

**Middle Tennessee State University**

Improper Awards by the Financial Aid Director

**July 1999**

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July 6, 1999

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Dr. James E. Walker, President  
Middle Tennessee State University  
Murfreesboro, Tennessee 37132

Ladies and Gentlemen:

Transmitted herewith is a special report on the review of alleged improper financial aid awards by Mr. Robert Winston Wrenn, then the Middle Tennessee State University (MTSU) Director of Financial Aid. This review was conducted jointly by the Division of State Audit and MTSU internal audit staff. On November 12, 1997, we informed the US Department of Education, Office of Inspector General, Atlanta, Georgia, of the matter.

Pursuant to the Family Records Privacy Act (FERPA) 20 U.S.C., Section 1232g, 34 CFR 99.1, et seq., the names of all students who received improper financial aid benefits through the improper actions of Mr. Robert Winston Wrenn, the former MTSU Director of Financial Aid, have been redacted. FERPA generally prohibits the nonconsensual disclosure of personally identifiable information that would make a student's identity easily traceable. In redacting the names of the individual student, this office has made a good faith effort in attempting to shield these individuals from having their true identity easily traced.

On October 31, 1997, Tennessee Board of Regents staff notified the Division of State Audit of the possible overaward of financial aid by Mr. Wrenn to a relative for the 1997 fall semester. Our review determined that the relative was overawarded \$9,237 for the semester.

During our review of the financial aid Mr. Wrenn improperly awarded to this relative, we discovered other improprieties related to Mr. Wrenn's activities in the MTSU financial aid office as detailed in the report.

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In a letter dated November 14, 1997, Dr. James Walker, MTSU President, and Dr. Robert LaLance, then MTSU Vice President of Student Affairs, terminated Mr. Wrenn's employment with the university effective November 14, 1997. The letter stated that as an administrative employee, Mr. Wrenn was entitled to 30 days' notice of such action. According to the letter, payment for 30 days' service was provided in lieu of Mr. Wrenn's continued employment. As an "at-will" employee, Mr. Wrenn could not appeal this decision.

On February 4, 1999, we submitted our findings to the Office of the United States Attorney, Middle Judicial District (Nashville); the Office of Inspector General, Department of Education, (Atlanta); the Office of the District Attorney General, Sixteenth Judicial District (Murfreesboro); and the Office of the State Attorney General.

On June 7, 1999, the information developed during this review was presented to a Rutherford County Grand Jury in Murfreesboro, Tennessee. The Grand Jury indicted Mr. Wrenn on five counts of official misconduct, one count of theft over \$60,000, and one count of tampering with or fabricating evidence. As of the date of this report, the matter is pending.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/trs

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

**Special Report**  
**Middle Tennessee State University**  
**Improper Awards by the Financial Aid Director**  
July 1999

## **REVIEW OBJECTIVES**

The objectives of the review were to determine the nature and extent of any impropriety relating to the awarding of financial aid to relatives of Mr. Robert Winston Wrenn, then Middle Tennessee State University (MTSU) Director of Financial Aid; to determine if Mr. Wrenn inappropriately awarded financial aid to MTSU employees or relatives of MTSU employees; to determine if Mr. Wrenn inappropriately obtained financial aid proceeds for personal use; to examine the university's internal controls over the disbursement of financial aid checks; to provide our findings to Middle Tennessee State University; and to refer our findings to the Office of the State Attorney General; the appropriate office of the District Attorney General; the Office of the United States Attorney, Middle Judicial District, Nashville; and the US Department of Education, Office of Inspector General, Atlanta, Georgia.

## **RESULTS OF THE REVIEW**

Pursuant to the Family Records Privacy Act (FERPA) 20 U.S.C., Section 1232g, 34 CFR 99.1, et seq., the names of all students who received improper financial aid benefits through the improper actions of Mr. Robert Winston Wrenn, the former MTSU Director of Financial Aid, have been redacted. FERPA generally prohibits the nonconsensual disclosure of personally identifiable information that would make a student's identity easily traceable. In redacting the names of the individual student, this office has made a good faith effort in attempting to shield these individuals from having their true identity easily traced.

On October 31, 1997, Tennessee Board of Regents staff notified the Division of State Audit of the possible overaward of financial aid by Mr. Wrenn to a relative for the 1997 fall semester. Our review determined that the relative was overawarded \$9,237 for the semester

During our review of the financial aid Mr. Wrenn improperly awarded to this relative, we discovered other improprieties related to Mr. Wrenn's activities in the MTSU financial aid office as detailed below.

