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March 1, 1995

Dr. William Cunningham, Chancellor
The University of Texas System Administration
601 Colorado (OHH)
Austin, Texas 78701-2982

Dear Dr. Cunningham:

The University of Texas System's accounts which are material to the statewide comprehensive annual financial report are reported accurately. The significant accounts at The University of Texas at Austin consisted of current unrestricted funds revenues (\$570 million) and expenditures (\$581 million). The significant accounts at The University of Texas System Administration consisted of investments (\$6 billion) and investment income and realized gain on investments for endowment and similar funds (\$166 million). Accurate financial statements are a tool for decision-making and analysis of operations. The accuracy of the State of Texas' financial statements depends on the accuracy of the financial statement information provided by state entities.

In addition, System Administration has established a system to ensure compliance with bond covenants, and this system is working. The system ensures that bondholders' interests are protected. Bonds payable at August 31, 1994, were approximately \$1 billion.

The University of Texas at Austin and The University of Texas at San Antonio have established control systems to ensure compliance with most federal regulations for their major federal programs, and these systems are working. The University of Texas at Austin received approximately \$140 million through its major federal programs during fiscal year 1994. Non-major programs tested at The University of Texas at Austin amounted to \$7.2 million. In fiscal year 1994, The University of Texas at San Antonio disbursed \$22.7 million in student financial aid.

The attached findings and component institution responses will appear in the *1994 Financial and Compliance Audit Results* report. This report contains the results of all agencies and universities we visited during the statewide financial and compliance audit.

When this report is published in May 1995, copies will be distributed to the board chairperson and executive director or chancellor and president at each agency and university. Additional copies can be obtained from Production Services at 479-4700.

A copy of this letter has been sent to each board member. If you have any questions, please call me at 479-4700.

Sincerely,

A handwritten signature in black ink, appearing to read "William Hirsch".

William Hirsch, CPA
Project Manager

WCH:ggh

cc: Mr. Charles Chaffin, CPA, Director of Internal Audit

SAO Report No. 95-085

Key Points Of Report

The University of Texas System 1994 Statewide Financial and Compliance Audit

March 1995

Overall Conclusion

The University of Texas System's accounts which are material to the statewide comprehensive annual financial report are reported accurately. The significant accounts at The University of Texas at Austin consisted of current unrestricted funds revenues (\$570 million) and expenditures (\$581 million). The significant accounts at The University of Texas System Administration consisted of investments (\$6 billion) and investment income and realized gain on investments for endowment and similar funds (\$166 million).

In addition, System Administration has established a system to ensure compliance with bond covenants, and this system is working. Bonds payable at August 31, 1994, were approximately \$1 billion.

The University of Texas at Austin and The University of Texas at San Antonio have established control systems to ensure compliance with most federal regulations for their major federal programs, and these systems are working. The University of Texas at Austin received approximately \$140 million through its major federal programs during fiscal year 1994. Non-major programs tested at The University of Texas at Austin amounted to \$7.2 million. In fiscal year 1994, The University of Texas at San Antonio disbursed \$22.7 million in student financial aid.

Key findings for The University of Texas at San Antonio and The University of Texas at Austin are highlighted below.

Key Findings

- A control environment weakness exists in the Student Financial Aid Office at The University of Texas at San Antonio (UTSA). UTSA should improve internal controls to address the nine issues included in this report.
- The University of Texas at Austin should enhance controls over procedures to comply with student financial aid regulations, and the University's Office of Student Financial Services should strengthen controls over data processing.

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Internal Control Issues

Internal Control Issue 1:

Strengthen The Control Environment Of The Student Financial Aid Office

A control environment weakness exists in the Student Financial Aid Office at the University. Vacancies in the Director and Assistant Director positions, high turnover rates, and outdated policies and procedures are all contributing factors to the control environment weakness. During the audit, 16 issues were identified, 9 of which were significant enough to be included in this report. The control environment reflects the overall attitudes, awareness, and actions of management concerning the importance of and its emphasis on controls. A weakness in the control environment increases the risk that unintentional mistakes and intentional improprieties could occur and go undetected within the department.

Title 34 of the Code of Federal Regulations (CFR), section 668.14, states that for an institution to continue to participate in any federal financial aid programs, the institution must demonstrate that it is capable of administering the federal programs. A strong control environment within the department is essential to ensure that the financial aid programs are properly administered. Management is responsible for establishing and maintaining control systems which provide reasonable assurance regarding compliance with state and federal regulations.

