significant deficiencies related to the State's Schedule of Expenditures of Federal Awards for fiscal year 2023.

## Chapter 2

### Schedules of Expenditures of Federal Awards – Current Findings

The agencies and higher education institutions discussed below did not appropriately prepare or adequately review their fiscal year 2023 Schedules of Expenditures of Federal Awards (SEFAs) (see text box for additional information). Therefore, the SEFAs that they submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors.

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**State entities should strengthen the preparation and review of their Schedules of Expenditures of Federal Awards.**

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The agencies and higher education institutions audited reported \$81.0 billion in federal expenditures, or 88 percent of the total federal expenditures that the State of Texas reported for fiscal year 2023. The errors listed below were not material to the fiscal year 2023 SEFA for the State of Texas or to the fiscal year 2023 Annual Comprehensive Financial Report for the State of Texas. However, collectively, they represent control weaknesses that could be significant to the State's SEFA.

*State of Texas Financial Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2023 | 24-555 February 2024*

#### **Schedule of Expenditures of Federal Awards (SEFA)**

Each state entity that expends federal awards is required to prepare a SEFA and submit it to the Office of the Comptroller of Public Accounts (Comptroller's Office). The expenditures are to be presented in the SEFA on the same accounting basis as each state entity's fund financial statements.

Federal awards include federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities [Title 2, U.S. Code of Federal Regulations (CFR), Section 200.1].

Federal financial assistance includes assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, non-cash contributions or donations of property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance [Title 2, CFR, Section 200.1].

Source: *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, Comptroller's Office.

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## Recommendation

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UT Dallas should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year.

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## Management's Response

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### Views of Responsible Officials

The University of Texas at Dallas acknowledges and agrees with the stated recommendation and will strengthen SEFA preparation and review practices.

### Corrective Action Plan

The University's SEFA procedures will be revised to include enhanced preparation and review controls pertaining to reporting student financial aid administrative costs and FEMA project expenditures.

Implementation Date: August 31, 2024

Responsible Person: Director, Receivables and Sponsored Accounting

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## University of Houston

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Reference No. 24-555-09

### Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, the University of Houston overstated expenditures by \$1,353,472 for ALN 97.036, Federal Disaster Grants – Public Assistance (Presidentially Declared Disasters). The overstatement occurred because the University of Houston incorrectly included expenditures associated with project worksheets that FEMA approved in prior fiscal years. As a result, federal revenue reported in Note 2 was overstated by the same amount, and

expenditures disclosed in Note 8 were overstated by \$1,374,778.<sup>1</sup> On its SEFA for Note 8, an entity should report only expenditures that were incurred in a prior fiscal year and associated with a project worksheet that FEMA approved in the current fiscal year.

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### Recommendation

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The University of Houston should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year.

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### Management's Response

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#### Views of Responsible Officials

The University of Houston acknowledges and agree with the findings. Through analysis of the exceptions identified in the audit, the University of Houston will work to develop and implement corrective action to further improve the processes.

#### Corrective Action Plan

The University of Houston has updated its SEFA Standard Operating Procedures on how to determine the correct dollar amount included in the SEFA Schedule 1A and Note 8. In preparation of the SEFA, the preparer will review the "Date Awarded" on the PWs associated with the amount passed from Agency 575 – TDEM to the University. Those PWs with prior fiscal year beginning dates and prior year expenses will be excluded from the SEFA. Only those PWs with current year start dates will be included.

Implementation Date: January 26, 2024

Responsible Person: Financial Manager

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<sup>1</sup> In relation to one project worksheet, the University of Houston reported fewer expenditures in the Certified SEFA than were disclosed in Note 8.