- During the six-semester period January 1, 1996, through December 31, 1997, Mr. Wrenn improperly approved the disbursement of seven federal Stafford Loans totaling \$71,250 to himself and four of his relatives. In contravention of MTSU policies and procedures and federal regulations, Mr. Wrenn personally obtained directly from the bank all of the checks generated for these seven loans and deposited the checks into his personal bank accounts.
- Mr. Wrenn violated established MTSU procedures for disbursing financial aid by instructing MTSU business office and financial aid office staff to personally obtain MTSU institutional financial aid checks payable to his relatives and provide the checks directly to him. Their actions provided Mr. Wrenn unauthorized access to these financial aid checks and effectively concealed his actions in terms of the pertinent written documentation.

The auditors identified seven MTSU institutional financial aid checks totaling \$20,424.50 that Mr. Wrenn deposited into his personal bank accounts. Mr. Wrenn improperly obtained five of these seven checks in the manner discussed above. The remaining two checks were apparently obtained from the MTSU business office by two of Mr. Wrenn's relatives and provided to Mr. Wrenn for deposit.

It should be noted that the MTSU institutional financial aid awarded by Mr. Wrenn to his relatives exceeded the average amount of financial aid awarded to the general student population (excluding Mr. Wrenn's relatives) by more than 600%.

- Mr. Wrenn instructed a financial aid office clerk to improperly change information on six federal financial aid applications. The effect of these changes was to make students who were actually ineligible for federal Pell Grants appear to be eligible. When interviewed, the six students stated that they had not initiated the changes or authorized anyone to make changes on their behalf; that they were not informed of the changes; and that the information in the changes was false. Presently available information shows that these students received Pell Grant funds totaling \$13,584 for the 1996-1997 academic year for which they were not eligible.
- On October 31, 1997, after being instructed by MTSU management not to make any changes to the financial aid files of his relatives, Mr. Wrenn prepared documentation and included it in the files of two of his relatives explaining the reason he provided them financial aid exceeding the allowable amount, apparently to attempt to retroactively justify his overaward of financial aid. In addition, Mr. Wrenn requested financial aid office staff to replace MTSU institutional funds he had provided to another relative with federal Direct Loan funds, presumably to reduce the total amount of MTSU institutional aid provided to his relatives.
- During the period June 1993 through April 1995, Mr. Wrenn awarded an MTSU employee institutional financial aid totaling \$33,797.50 to supplement the employee's salary. The employee admitted obtaining student status for himself solely to receive financial aid, not to pursue educational objectives. He stated that he deposited the checks into his personal bank account and used the money to pay his rent and child support. The \$33,797.50 in MTSU institutional funds awarded to the employee reduced the amount of university financial aid funds available to MTSU students who were pursuing appropriate educational objectives and had legitimate financial need.

In a letter dated November 14, 1997, Dr. James Walker, MTSU President, and Dr. Robert LaLance, then MTSU Vice President of Student Affairs, terminated Mr. Wrenn's employment with the university effective November 14, 1997. The letter stated that as an administrative employee, Mr. Wrenn was entitled to 30 days' notice of such action. According to the letter, payment for 30 days' service was provided in lieu of Mr. Wrenn's continued employment. As an "at-will" employee, Mr. Wrenn could not appeal this decision.

On November 12, 1997, and February 12, 1998, at the time we discovered Mr. Wrenn's improper awarding of federal Stafford Loan funds and Pell Grant funds respectively, we informed the Office of Inspector General, United States Department of Education, Atlanta, Georgia, of our initial findings and referred the matters to them for further review.

On February 4, 1999, we submitted our finding to the Office of the United States Attorney, Middle Judicial District (Nashville); the Office of Inspector General, United States Department of Education (Atlanta, Georgia); the Office of the District Attorney General, Sixteenth Judicial District (Murfreesboro); and the Office of the State Attorney General.

On June 7, 1999, the information developed during this review was presented to a Rutherford County Grand Jury in Murfreesboro, Tennessee. The Grand Jury indicted Mr. Wrenn on five counts of official misconduct, one count of theft over \$60,000, and one count of tampering with or fabricating evidence. As of the date of this report, the matter is pending.

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"Audit Highlights" is a summary of the special report. To obtain the complete special report, please contact

Comptroller of the Treasury, Division of State Audit  
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**Middle Tennessee State University  
Improper Awards by the Financial Aid Director  
July 1999**

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**Middle Tennessee State University  
Improper Awards by the Financial Aid Director  
June 1999**

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**INTRODUCTION**

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**ORIGIN OF THE REVIEW**

On October 31, 1997, Tennessee Board of Regents staff notified the Division of State Audit of the possible inappropriate awarding of financial aid by Mr. Robert Winston Wrenn, then Middle Tennessee State University (MTSU) Director of Financial Aid, to his relatives. The Tennessee Board of Regents Vice Chancellor for Business and Finance requested that the Division of State Audit conduct a review of the matter and informed us that Mr. Robert Adams, then MTSU Associate Vice President of Finance and Administration, would contact the auditors to provide additional information.

