



Compliance Audit for fiscal  
years 2020 and 2021

Jeane Carstensen-Garrett – Audit  
Manager for Financial Compliance  
Audit



# TABLE OF CONTENTS

01. Introductions and background

02. Objectives and Scope

03. Higher Education  
Stabilization Fund

04. Research  
Development Cluster

05. Student Financial Aid  
Program

# AUDIT STAFF

---

Kelly Zwang-Audit Supervisor

Flora M. Waske-Associate Auditor

Shenae Stensaas-Audit Supervisor

Donald Erdmann-Associate Auditor

Leslie Lahti- Senior Auditor

Mary V. Yurewitch- Senior Auditor

Jen Erdahl-Audit Manager

Karen E. Simpson-Audit Manager

Miki Cestnik-Information System Audit Manager

# UNIVERSITY STAFF

---

Seth Bodnar, President  
Anta Coulibaly, Director of Internal Audit and  
Enterprise Risk

On Zoom  
Dave Kuntz, Director of Strategic Communication

# COMPLIANCE AUDITS

---

We complete Two of this type of Audits --University of Montana and Montana State University

Why this type of audit?

- Efficiency
- Request from Universities

.

The background of the slide features a photograph of trees with vibrant yellow autumn leaves. A large, solid red rectangle is centered over the image, serving as a backdrop for the title text.

# Objectives and Scope

# AUDIT OBJECTIVES

---

- Audit the Three Major Programs
- Provide recommendations to management for improvement
- Test Selected State Laws
- Follow-up on Prior Audit Recommendations



The background of the slide features a photograph of trees with vibrant yellow autumn leaves. A large, solid red rectangular box is centered over the image, serving as a backdrop for the text.

# Educational Stabilization Fund (ESF)



# Education Stabilization Fund (ESF) Pandemic related Funding

## HEERF AND ESF EXPENSES (in millions) Fiscal Year 2020& 2021

Higher Education Emergency  
Relief Fund subprogram  
(HEERF)

Funds were under three different Acts:

- CARES
- CRRSAA
- ARPA

<b>University of Montana-HEERF</b>	<b>\$29M</b>
<b>State of Montana-HEERF</b>	<b>\$70M</b>
<b>Total ESF</b>	<b>\$107M</b>

# Audit Tests and Results for HEERF Testing

Uses of Funds allocated between Student and Institutional Portion

Audit Testing included Audit

- Plan for Disbursement to Students
- Material Institutional payments
- Quarterly and annual reports

**No Audit Findings**

The background of the slide features a photograph of trees with vibrant yellow autumn leaves. A large, solid red rectangle is superimposed over the center of the image, serving as a backdrop for the text.

# Research and Development Cluster

# Research & Development Cluster

Research and Development Cluster Expenses  
Fiscal Year 2020 & 2021  
(In millions)

University of Montana - Missoula	\$114 M
State of Montana	\$336 M

Wide variety of individual research-based grants from different federal agencies administered by the university.

Our audit efforts were focused on Missoula based on materiality.

# Audit Tests for Research and Development

---

Tested eight direct and material federal assertions

Primary audit tests were three samples

- #60 item Grant
- #36 Item Vendor
- #40 Item Expense



# Recommendation #8 – Equipment

## Improvements needed in controls at UM Missoula over equipment tagging

- Eight of ten equipment not tagged
- Reasons why equipment tagging important

# Other Results for Research & Development Testing

No other audit findings in other assertions in our testing of the program

- Activities Allowed
- Allowable Costs
- Cash Management
- Procurement Suspension & Debarment
- Subrecipient Monitoring
- Period of Performance
- Special Tests-Key Personnel

The background of the slide features a photograph of trees with vibrant yellow autumn leaves. A large, solid red rectangle is superimposed over the center of the image, serving as a backdrop for the title text.

