Compliance Audit for fiscal years 2020 and 2021

Jeane Carstensen-Garrett – Audit Manager for Financial Compliance Audit
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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
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
Educational Stabilization Fund (ESF)
Education Stabilization Fund (ESF)
Pandemic related Funding

Higher Education Emergency Relief Fund subprogram (HEERF)

Funds were under three different Acts:
• CARES
• CRRSAA
• ARPA

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

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Montana-HEERF</td>
<td>$29M</td>
</tr>
<tr>
<td>State of Montana-HEERF</td>
<td>$70M</td>
</tr>
<tr>
<td>Total ESF</td>
<td>$107M</td>
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</tbody>
</table>
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
Research and Development Cluster
<table>
<thead>
<tr>
<th>Research and Development Cluster Expenses</th>
<th>Fiscal Year 2020 &amp; 2021</th>
<th>(In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Montana - Missoula</td>
<td>$114 M</td>
<td></td>
</tr>
<tr>
<td>State of Montana</td>
<td>$336 M</td>
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</tr>
</tbody>
</table>

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
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

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

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

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

* 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 first 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 RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>UM Missoula</th>
<th>MT Tech</th>
<th>UM Western</th>
<th>Helena College</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 – Cost of Attendance Calculations</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>#2 – Return of Title IV Funds</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>#3 – Enrollment Reporting</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#4 – Direct Loan Reconciliations</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>#5 – FISAP Reporting</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
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<tr>
<td>#6 – Perkins Loans Records Retention</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>#7 – Perkins Loans Contractor Monitoring</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
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?