In an October 31, 1997, telephone conversation, Mr. Adams informed the auditors that on October 30, 1997, the MTSU financial aid office requested the MTSU business office to process a \$3,750 institutional Foundation Loan for a relative of Mr. Wrenn. Before processing the loan, a business office clerk reviewed the relative's financial aid screen, noticed that \$16,287 in financial aid had already been awarded to the relative for the 1997 fall semester, questioned the propriety of the loan, and reported the matter to Ms. Dottie McCallie, MTSU Bursar. The relative was classified as an independent, undergraduate, in-state student with a one-semester cost-of-attendance (COA) budget of \$7,050. Thus, there was an overaward of \$9,237 for the semester. The MTSU business office halted the issuance of the \$3,750 Foundation Loan to Mr. Wrenn's relative.

Mr. Adams stated that when Ms. McCallie reported the matter to him later that day, he conducted a cursory review of financial aid disbursements to determine if any of Mr. Wrenn's other relatives had received financial aid during the 1997 fall semester. Mr. Adams said that he determined that two of Mr. Wrenn's relatives had each been granted what he believed to be an excessive amount of MTSU Enrichment Scholarships for the 1997 fall semester. These scholarships totaled \$5,250 and \$5,549, respectively.

Mr. Adams further informed us that he and Dr. Robert LaLance, then MTSU Vice President of Student Affairs, had met with Mr. Wrenn earlier in the morning of October 31, 1997, to address the issue. Mr. Adams stated that in the meeting Mr. Wrenn denied any impropriety and told them that he was acting within the scope of his authority to award financial aid to students in need, including his own relatives.

On October 31, 1997, Division of State Audit staff began a review of the matter in collaboration with MTSU internal audit staff. On November 12, 1997, the auditors informed the US Department of Education, Office of Inspector General, Atlanta, Georgia, of the matter.

## **OBJECTIVES OF THE REVIEW**

The objectives of the review were

- to determine the nature and extent of any impropriety relating to Mr. Wrenn's awarding of financial aid to his relatives;
- to determine if Mr. Wrenn inappropriately awarded financial aid to MTSU employees or relatives of MTSU employees;
- to determine if Mr. Wrenn inappropriately obtained financial aid proceeds for personal use;
- to examine MTSU's internal controls over the disbursement of financial aid checks;
- to provide our findings to MTSU management; and
- to refer our findings to the Office of the State Attorney General; the appropriate office of the District Attorney General; the Office of the United States Attorney, Middle Judicial District (Nashville); and the Office of Inspector General, US Department of Education (Atlanta, Georgia).

## **SCOPE OF THE REVIEW**

Pursuant to the Family Records Privacy Act (FERPA) 20 U.S.C., Section 1232g, 34 CFR 99.1, et seq., the names of all students who received improper financial aid benefits through the improper actions of Mr. Robert Winston Wrenn, the former MTSU Director of Financial Aid, have been redacted. FERPA generally prohibits the nonconsensual disclosure of personally identifiable information that would make a student's identity easily traceable. In redacting the names of the individual student, this office has made a good faith effort in attempting to shield these individuals from having their true identity easily traced.

The review included interviews with relevant MTSU business office and financial aid office staff. The auditors also interviewed Mr. Robert Winston Wrenn and five of the six relatives determined to have received financial aid during the period January 1, 1996, through December 31, 1997. In a December 11, 1997, telephone conversation, the sixth relative stated a desire not to discuss Mr. Wrenn's activities and specifically requested that the auditors make no more contact. Further, the auditors interviewed First American National Bank (FANB) officials in

Murfreesboro concerning seven Stafford Loans made to Mr. Wrenn and his relatives for the period January 1996 through May 1997, loans the officials had questioned in August 1997.

A review of institutional financial aid awarded to Mr. Wrenn and his relatives disclosed that the amounts did not exceed MTSU guidelines until the 1996 spring semester. According to the review, two of Mr. Wrenn's relatives (hereinafter referred to as Relative A and Relative B) were the only relatives who received institutional financial aid during the 1990 fall semester through the 1995 fall semester: Relative A's institutional financial aid totaled \$3,583 and Relative B's institutional financial aid totaled \$4,232. Since the institutional financial aid amounts did not exceed MTSU guidelines until 1996, a review was conducted only of financial aid awarded to Mr. Wrenn and his relatives during the period January 1, 1996, through December 31, 1997.