Recommendation: We recommend that the University strengthen the control environment of the Student Financial Aid Office by hiring a financial aid director and by updating policies and procedures to ensure compliance with federal regulations.

Management's Response: *The Assistant Director was away from the office for six weeks due to a family medical emergency. The Assistant Director has returned to full time work since the audit was completed. An Associate Director with many years of financial aid experience was hired and reported for work the week of the audit. The search for a Financial Aid Director was opened three times in the last two years. An offer was made but was rejected. A search for a Director of Financial Aid for UTSA will be opened in February with an aim to hire in late Spring. These actions will give the stability and oversight required to operate a strong and efficient Financial Aid Office.*

This past year we worked with GTE to install an Imaging System, but they were unable to fulfill their contract. We will once again this year begin working with an outside contractor to install an Imaging System that will function throughout the whole financial aid process from application to awarding. We have made significant progress in the procedures and operational policies of the Financial Aid Office and will continue to monitor and improve on the procedures and policies of the operation of the office to provide assurance that we are in compliance with State and Federal regulations.

The University's internal auditor will monitor all areas in which findings were noted and will work closely with Financial Aid administrators to improve and monitor all functions within the office.

Internal Control Issue 2:

Restrict Access To Student Records System

(Prior Audit Issue)

Although progress has been made since the 1990 fiscal year statewide audit, access to the University's student records system is still not adequately restricted. Passwords for access to the student records system are not required to be changed regularly, and the notification procedures in place do not consistently ensure that access capabilities of a departing employee are immediately removed. Since access is not adequately restricted, if a user were to secure another's password, it would be possible to gain access to the update capabilities of that second user.

Progress has been made in resolving the prior finding by the installation of RACF, an access security software package, and by the restriction of programmer update access to the student records system. RACF requires passwords for the initial access to the computer system to be changed in a timely manner.

Because the system stores confidential student information, strong access restrictions are essential to prevent corruption of information. In addition, access capabilities should be removed immediately after an employee leaves the University.

Recommendation: We recommend the further restriction of access to the student records system by instituting required password change intervals. In addition, the University's employee exit procedures should include prompt notification to the computer security administrators.

Management's Response: *The programming necessary to enforce periodic changes of ISIS passwords has been completed. It will be implemented in the production system at the end of this calendar year and the parameters will be set to require a change of password every 45 days. The change will be on the same schedule as the required change of the RAC-F password.*

The Office of Information Technology is informed when an employee leaves the University or is assigned to a different department, but there is frequently a delay of a week before this information is made available to the computer security administrators. We will work with the Human Resources department to make it possible to get this information at the time of the exit procedure. We will also request that the personnel in the employee's home department inform us by electronic mail as soon as it becomes clear that the employee will be leaving so that we have the first possible notice and can adjust the security in a more timely manner.

Federal Compliance Issues

Recommendations addressed in other sections of this report impact controls over federal funds, especially for the University's most significant federal programs which are funded by the U.S. Department of Education.

Federal Compliance Issue 1:

Revise Satisfactory Academic Progress Policy

The University's student financial aid satisfactory academic progress policy should be revised. The policy's incremental progress standard does not ensure that a student's progress is sufficient to obtain a degree within the maximum time frame.

Title 34 of the Code of Federal Regulations (CFR), section 668.16, states that the policy must include a schedule that designates the minimum amount of work that a student must successfully complete at the end of each increment to complete an educational program within the maximum time frame.

Recommendation: We recommend the University revise its student financial aid satisfactory academic progress policy to comply with federal regulations. The policy's incremental progress policy should designate the amount of work that a student must complete for each increment in order to successfully finish the program within the maximum time frame.

Management's Response: *The University's policy stated a requirement of 10 hours per long semester to comply with Federal Regulations for the purpose of monitoring grade point average and successful completion of graduation requirements. While the policy did not specifically state so, it was assumed that additional hours would be accumulated through summer enrollment. In response to the finding, the University will revise its stated policy to fully comply with Federal regulations, and will implement procedures that ensure that students receiving financial aid complete their degree program within the stated maximum time frame.*

The revised policy will specify that a full-time student must complete 24 semester credit hours per academic year (adjusted accordingly for other categories of enrollments).

