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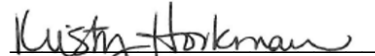
**NOTICE is hereby given that the Collin County Community College District Board of Trustees will hold a meeting of the Finance and Audit Committee (Moses, Arias, and Menon) at 5:00 p.m. on Tuesday, January 19, 2021, in the President's Conference Room 407 at the Collin Higher Education Center, 3452 Spur 399, McKinney, Texas 75069.**

**PUBLIC COMMENT**

**REVIEW AND DISCUSSION ITEMS**

1. Discussion of Internal Audit Results for the College

*J. Robert Collins, Ph.D.*  
*Chairman, Board of Trustees*

  
For the Board of Trustees

***Collin County Community College District Board of Trustees***

1. Finance and Audit Committee

January 19, 2020

Resource: Ali Subhani  
Director of Internal Audit

**DISCUSSION ITEM:** Discussion of Internal Audit Results for the College

**DISCUSSION:** Results for the following internal audit project will be outlined:

- Report Number 21-01 – Return of Title IV



OFFICE OF

# Internal Audit

**January 19, 2021**

Dr. Neil Matkin, President  
Members of the Board of Trustees:

An audit of Return of Title IV Funds for fiscal year 2021 has been completed. The objective of the audit was to evaluate compliance with Federal Regulations related to the Return of Title IV Funds (R2T4).

As reflected in the Executive Summary, operational processes that facilitate compliance with Federal regulations are in place. Recommendations to strengthen compliance are outlined beginning on page six.

Please let me know if you have any questions or comments regarding this audit.

I appreciate the courtesies and considerations extended to me during the engagement.

Ali Subhani, CIA, CISA, GSNA  
Director Internal Audit

**Report Distribution:**

**Collin College:**

Sherry Schumann, Ph.D., Executive Vice President  
Albert Tezeno, Ph.D., Vice President Student and Enrollment Services

**Members of the Board of Trustees:**

Trustee Dr. J. Robert Collins	Trustee Dr. Stacey Donald
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OFFICE OF

# Internal Audit

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## EXECUTIVE SUMMARY

### AUDIT OBJECTIVE

The objective of the audit was to evaluate compliance with Federal Regulations related to the Return of Title IV Funds (R2T4). The scope of the audit included academic terms beginning with the academic term Fall 2017 (201810) through Summer 2020 (202030).

### AUDIT RECOMMENDATIONS

Recommendation	Risk Level	Implementation Date
<b>1.</b> Strengthen Compliance with Federal Regulations: <ul style="list-style-type: none"> <li><b>A)</b> Improve Consistency of R2T4 Calculations within Banner</li> <li><b>B)</b> Improve Retention of Notices Sent to Students</li> </ul>	<b>Medium</b>	June 2021

### DESIGNATED MANAGEMENT

#### Responsible Parties



Albert Tezeno, Ph.D.,  
Vice President Student and Enrollment  
Services



Alan Pixley,  
Director Financial Aid and Veterans  
Services

### CONCLUSION

Overall, operational processes that facilitate compliance with Federal regulations are in place. Implementation of the recommendations outlined in the report will further strengthen compliance.

## BACKGROUND

Title IV of the Higher Education Act (HEA) of 1965, as amended in 1998, (Title IV, and HEA program) establishes general rules that apply to the student financial assistance programs.

For purposes of Return of Title IV Funds, these programs include:

- Pell Grant;
- Academic Competitive Grant (ACG)
- National SMART Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Direct Loans
- Federal Perkins Loans
- Federal PLUS Loans

The regulations mandate institutions that receive Title IV funds have a process in place for timely identification of all students who cancel, withdraw, or are dismissed from all classes after the first day of the term. Subsequently, a process must be in place for calculating earned and unearned percentages of aid for each student so that unearned funds can be returned back to the appropriate federal program in a timely manner. The audit was performed to determine whether the college was complying with the requirements of CFR § 668.221 which relates to the return of Title IV Funds.

At Collin College, the Director of Financial Aid and Veteran Affairs, who reports to the Vice President for Student and Enrollment Services, is responsible for ensuring compliance with CFR § 668.22. The Director of Financial Aid has delegated the duties related to the return of Title IV Funds to the Assistant Director for Compliance and Reporting. The Financial Aid department relies on functionality in the Banner Student System to ensure that the college maintains compliance with the regulations.

## **OBJECTIVE & SCOPE**

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The objective of the audit was to evaluate compliance with Federal Regulations related to the Return of Title IV Funds (R2T4). The scope of the audit included academic terms beginning with the academic term Fall 2017 (201810) through Summer 2020 (202030).