The auditors also reviewed financial aid files, financial aid checks, and financial aid check receipts of MTSU students receiving institutional Enrichment Scholarship funds totaling \$2,000 or more per semester and institutional Foundation Loan funds totaling \$2,000 or more per semester during the 1996 fall semester through the 1997 fall semester. The \$2,000 amount was selected by the auditors to identify unusually large awards. During the 1996-1997 academic year, 347 students received Enrichment Scholarship funds totaling \$474,465.20. For this academic year, the average Enrichment Scholarship awarded per student totaled \$1,367.33. MTSU internal audit staff conducted procedures to verify that students receiving Enrichment Scholarship funds or Foundation Loan funds totaling \$2,000 or more in a single semester were eligible to receive this aid, to determine who obtained the financial aid checks, and to determine who negotiated the checks.

## **BACKGROUND**

Middle Tennessee State University (MTSU) administers various financial aid programs to provide financial assistance to eligible students enrolled at the university. This assistance consists of federal, state, institutional, and private scholarships, grants, and loans.

### Federal Financial Aid

Title IV of the federal Higher Education Act of 1965 authorized the establishment of various federal grant, loan, and work study programs for students meeting certain eligibility criteria and attending participating colleges and universities. These programs include the federal Pell Grant, the federal Supplemental Educational Opportunity Grant (SEOG), the federal Perkins Loan, the federal Family Educational Loan (FFEL) consisting of the federal Stafford Loan (for student borrowers) and the federal Parent Loan for Undergraduate Students (PLUS) (for parent borrowers), and the William D. Ford Federal Direct Loan Program.

Students seeking this aid are required to complete a Free Application for Federal Student Aid (FAFSA) and to submit it to the MTSU financial aid office. The FAFSA is then electronically transmitted by financial aid office staff to central processing centers under contract with the

federal government. The student also has the option of mailing the FAFSA directly to the central processing center. Processing center staff calculate the Estimated Family Contribution (EFC) based on financial information provided by the student and transmit a Student Aid Report (SAR) to the university. The EFC is the amount the student's family is expected to contribute toward the cost-of-attendance. The EFC is based on an analysis of the family's financial strength, including the income and assets of the student and the student's spouse or if the student is dependent, the student and his or her parents. The EFC formula also considers factors such as the number of persons in the household, the number of those persons attending college, and the special costs of families in which both heads of household work (child care expenses).

MTSU establishes a cost-of-attendance (COA) budget that includes tuition, fees, and the student's living expenses for the academic year, using guidelines established by the US Department of Education. The COA together with the student's EFC determines the student's need for federal financial assistance. Generally, the COA minus the EFC is the maximum amount of financial aid (federal, state, institutional, and private combined) that a student can receive during the academic year.

Although federal law defines the EFC calculation, the law does provide some flexibility. The financial aid administrator can make individual adjustments, based on professional judgment, to change a student's dependency status (independent or dependent), to adjust the components of the student's cost-of-attendance, and to adjust the data elements used to calculate the student's EFC. According to the Federal Student Aid Handbook, such adjustments must be made on a case-by-case basis, must relate to the student's special circumstances, and must be fully documented in the student's financial aid file.

### State Financial Aid

The Tennessee Student Assistance Award Program was established by the Tennessee General Assembly in 1976 to provide non-repayable financial assistance to needy undergraduate students who are residents of Tennessee and are enrolled, or accepted for enrollment, at a public or an eligible non-public postsecondary educational institution in Tennessee. A student's eligibility is determined in the same manner as his or her eligibility for a federal Pell Grant.

### Institutional Financial Aid

Various institutional financial aid programs (consisting of both scholarship funds and loan funds) are administered by the MTSU financial aid office. These programs generally require students to meet certain need-based or performance-based eligibility criteria.

According to Mr. David Hutton, MTSU Interim Director of Financial Aid, students applying for institutional financial aid are required to complete university financial aid applications or verbally express the basis for their financial need to the director of financial aid or other professional financial aid office staff.

## Mr. Wrenn's Employment Status

MTSU appointed Mr. Wrenn the MTSU Director of Financial Aid on July 1, 1973. Before July 1973, Mr. Wrenn was the Director of Financial Aid for Columbia State Community College.

In a letter dated November 7, 1997, Dr. LaLance placed Mr. Wrenn on administrative leave with pay. Dr. James Walker, MTSU President, and Dr. LaLance, in a letter dated November 14, 1997, terminated Mr. Wrenn's employment with the university effective November 14, 1997. The letter stated that as an administrative employee, Mr. Wrenn was entitled to 30 days' notice of such action. According to the letter, payment for 30 days' service was provided in lieu of Mr. Wrenn's continued employment. As an "at-will" employee, Mr. Wrenn had no right of appeal.