Federal Compliance Issue 2:

Student Financial Aid Office Should Not Receive Loan Proceeds From Lenders

The University's Student Financial Aid Office should not receive loan proceeds from the lenders of the *Federal Family Education Loan Program* (CFDA 84.032). The office both processes the loan applications and receives the loan proceeds from the lenders. This increases the risk that office personnel could process unauthorized loans and retain the loan proceeds when they are received.

Title 34 of the Code of Federal Regulations (CFR), section 668.14(d)(1)-(2), requires an institution to ensure that its procedures for administering the student financial aid programs include an adequate system of internal checks and balances.

Recommendation: We recommend that the Student Financial Aid Office not receive loan checks. All loan checks should be delivered directly from the lenders to the Bursar's Office, which should continue disbursing these checks to borrowers.

Management's Response: *The University concurs with State Auditor's recommendation that Federal Family Education Loan Program (FFEL) checks should be received by the Bursar's office and not the Financial Aid Office. Implementation of this new procedure will begin immediately by notifying the many lenders that submit FFEL checks to the University. It is not known at this time how quickly these various institutions can change the mailing/delivery address for UTSA, and until that time, checks will continue to be received in the Financial Aid Office. There is a concern that changing our present procedure may have a negative impact on customer (student) service, and this new procedure must be evaluated over the next six months.*

Federal Compliance Issue 3:

Award Proceeds May Not Be Withheld

The University may not withhold award proceeds from *Federal Pell Grant Program* (CFDA 84.063) and *Federal Family Education Loan Program - FFELP* (CFDA 84.032) recipients for payment of noneducational university obligations. Current University check disbursement procedures inappropriately require payment of any outstanding university obligations before a student may receive his or her loan proceeds.

Institutions may not withhold award proceeds from *Federal Pell Grant Program* and *FFELP* recipients who meet the eligibility requirements as set forth in *Title 34 of the Code of Federal Regulations (CFR), sections 682 and 690*. Payment of outstanding university obligations is not one of the eligibility requirements for distribution of award proceeds.

Recommendation: We recommend that the University not withhold federal award proceeds from students who have outstanding university obligations. There are alternatives that the University may utilize for the collection of student's outstanding obligations. These alternatives include restricting registration, withholding grades, or notifying a collection agency.

Management's Response: *The University concurs with the State Auditor's recommendation that only educational costs can be collected from Federal Financial Aid programs. University obligations such as parking fines and library fines shall be collected separately from the Disbursement of Federal financial aid program funds. The holds presently entered on a student's account will not be liquidated using proceeds from federal programs unless the student voluntarily offers to pay at that time. This may cause students unnecessary delays in the advance registration process if these*

obligations are not cleared at the time of disbursement, but then that should encourage the voluntary payments.

Federal Compliance Issue 4:

Maintain Student Files

The University is not adequately maintaining student files to support the disbursement of federal financial aid. Several documents could not be located during the audit, other documents had not been properly filed, and the disbursement date of financial aid to the students is not recorded. Inadequate filing practices make it difficult to determine compliance with federal program requirements and could result in disbursements of funds which are not properly supported.

Twelve percent (3 of 25) of the entrance counseling forms requested could not be found, and 30 percent (6 of 20) of the exit counseling forms could not be found. There were also six instances in which no date was recorded on the check authorization form, and one instance in which a check release form was not located. Many documents related to the *Federal Family Education Loan Program* (CFDA 84.032) for the 1993-1994 award year, which ended in May 1994, had not been properly filed as of November 1994. In addition, the University does not record the date that financial aid is disbursed to the students.

Title 34 of the Code of Federal Regulations (CFR), section 668.23 (f)(1)-(3), requires institutions administering federal financial aid programs to establish and maintain, on a current basis, adequate student records. Section 682.610 (b) requires the University to maintain the date of transmittal of Federal Family Education Loan proceeds by the school to the student. In addition, section 690.81 requires financial records to reflect all Federal Pell Grant Program transactions, which includes the date of each payment to the student.

Recommendation: We recommend the University maintain student files on a current basis to support the disbursement of federal financial aid. All unfiled documents relating to financial aid recipients should be filed, and all filing should be kept current. In addition, the University should implement procedures to record the date that students actually receive their financial aid.