## **METHODOLOGY**

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To satisfy audit objectives, the following procedures were performed:

- Gained an understanding of the Title IV regulations.
- Gained an understanding of the business process in place in the department to ensure compliance with the regulations.
- Reviewed departmental policies.
- Gained an understanding of the process in place to identify the student population.
- Performed data analysis procedures to:
  - Identify untimely returns
  - Identify calculation errors
  - Identify students that may potentially be missing Title IV calculations
  - Evaluate the retention of notifications that are provided to students

Since the audit department is compromised of one individual, the examination was conducted in partial conformance with the guidelines set forth in the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. The Standards are statements of core requirements for the professional practice of internal auditing. Those standards require that sufficient and appropriate evidence is obtained in performing and planning the audit to provide a reasonable basis for the findings and conclusions based on the audit objectives. With the exception of compliance with Standard - 2340 related to supervision, the evidence obtained provides a reasonable basis for the findings and conclusion based on the audit objectives.

## CONTROLS & STRENGTHS NOTED

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The following controls and strengths were noted as the audit was completed:

- A policy that outlines the college's R2T4 requirements is in place.
- The Assistant Director of Financial Aid has been designated to monitor compliance with Federal regulations related to R2T4.
- A process to identify the correct student population for performing R2T4 calculations is in place.
- Monitoring to ensure funds are returned in a timely manner is in place. Funds were returned for 99.8 percent (1,645 out of 1,648) of the students that were reviewed.

## AUDIT RESULTS & MANAGEMENT RESPONSES

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### 1. Strengthen Compliance with Federal Regulations

Risk Level: Medium

Category: Compliance

The following opportunities to strengthen compliance with federal regulations were noted:

#### **A) Improve Consistency of R2T4 Calculations within Banner**

**According to the College's Return of Title IV Funds Policy :**

"Federal regulations [HEA Section 484B, 485(a)(1)(F), 34 CFR 668.22], referred to as the Return of Title IV Funds policy, require Collin College to calculate a refund and repayment of federal aid received by students who withdraw prior to the 60% point of a term for which he/she has received federal aid."

The Financial Aid department business practice is to complete Return to Title IV (R2T4) calculations within Banner. In a review of 3,314 students, 193 students were identified as missing R2T4 calculations within Banner. The students appeared to meet the criteria for a R2T4 calculation.

## **B) Improve Retention of Notices Sent to Students**

According to standard business practice within the Financial Aid department, student notifications that are sent to students must be retained within the college's document repository (BDMS). In review of 2,257 students, 110 students were identified that did not have their notification letter retained within BDMS. This is due to the fact that student notifications are currently manually scanned into the document repository.

### According to CFR 668 :

"Within 30 days of determining that a student who withdrew must repay all or part of a Title IV grant, a school must notify the student that he or she must repay the overpayment or make satisfactory arrangements to repay it.;"

### **Recommendation:**

Compliance with federal regulations should be strengthened by ensuring that:

- An appropriate process is in place to identify the complete student population for Return to Title IV calculations. Further research should be carried out to determine if funds for the students that were identified must be returned to the Department of Education.
- Batch processing that would allow student notification letters to be automatically scanned into the college's document repository should be implemented. A mechanism to identify students that may be missing Return to Title IV calculations should be developed.



# Internal Audit

**Management Response:**

a. Improve Consistency of R2T4 Calculations within Banner

In a review of the students that were identified as missing calculations within Banner, there are potentially 40 students who may require funds to be returned back. All of the other students actually had money returned, but the calculation was missing within Banner. We will need to do the calculation on those 40 to determine if money needs to be returned.

b. Improve Retention of Notices Sent to Students

Over a three-year period, 110 Return to Title IV notifications were not retained in the student record. Although retaining a copy of the letter we send out is not a federal requirement, it is our intent to retain these letters as a best practice. In the Fall of 2020 we began placing the letters on the I drive so they can be retrieved if needed. An exception report is being created to alert us if a copy of the letter has not been retained.

**Person Responsible for Implementation:**

Alan Pixley, Director Financial Aid and Veterans Services

## CONCLUSION

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Based on the audit work performed, the audit concludes that overall, operational processes that facilitate compliance with Federal regulations are in place. Implementation of the recommendations outlined in the report will further strengthen compliance.

## PRIORITY FINDINGS AND RISK MATRIX

### Definitions of Risks

Risk Level	Definition
<b>Priority</b>	High probability of occurrence that would significantly impact Collin College. If not addressed in a timely way, could directly impact achievement of a strategic or important operational objective of Collin as a whole.
<b>High</b>	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to the college's operations. Without appropriate controls, the risk will happen on a consistent basis.
<b>Medium</b>	The risks are considered to be undesirable and could moderately expose the college. Without appropriate controls, the risk will occur some of the time.
<b>Low</b>	Low probability of various risk factors occurring. Even with no controls, the exposure to the college will be minimal.

## AUDIT OBSERVATION CATEGORIES

- Compliance
- Cost Savings
- Financial Reporting
- Governance
- Information Technology / Security
- Operations
- Reputation