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## **DETAILS OF THE REVIEW**

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During the period January 1, 1996, through December 31, 1997, Mr. Wrenn authorized the award of \$156,882.75 in financial aid to himself and six relatives. (See Exhibit 1.) As detailed below in Sections I and II of this report, the auditors determined that Mr. Wrenn and his relatives were not entitled to \$85,906.75 (55%) of these funds because the disbursement of the funds violated federal financial aid regulations. (See Exhibit 2.) This amount consists of \$71,250 in federal Stafford Loan funds and \$14,656.75 in other federal and institutional financial aid funds.

### **I. IMPROPER AWARDING OF STAFFORD LOAN FUNDS**

Division of State Audit staff, in collaboration with MTSU internal audit staff, examined federal Stafford Loan documentation for the six-semester period January 1, 1996, through December 31, 1997. The auditors determined that Mr. Wrenn approved the disbursement of seven Stafford Loans totaling \$71,250 to himself and four relatives during this two-year period. Of these funds, \$18,500 was disbursed to Mr. Wrenn; \$3,000 was disbursed to a relative (hereinafter referred to as Relative C); \$20,750 was disbursed to another relative (hereinafter referred to as Relative D); \$10,500 was disbursed to Relative A; and \$18,500 was disbursed to Relative B.

## Ineligibility for Stafford Loan Funds

### *Violation of Federal Application Requirements*

According to Chapter 10 of the Federal Student Aid Handbook, a student must complete a Free Application for Federal Student Aid (FAFSA) to receive a federal Stafford Loan. The handbook further states that the school must retain records relating to a student's eligibility and participation in the Stafford Loan program, for three years after the end of the award year in which the student last attended the institution. However, documentation regarding the completion and submission of a FAFSA could not be located in the financial aid files of Mr. Wrenn or his relatives for these loans.

Thus, because the required applications were not properly completed and submitted to the federally contracted processing center, Mr. Wrenn, and Relatives A, B, C, and D were not entitled to the \$71,250 in Stafford Loan funds.

According to the MTSU computerized Financial Aid Management System (FAMS), a FAFSA was submitted to the federally contracted processing center for Stafford Loan funds disbursed to Relative B in January and February 1997 and Stafford Loan funds disbursed to Relative D in April and May 1997. These FAFSAs were electronically submitted by Mr. Wrenn to the federally contracted processing center on November 3 and October 31, 1997, respectively. Mr. Wrenn acknowledged completing and submitting these FAFSAs for both Relative B and Relative D after being questioned by university officials and specifically instructed by them not to make any changes to the financial aid files of his relatives. Mr. Wrenn stated that he did not understand the prohibition to mean that he could not complete paperwork already in progress. However, both FAFSA's were completed after Stafford Loan funds were awarded and obtained by Mr. Wrenn in violation of federal student financial aid regulations and normal MTSU practice. Mr. Wrenn's completion and submission of these applications was a clear violation of his supervisor's direct instructions and appears to have been an attempt by Mr. Wrenn to legitimize his inappropriate award of Stafford Loan funds to these relatives.

Mr. Wrenn, with over 26 years experience as the MTSU financial aid director, should have been aware of and followed the basic requirement cited above. Furthermore, Mr. Wrenn's violation of this prerequisite and the other federal and university financial aid requirements cited below appears to be an intentional exploitation of his position of trust with the university in order to obtain federal financial aid for himself and his relatives for which they were not entitled.

### *Violation of Other Federal and University Requirements*

Moreover, even if the applications had been completed, Mr. Wrenn and Relatives A, B, and D would not have been entitled to \$45,499 of the Stafford Loan funds because either their enrollment status did not meet the minimum standards for eligibility or the proceeds they received in one academic year exceeded the maximum amount of financial aid allowed for the academic year. (See Exhibit 3.)

Minimum standards for receiving federal Stafford Loan proceeds require an individual to be enrolled in an eligible program not less than half time. Federal Student Financial Aid Regulations define an eligible program as a course of study leading to an associate, bachelor's, professional, or graduate degree. The regulations define a full-time academic workload as at least 12 semester hours per academic semester.

The maximum allowable amount per academic year is set by the MTSU financial aid office pursuant to guidelines established by the US Department of Education. These amounts vary depending on the student's classification (i.e., dependent, independent, in-state, out-of-state, undergraduate, graduate). Financial aid awards are not to exceed the maximum allowable amount without written justification and approval by the Director of Financial Aid. None of the additional amounts were supported by written justification or approval.

#### *Violation of Cost-of-attendance Budget Limits*

Mr. Wrenn approved the disbursement of Stafford Loan funds to Relative D totaling \$16,741.50 for two academic years (\$2,616.50 for the 1995-1996 academic year, and \$14,125 for the 1996-1997 academic year) for which Relative D was not entitled because the funds exceeded the MTSU cost-of-attendance budget by the respective amounts each academic year.