Management's Response: *It is the policy of the Financial Aid Office to file all documents pertaining to a student in the student's folder with the exception of the disbursement release forms. The frequency in which these forms are accessed made it necessary to keep them separated from the files temporarily. Although this is not a violation of the Department of Education regulations, in order to more efficiently serve students and the University we have filed the release forms in the students' files and will continue this practice. As discussed in [Federal Compliance Issue 5], the disbursement release forms will be initialed and dated by the Bursar's Office as of the date the check is delivered to the student.*

The Exit Counseling Forms could not be located in some cases due to weak procedures sighted in [Federal Compliance Issue 6]. We have instructed the front line to ensure that

all students who withdraw from the University complete the exit process, then front line personnel will appropriately document the file. We have already strengthened the exit interview process for students graduating from the University and will document the students' files accordingly. Each semester Exit Interview Packages will be mailed and documented to all students who cease to be enrolled at least half-time. We believe the new procedures developed in response to [Federal Compliance Issue 6] will adequately document the students' files.

Regarding reference to Entrance Counseling Forms, eighteen months ago we changed the way we receipted documentation at the front counter. For most documents received, we enter the document received date on our document tracking system and print a copy of the screen and give this to the student as a receipt. This procedure was apparently being used for documenting the completion of entrance counseling. This has been corrected and the front desk staff has been reinstructed on proper procedure which should eliminate further occurrence of not completing the Entrance Counseling Form.

Federal Compliance Issue 5:

Distribute Loan Proceeds At Prescribed Times

The University is distributing *Federal Family Education Loan Program (CFDA 84.032)* proceeds to students earlier than ten days before the first class day. Twenty-four percent (6 of 25) of the student files tested did not indicate that loan proceeds were not released to the student prior to ten days before the first class day. In five of the six files, the date recorded on the check release form was earlier than ten days before the first class day. For one of the six files, the release date was not recorded on the check release form. Early distribution of loan proceeds increases the risk of payment to ineligible students.

Title 34 of the Code of Federal Regulations (CFR), section 682.604 prohibits an institution from delivering loan proceeds to a registered student earlier than ten days before the first day of classes.

Recommendation: We recommend the University distribute loan proceeds at prescribed times. The University should not distribute loan proceeds earlier than ten days before the first class day. In addition, procedures should ensure that release dates are recorded on check release forms.

Management's Response: *Loan proceeds will not be released sooner than 10 days before the first day of class effective immediately. The loan release form will be initialed and dated as of the day the student picked up the check.*

Federal Compliance Issue 6:

Provide Exit Counseling Information

The University is not providing exit counseling (loan repayment) information to all recipients of the *Federal Family Education Loan Program (CFDA 84.032)*. Forty-five

percent (9 of 20) of the student files tested did not contain documentation of exit counseling. In addition, procedures are not sufficient to identify students who do not re-enroll the following semester, and as a result require exit counseling. Inadequate exit counseling procedures could result in an increased loan default rate. *Title 34 of the Code of Federal Regulations (CFR), section 682.604*, requires that the institution conduct exit counseling with each borrower who ceases to be enrolled at least half time. This includes students who withdraw, drop classes, graduate, or simply do not re-enroll at the University. If a student does not attend a counseling session, this information must be mailed within 30 days. Documentation of this counseling must be maintained in the student's file.

Recommendation: We recommend the University provide exit counseling information to all students who cease to be enrolled at least half-time and that documentation be maintained in the students' files. Procedures should be developed to identify students who require exit counseling because they do not re-enroll.

Management's Response: *For those students who withdraw during the semester we have had a procedure established where they must come to the financial aid office, and we then require they complete the exit interview process which is documented and placed in their student file. For those students who graduate we have instituted a formal exit interview session (as of Spring 1994) where bankers are present to answer questions and provide guidance. Their participation has been documented and placed in their student file. For those students who do not re-enroll we will institute a procedure where they are identified at the time the SEVR tapes are run and an exit interview packet will be mailed and documented. UTSA has a very low default rate of 6.4% which has stayed steady over the last four years.*

Federal Compliance Issue 7:

Report Enrollment Changes In A Timely Manner

The University is not reporting all enrollment changes for the *Federal Family Education Loan Program (CFDA 84.032)* in a timely manner. Enrollment changes occur when a student graduates, withdraws, drops a class, or is expelled. Forty-five percent (9 of 20) of the students tested were not reported within the required time frames. Noncompliance with this requirement may result in delayed loan repayment to lenders.

Title 34 of the Code of Federal Regulations (CFR), section 682.610, requires the institution to report enrollment changes to the guaranty agency within 60 days. If an institution does not expect to report enrollment changes on the student status confirmation report within the next 60 days, that institution must notify the guaranty agency or lender by letter within 30 days.

