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September 16, 2014

The Honorable Rick Perry  
Governor of Texas  
State Capitol  
Austin, TX 7811

Certified Mail  
Return Receipt Requested  
7012 3460 0000 9049 4089

RE: Final Audit Determination  
Audit Control Number (ACN): 06-2013-41912  
FAC ACN: 06-2013-49148  
OPE ID Number: 00354100

Dear Governor Perry:

The U.S. Department of Education (Department) has reviewed a single audit report of the State of Texas. This audit report, prepared by KPMG, in accordance with the Office of Management and Budget Circular A-133, covers the period September 1, 2012 through August 31, 2013. This letter advises the State of Texas of the Department's final audit determination concerning the portions of the audit report that relate to the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs).

The Department has reviewed the corrective action plan and/or management's response provided with the audit report. Enclosed is the Department's final audit determination. Also enclosed is the State of Texas' response to this audit. Any supporting documentation submitted with the written response is not included with this final audit determination. However, it will be retained and available for inspection by the State of Texas upon request. Copies of the final audit determination, the response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this final audit determination is issued.

Although the enclosure to this letter may not address each of the auditor's findings, the State of Texas must take the necessary actions to correct all of the deficiencies noted in the audit report. Sections .315(b) and .320(c) of OMB Circular A-133 require the State of Texas to prepare and submit as part of the reporting package a *Summary Schedule of Prior Audit Findings* that reports the status of prior audit findings. In preparing that Schedule, the State of Texas must comment on all actions taken to correct each finding noted in this audit report, including any action required in the enclosure to this letter.

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

1999 Bryan Street, Suite 1410  
Dallas Texas 75201-6817  
StudentAid.gov

The following institutions have no deficiencies, or it has been determined that the findings cited in the audit have been satisfactorily resolved based on information provided by these institutions:

Lamar Institute of Technology  
Texas A&M University - Commerce  
Texas State University  
University of Texas at El Paso

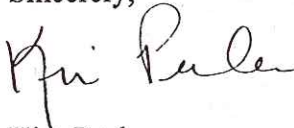
Required actions for the remaining institutions outlined in the enclosures must be completed as specified under the final audit determination.

The institutions are advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 C.F.R. Part 668, Subpart G.

Program records relating to the period covered by this audit must be retained until the later of: resolution of any loans, claims, or expenditures questioned in the audit, 34 C.F.R. § 668.24(e)(3)(i), or the end of the retention period applicable to the record under 34 C.F.R. §§ 668.24(e)(1) and (e)(2).

The State of Texas' continued cooperation throughout the audit resolution process is appreciated. If The State of Texas has any questions about our review, please call Dr. Joe L. William at 214-661-9510.

Sincerely,



Kim Peeler  
Compliance Manager

Enclosures:

Final Audit Determination  
Response to Audit

cc:

President--Lamar State College – Orange  
President--Lamar University  
President--Sam Houston State University  
President--Texas A&M University  
President--Texas State Technical College - Harlingen  
President--Texas State Technical College - Waco

President--Texas State Technical College - West Texas  
President--Texas Tech University  
President--Texas Tech University Health Sciences Center  
President--University of Houston  
President--University of Houston – Victoria  
President--University of North Texas  
President--University of Texas at Arlington  
President--University of Texas at Austin  
President--University of Texas at San Antonio

ACN: 06-2013-41912

INSTITUTION: Sam Houston State University

FINDING NUMBER: 2013-121, Under Payment/Over Payment, Page 284

FINDING:

The auditors found that Sam Houston State University (SHSU) did not disburse federal student financial assistance to students enrolled in fewer than six course hours in a semester, when those students were eligible to receive Title IV, HEA funds. This resulted in one (1) student under awarded by \$694.00 in federal Pell Grant funds for which the student was eligible.

The audit states that the University requires that students be enrolled in at least six hours each semester to make satisfactory academic progress toward a degree to be eligible to receive student financial aid. Additionally the audit states that the University's policy contradicts federal requirements related to Pell Grant eligibility determination and does not meet federal requirements for a reasonable SAP policy.

FINAL AUDIT DETERMINATION:

34 C.F.R. § 690.62 of the Federal Pell Grant Program regulations states, in part, that the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

In management's response SHSU, stated the following:

*"Sam Houston State University acknowledges and agrees with the finding. As of August 2013, Pell was disbursed to all eligible students enrolled in less than half time for the 2012-2013 academic year. Management has modified disbursement rules to allow Pell disbursement for eligible students enrolled in less than half. Management concurs with the State Auditor's Office (SAO) regarding the Satisfactory Academic Progress Policy (SAP). The SAP policy has been modified as of June 2013 to meet federal requirements for reasonableness. In the future, the Financial Aid and Scholarships Office will conduct an annual review of the policy.*

*Management recognizes the need for less than half time cost of attendance (COA) budgets. As indicated by the finding, Sam Houston State University identified all affected students and has taken corrective action as necessary. As of August 2013, COA budgets for less than half-time have been implemented."*

SHSU's response is satisfactory; therefore, no further action is required for this finding.

ACN: 06-2013-41912

INSTITUTION: Sam Houston State University

FINDING NUMBER: 2013-122, Verification Violations, Page 285

FINDING:

The auditor found that Sam Houston State University (SHSU) failed in one (1) instance of 40 students tested to accurately verify all required items on the FAFSA. Subsequently failing to update its records and request an updated ISIR as required.

The auditor found that SHSU did not have procedures for making referrals (as required in 34 C.F.R. § 668.16) or procedures the institution would follow and require applicants to follow to correct FAFSA information determined to be in error.

FINAL AUDIT DETERMINATION:

34 C.F.R §§ 668.51 through 668.61 of the Student Assistance General Provisions regulations state that an institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for Title IV, HEA assistance for students who are selected for verification. If an application is selected for verification, an institution must verify (1) adjusted gross income (AGI), (2) U.S. income tax paid, (3) household size, (4) number of household size enrolled in college, and (5) certain untaxed income. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided. An institution is also required to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV, HEA programs.

SHSU responded as follows:

*"Management acknowledges and agrees with the finding that written policy/procedures were lacking required verbiage. As of June 2013, a verification policy/procedure containing the required elements was implemented. Along with the policy/procedure being implemented, the financial aid website and all forms were updated to inform students of the ramifications of not completing the verification process."*

No further action is required for this finding.