As mentioned above, Mr. Wrenn was not entitled to Stafford Loan funds totaling \$18,500 that he awarded himself during the 1996-1997 academic-year because the required applications were not completed and submitted to the federally contracted processing center. However, even if Mr. Wrenn had submitted the required applications, he would not have been entitled to Stafford Loan funds totaling \$3,624 because the funds exceeded his COA budget for the academic year.

#### *Violation of Stafford Loan Annual Limits*

During the 1995-1996 academic year, Mr. Wrenn approved the disbursement of \$6,625 in federal Stafford Loan funds to Relative D who was classified as a first-year dependent student. However, according to Federal Student Financial Aid Regulations, first-year dependent students are limited to \$2,625 in Stafford Loan funds. The regulations do allow an additional Stafford Loan disbursement of \$4,000 to first-year independent students. However, since Relative D was a dependent student, there was no entitlement to the additional Stafford Loan disbursement of \$4,000. Consequently, Mr. Wrenn improperly authorized the disbursement of \$4,000 to Relative D.

During the 1996-1997 academic year, Mr. Wrenn approved the disbursement of \$14,125 in federal Stafford Loan funds to Relative D. However, according to Federal Student Financial Aid Regulations, second-year dependent students are limited to \$3,500 in Stafford Loan Funds. The regulations do allow an additional Stafford Loan disbursement of \$4,000 to second-year independent students. However, since Relative D was a second-year dependent student, there was no entitlement to the additional \$10,625 in Stafford Loan funds. Consequently, Mr. Wrenn improperly authorized the disbursement of \$10,625 to Relative D.

### *Violation of Enrollment Requirements*

Mr. Wrenn approved the disbursement of Stafford Loan funds to Relative A totaling \$10,500 for the 1995-1996 academic year. Federal Student Aid Regulations require the university to disburse Stafford Loan funds in two or more installments not to exceed one-half of the loan each semester enrolled during the academic year. The regulations prohibit the disbursement of a second loan installment to a student who has ceased to be enrolled. However, Mr. Wrenn, in violation of these requirements, approved the disbursement of the entire loan amount (\$10,500) to Relative A during the first semester (the 1996 spring semester). Relative A did not enroll for the 1995 fall semester. Additionally, Relative A did not enroll in classes during the 1996 summer term. Therefore, Relative A was not entitled to the second Stafford Loan disbursement totaling \$5,250. Thus, Mr. Wrenn improperly authorized the disbursement of \$5,250 to Relative A.

### *Violation of Eligible Program Requirements*

Mr. Wrenn approved the disbursement of Stafford Loan funds to Relative B totaling \$18,500 during the 1996-1997 academic year for which there was no entitlement because the relative was not enrolled in an eligible program. During this period, Relative B was enrolled in classes as a non-degree, undeclared major. Federal Student Financial Aid Regulations require a student receiving Stafford Loan funds to be enrolled in an eligible program leading to an associate, bachelor's, professional, or graduate degree. Since Relative B was enrolled as a non-degree, undeclared major, there was no entitlement to the Stafford Loan funds totaling \$18,500.

### *Violation of Professional Judgement Provision*

Mr. Wrenn stated that he and the aforementioned relatives had experienced numerous personal and financial difficulties that would justify his awarding of financial aid that exceeded the university's cost-of-attendance budget. He further stated that lack of documentation to support the cost-of-attendance increases was attributed to his heavy workload and poor maintenance of the financial aid files on his part.

However, the Federal Student Financial Aid Handbook, Chapter 2-57, states that the aid administrator may not exercise professional judgment to waive general student eligibility requirements or to circumvent the intent of the law or regulations. The personal and financial difficulties Mr. Wrenn said he and his relatives were experiencing would not have related to the cost of attending MTSU and would not have justified exceeding the MTSU COA budget, even if these special circumstances had been documented in the financial aid files. According to Mr. David Hutton, MTSU Interim Director of Financial Aid, the only basis for exceeding the MTSU COA budget, pursuant to federal guidelines, would have been special circumstances directly related to attending classes at MTSU, such as the additional costs of specialized classes, child care expenses, and certain medical equipment needs. Mr. Hutton further stated that in order to comply with federal guidelines, these special circumstances would had to have been documented in the student's financial aid file.

### *Violation of Eligibility Verification Procedures*

MTSU financial aid office procedures require staff to review loan applications and complete a loan processing worksheet to ensure that student applicants are eligible for Stafford Loan funds. However, Mr. Wrenn personally handled the processing of the Stafford Loan application for himself and his relatives without completing a loan processing worksheet.