Recommendation: We recommend the University report enrollment changes to the guarantors or lenders in a timely manner. Timely reporting of students who graduate can be achieved by submitting a list of confirmed graduates to the guarantors.

***Management's Response:** We have already taken steps to strengthen this procedure. The student enrollment verification report (SEVR) tapes were run on a timely basis in Fall of 1994 and will continue to be run on a timely schedule to meet our reporting requirements to the lenders and guarantors. We sent the exit interview forms for Spring 1994 graduates to the lenders and guarantors on a timely basis, and will continue to do so in the future. We will improve documentation by including the date exit interview forms are mailed. We believe the changes we have implemented over the last year will satisfy the reporting requirements for enrollment changes.*

The University of Texas at Austin

Internal Control Issue

Internal Control Issue 1:

Strengthen Controls Over Data Processing

Compensating controls over data processing should be strengthened in the Office of Student Financial Services (OSFS). Within the decentralized data processing environment at the University of Texas at Austin, OSFS programmers are responsible for placing programs into production and also running these programs against production data. Programmer performance of these functions results in a control weakness and, at a minimum, requires adequate compensating controls. However, compensating controls were found to be weak as exemplified by the following:

- Program modifications are not consistently documented.
- An audit trail of program promotions is not retained.
- Management does not review job submissions.

When data processing activities are decentralized, OSFS management is responsible for ensuring the existence of adequate compensating controls for their data processing resources. The lack of such controls increases the likelihood that data from the financial aid system could be deleteriously altered.

Recommendation: We recommend that OSFS management strengthen compensating controls over data processing. Specifically, documentation and monitoring activities should be increased for the program modification, program promotion, and job submission functions.

***Management's Response:** We agree that program modifications are not consistently documented. In the future, we will compile electronic documents indicating the program revisions or new programming agreed upon during senior administrative staff meetings. Current year documents will be available electronically. Previous years' documents will be printed to hard copy, filed, and deleted from electronic storage.*

We agree that program promotions are not permanently retained and monitored ("program promotions" are when computer programs are taken from the testing mode on test data to the actual programming mode on real data). When this takes place, an electronic record is created. This information is retained on-line for approximately six weeks. We will print a report of this information on a monthly basis to maintain a complete history of program promotions. The OSFS Associate Director will be responsible for monitoring this information. The Associate Director of OSFS will review listings of computer program job submissions at least monthly.

We plan to initiate all new procedures as soon as possible. All procedures described will be fully implemented by Fall 1995.

Federal Compliance Issues

Recommendations addressed in other sections of this report impact controls over federal funds, especially for the University's most significant federal programs funded by the U.S. Department of Education.

Federal Compliance Issue 1:

Office Of Student Financial Services Should Not Receive Loan Proceeds From Lenders

The University's Office of Student Financial Services should not receive loan proceeds from the lenders of the *Federal Family Education Loan Program (CFDA 84.032)*. The office both processes the loan applications and receives the loan proceeds from the lenders. This increases the risk that office personnel could process unauthorized loans and retain the loan proceeds when they are received.

Title 34 of the Code of Federal Regulations (CFR), section 668.14(d)(1)-(2), requires an institution to ensure that its procedures for administering the student financial aid programs include an adequate system of internal checks and balances.

Recommendation: We recommend that the Office of Student Financial Services not receive loan checks. All loan checks should be delivered directly from the lenders to the Bursar's Office, which should continue disbursing these checks to borrowers.

Management's Response: *We agree that the functions of awarding financial aid and handling proceeds from loans should be performed by separate departments. Although we have these functions separated within the Office of Student Financial Services, we will start a new procedure requiring the lenders to send the checks directly to the Office of Accounting. This new procedure will be on a trial run for the Summer 1995 semester and fully implemented by the Fall 1995 semester.*

Federal Compliance Issue 2:

Payment Authorizations For University Obligations Must Be Optional

The University may not require *Federal Pell Grant Program* (CFDA 84.063) and *Federal Family Education Loan Program - FFELP* (CFDA 84.032) recipients to authorize payment of outstanding university obligations. The statement on the Financial Aid Notification (FAN) letter, which authorizes outstanding university obligations to be deducted from the students' award proceeds, does not state that this authorization is optional. Students must sign the statement in order to receive their award proceeds. As a result, student financial aid funds are being used for items other than educational expenses.