# Student Financial Aid Program

US Department of Education funds all campuses

Comprised of 11 Grant & loan programs

Performed Testing at all campuses

**Total Student Financial Aid for Fiscal Year 2020 and 2021 by Campus and Federal Program**

Program	MT Tech	UM Western	Helena College	UM Missoula	Total
FSEOG	\$293,945	\$291,628	\$111,643	\$686,343	\$1,383,559
FWS	\$193,895	\$332,606	\$66,150	\$1,778,230	\$2,370,881
Perkins Loans*	\$1,938,854	\$842,907		\$14,007,594	\$16,789,355
Pell Grants	\$4,823,054	\$4,493,142	\$2,644,930	\$21,334,525	\$33,295,651
Direct Loans	\$14,859,679	\$9,306,690	\$4,753,754	\$104,628,318	\$133,548,441
Teacher Education Assistance for College and Higher Education Grants		\$7,924		\$1,876	\$9,800
Health Professions Student Loans				\$596,774	\$596,774
<b>Total</b>	<b>\$22,109,427</b>	<b>\$15,274,897</b>	<b>\$7,576,477</b>	<b>\$143,033,660</b>	<b>\$187,994,461</b>

**Source: Compiled by Legislative Audit Division from Schedule of Expenditures of Federal Awards Information.**

\* These amounts are the outstanding balances of previous loans and not new loans issued each year.

# Student Financial Aid Testing

Assertion	Sample Size	# of Samples
<b>Allowable Costs</b>	60	1 *
<b>Cash Management</b>	60	1
<b>Eligibility</b>		
• Cost of Attendance	60	1
• General Eligibility	60	1*
<b>Reporting</b>	60	1*
<b>Special Tests:</b>		
• Verification, Return of Title IV Funds	40	2
• Disbursements, Enrollment Reporting, General Program Eligibility,	60	1*
• Perkins Loans	60	2
• Direct Loan Reconciliation	9	1

1\* Several assertions were tested from one sample



# Student Financial Aid Process

- FAFSA application calculates expected family contribution
- Schools calculate cost of attendance
- Financial aid awards are based on unmet need and available funding
- Grants are awarded 1<sup>st</sup> to students with high unmet need
- Loans are awarded last

COST OF ATTENDANCE

- EXPECTED FAMILY CONTRIBUTION

---

UNMET NEED

- FEDERAL & STATE GRANTS

- SUBSIDIZED LOANS

- UNSUBSIDIZED & PLUS LOANS

---

\$0 UNMET NEED

# STUDENT FINANCIAL AID RECOMENDATIONS

---

Recommendations	UM Missoula	MT Tech	UM Western	Helena College
#1 – Cost of Attendance Calculations	X	X	X	X
#2 – Return of Title IV Funds	X		X	
#3 – Enrollment Reporting	X			
#4 – Direct Loan Reconciliations	X	X	X	X
#5 – FISAP Reporting			X	X
#6 – Perkins Loans Records Retention	X	X	X	
#7 – Perkins Loans Contractor Monitoring	X	X	X	

# Recommendation #1 - Cost of Attendance Calculations (COA) All campuses

**The university should improve internal controls to ensure accurate and supported costs of attendance calculations.**

- COA is estimate of costs for tuition and fees, room and board, and other expenses.
- Campuses have between 76 to 294 different calculations
- No review of this calculation completed and documented at UM Missoula, UM Western, and Helena College.

# Recommendation #2 - Return of Title IV Funds

**Improvements needed in controls at Missoula and Western for calculating and timely returning unearned student financial aid.**

- Withdrawal Calculation to determine return of funds
- Sample of 54 students identified multiple instances of noncompliance and systemic internal control issues at UM Missoula and UM Western.
- Questioned costs are likely to exceed \$25,000 for the period at Missoula.

# Recommendation #3 - Enrollment Reporting at Missoula

**Improvements needed in controls over enrollment reporting at Missoula to ensure compliance with federal requirements**

- Enrollment reporting required for Pell Grant and Direct Loan Programs.
- Sample of 37 students at Missoula, we identified errors in enrollment reporting process.
- Significant noncompliance and internal control deficiencies in their reporting process.



# Other Results for Student Financial Aid Program Testing

**No other audit findings in other assertions in our testing of the program**

Activities Allowed

Cash Management

Special Tests-Verification

Special Tests-Disbursements to or on Behalf of Students

Special Tests- General Program Eligibility

# Questions?