### Improper Receipt of Stafford Loan Checks

In a signed written statement dated November 5, 1997, Mr. Wrenn admitted that he personally prepared six “Application and Promissory Note for Federal Stafford Loan” documents and signed a relative’s name as the applicant. Mr. Wrenn signed the names of Relatives A, B, C, and D to these applications. These six loans totaled \$52,750. Mr. Wrenn awarded the seventh loan in the amount of \$18,500 to himself. In his written statement, Mr. Wrenn also admitted that he had personally obtained directly from the bank all 20 checks generated for these six loans, had personally signed the names of the relatives on these checks, and had personally deposited the checks into his personal bank accounts. Mr. Wrenn further stated that he personally obtained the two checks associated with his \$18,500 loan directly from the bank, endorsed them, and deposited them into his personal bank accounts.

By obtaining the checks personally from the bank (including the checks associated with the loan Mr. Wrenn awarded himself), Mr. Wrenn circumvented MTSU procedures for receiving and posting loan funds. He also violated federal regulations requiring Stafford Loan proceeds to be disbursed directly to the university, not to the student borrower or any other party.

### Concealment of Stafford Loan Approvals and Receipt of Stafford Loan Funds

Mr. Wrenn, as the MTSU Director of Financial Aid, personally prepared and approved the seven Stafford Loan applications for himself and his relatives. He did not enter the approval of the loans, or receipt of the loan proceeds, into the university’s computerized Financial Aid Management System (FAMS). Normally, financial aid office staff other than Mr. Wrenn would review Stafford Loan applications and enter the approval of the loans into FAMS. Furthermore, receipt of the loan proceeds from various banks (either by check or wire transfer) would be entered into FAMS by financial aid office staff not involved in the approval process.

Mr. Wrenn’s actions effectively concealed from university officials and auditors the fact that Stafford Loans were awarded to his relatives and himself.

### Summary of Interviews with Mr. Wrenn’s Relatives

Mr. Wrenn contended that he took these actions because he felt responsible for the educational and living expenses of his relatives who were students at MTSU. He stated that his

relatives were aware he was obtaining Stafford Loans on their behalf and that in his professional judgment they were eligible for all of the Stafford Loan proceeds they were awarded. He further stated that he only used the funds for legitimate expenses in accordance with loan requirements and that he had full intention of repaying the loans.

#### *Interview with Relative B*

In a November 11, 1997, interview, Relative B claimed to have experienced various personal problems and had accumulated a large amount of debt in the summer of 1995. Relative B stated that as a result, Mr. Wrenn was requested (by Relative B) to manage all of Relative B's personal finances and was verbally authorized (by Relative B) to complete all necessary financial aid forms, obtain financial aid checks, and sign Relative B's name to financial aid checks. Relative B further stated that Mr. Wrenn was authorized to deposit all financial aid checks payable to Relative B into Mr. Wrenn's personal bank account. Relative B stated that the funds were used by Mr. Wrenn to pay Relative B's educational and living expenses. Relative B did not, however, know the type or amount of financial aid awarded.

#### *Interviews with Relative A and Relative D*

In a November 13, 1997, interview with Relative A and a November 11, 1997, interview with Relative D, they both stated that Mr. Wrenn had never signed their names to financial aid checks and that they had personally obtained all financial aid checks payable to them. Both Relative A and Relative D further stated that they were not specifically aware that Stafford Loans had been obtained on their behalf.

After the auditors pointed out that Mr. Wrenn had signed loan documents with their names, obtained the loan proceeds, endorsed the checks with their names, and negotiated the checks at his banks (evidently without their knowledge), they both expressed surprise but said that they trusted Mr. Wrenn's judgment and relied upon him to pay their educational expenses. They said that they did not have a problem with what Mr. Wrenn had done, apparently on their behalf. They also said that they believed the loan funds had been used for their legitimate living and educational expenses. However, they acknowledged that they did not know the amount of financial aid awarded to them and that they did not know how all the money had been used.

Mr. Wrenn's actions committed Relatives A and D to repay loans of which they apparently had no prior knowledge. However, they both stated that they would assume repayment of the loans.

#### *Relative C Declined to Be Interviewed*

During a December 11, 1997, telephone conversation, Relative C declined to discuss Mr. Wrenn's activities and specifically requested that the auditors refrain from further contact. Consequently, the auditors could not determine if Relative C in fact authorized Mr. Wrenn to obtain the \$3,000 Stafford Loan for Relative C and personally negotiate the checks associated with the loan.

## University Management's Failure to Properly Respond to Suspicions of Impropriety

In a November 3, 1997, interview, Mr. Robert Adams, then MTSU Associate Vice President of Finance and Administration, informed us that in August 1997 bank officials with First American National Bank (FANB) met with Dr. LaLance to discuss several Stafford Loans awarded to Mr. Wrenn and his relatives.