Title 34 of the Code of Federal Regulations (CFR), sections 690.78 (a)(1)-(2) and 682.604 (d), states that institutions may use Federal Pell Grant Program and FFELP awards to pay charges other than tuition and fees and room and board (if provided by the school) only if the student authorizes such payment in writing. However, the institution may not require the student to authorize such payments. Payments may only be made for educational expenses.

Recommendation: We recommend that the University not require students with financial aid to authorize payment of outstanding university obligations. The University should make students aware that authorization for payment of institutional debt is not a requirement for *FFELP* or *Federal Pell Grant Program* disbursement. This can be done by rewording or omitting the related certification statement, contained on the FAN.

Management's Response: *We agree to revise the Financial Aid Notification form so that the student will clearly recognize that having institutional debts deducted from his/her financial aid is an option. This will be fully implemented for the 1995-1996 school year.*

Federal Compliance Issue 3:

Provide Timely Exit Counseling Information

The University is not providing timely exit counseling (loan repayment) information to all recipients of the *Federal Family Education Loan Program* (CFDA 84.032). Inadequate exit counseling procedures could result in an increased loan default rate. Timely exit counseling information was not provided for 85 percent (17 of 20) of the student files tested. Seven files did not contain any exit counseling documentation, while ten files showed exit counseling was not provided in a timely manner.

Title 34 of the Code of Federal Regulations (CFR), section 682.604, requires that the institution conduct timely exit counseling with each borrower who ceases to be enrolled at least half time. Documentation of this counseling must be maintained in the student's file.

Recommendation: We recommend the University provide timely exit counseling information to all students who cease to be enrolled at least half-time and that documentation be maintained in the student files.

Management's Response: *We agree that the borrowers who were unable to attend an exit counseling session were not mailed the required materials in the time specified. The*

materials were mailed to them as soon as this was discovered. We now have in place a program to identify those students who have dropped to less than half time. We will ensure that they will have the appropriate exit counseling session or materials on a timely basis.

Federal Compliance Issue 4:

Report Enrollment Changes

The University is not reporting all enrollment changes for the *Federal Family Education Loan Program (CFDA 84.032)* within the 60-day federal requirement. Enrollment changes occur when a student graduates, withdraws, drops a class, or is expelled. Noncompliance with this requirement may result in delayed loan repayment to lenders.

The 60-day notification requirement was not met for 70 percent (14 of 20) of the student files tested. Procedures are not sufficient to report spring graduates within the 60-day requirement.

Title 34 of the Code of Federal Regulations (CFR), section 682.610, requires the institution to report enrollment changes to the guaranty agency within 60 days. If an institution does not expect to report enrollment changes on the student status confirmation report within the next 60 days, that institution must notify the guaranty agency or lender by letter within 30 days.

Recommendation: We recommend the University report enrollment changes to lenders within the 60-day requirement. Timely reporting of students who graduate in the spring semester can be achieved by submitting a list of confirmed graduates to the guarantor.

Management's Response: *We agree that some enrollment changes were not reported within the 60-day requirement. The circumstance affected only Spring '94 graduates. We have adjusted our procedures so that a list of spring graduates will be reported to the guarantor or lender within 60 days after the student record is updated for spring graduation.*

Audit Scope

Our work, performed at The University of Texas at Austin and The University of Texas System Administration, included a review of the material accounts which are significant to the statewide annual financial report. The significant accounts at The University of Texas at Austin consisted of current unrestricted funds revenues (\$570.3 million) and expenditures (\$580.7 million). The significant accounts at The University of Texas System Administration consisted of investments (\$6.4 billion) and investment income and realized gain on investments for endowment and similar funds (\$165.5 million). We gained an understanding of the general control environment, cash receipts, cash disbursements, payroll/personnel, journal vouchers, and investments. The following financial statement accounts were tested: investments, investment income, and current unrestricted funds revenues and expenditures.

In addition, we tested the System's bond-related disclosures in the annual financial report and verified compliance with significant bond covenants. Bonds payable at August 31, 1994, were approximately \$1 billion.

We performed tests of the controls and compliance requirements of the largest federal programs at The University of Texas at San Antonio and The University of Texas at Austin. The University of Texas at Austin received approximately \$140 million through its major federal programs during fiscal year 1994. Non-major programs tested at The University of Texas at Austin amounted to \$7.2 million. In fiscal year 1994, The University of Texas at San Antonio disbursed \$22.7 million in student financial aid. We also gained an understanding of the controls over selected non-major federal programs at The University of Texas at Austin and The University of Texas M.D. Anderson Cancer Center.