During a November 4, 1997, interview, Dr. LaLance confirmed that he had met with FANB officials sometime in the summer of 1997 and that they were concerned about the fact that Mr. Wrenn had authorized Stafford Loans for himself and his relatives. According to Dr. LaLance, he reviewed the matter and determined that Mr. Wrenn was not prohibited from authorizing Stafford Loans for himself or his relatives because Mr. Wrenn's role was simply to verify that the individual was in fact enrolled in an appropriate college program. He stated that he had discussed the matter with Mr. Ron Gambill, Director of the Tennessee Student Aid Corporation (TSAC), who informed him that it was appropriate for a university financial aid director to authorize Stafford Loans for himself and his relatives. Telephone message logs obtained from Dr. LaLance confirm that this telephone conversation was held August 6, 1997.

However, according to notes taken by Dr. LaLance during this conversation, Mr. Gambill told him that the "only problem would be if any of the recipients were not enrolled for [the] period during which [the] loan was requested." According to Dr. LaLance, he verified that Mr. Wrenn and his relatives were enrolled for the period in which they received the loans and called bank officials to inform them that the loans had been appropriately processed.

In a March 17, 1998, telephone interview, Mr. Gambill confirmed that sometime in August 1997, Dr. LaLance had called him regarding the propriety of Mr. Wrenn certifying loans on behalf of himself and his relatives. According to Mr. Gambill, he told Dr. LaLance that the practice was procedurally appropriate but that the only concern would be if the recipients were, in fact, eligible to receive the loans.

If university officials had taken appropriate action to verify that Mr. Wrenn and his relatives were eligible to receive the Stafford Loans FANB officials questioned, the university would have discovered that the appropriate applications had not been submitted and that the loan approvals and the receipt of the loan funds had not been entered into the university's Financial Aid Management System. University officials would have also discovered that these recipients were ineligible for the majority of the loan proceeds because they were not enrolled in an eligible program or were not enrolled at all, or the loan proceeds they received exceeded their cost-of-attendance budget or annual Stafford Loan limits.

University management's failure to properly respond to the indications of impropriety FANB officials reported to them in August 1997 allowed Mr. Wrenn to inappropriately provide financial aid to his relatives for the 1997 fall semester.

## Referral to the Office of Inspector General

On November 12, 1997, the auditors informed the US Department of Education, Office of Inspector General, Atlanta, Georgia, of Mr. Wrenn's improper activities regarding the disbursement of federal Stafford Loan funds.

## **II. IMPROPER AWARDING OF OTHER FINANCIAL AID FUNDS**

Besides improperly awarding federal Stafford Loan funds to himself and his relatives, Mr. Wrenn also improperly awarded MTSU institutional and other federal financial aid funds totaling \$14,656.75 to another relative (hereinafter referred to as Relative E) (\$9,237) and Relative D (\$5,419.75). These funds exceeded the MTSU COA budget. (See Exhibit 2.)

### Financial Aid Awarded to Relative E

According to Relative E's MTSU Student Information System (SIS) account, there was an award of \$16,287 in financial aid for the 1997 fall semester. This aid consisted of \$4,500 in federal SEOG funds, \$1,350 in federal Pell Grant funds, \$3,000 in federal Perkins Loan funds, \$6,900 in institutional Enrichment Scholarship funds, and \$537 in state TSAC Scholarship funds. An additional \$3,750 institutional Foundation Loan was awarded to Relative E by Ms. Barbara Sensing, an MTSU financial aid office employee, pursuant to Mr. Wrenn's instruction. However, this award was disallowed by MTSU officials after they noticed Relative E had already been awarded \$16,287 for the 1997 fall semester. These funds were awarded to Relative E intermittently throughout the semester from August 15, 1997, through October 30, 1997. (See Exhibit 4.)

### *Overawarding of Financial Aid to Relative E*

Relative E's financial aid file established the recipient as an independent, undergraduate, in-state student with a 1997-1998 academic year cost-of-attendance budget of \$14,100. The one-semester cost-of-attendance budget was \$7,050. Thus, there was an award of \$9,237 (\$16,287 minus \$7,050) over the one-semester COA budget. Relative E did not enroll at MTSU for the 1998 spring semester or the 1998 summer term. Thus, there was an overaward of \$9,237 in financial aid for the 1997-1998 academic year.

Mr. Wrenn acknowledged that in normal circumstances, the financial aid awarded to Relative E should have been disbursed over the entire academic year instead of one semester. However, he stated that it was his professional judgment, at the time, that Relative E had legitimate financial need justifying him to increase the COA budget and provide Relative E with funds immediately.

However, documentation to support the increase in Relative E's COA budget was not included in Relative E's financial aid file as required by federal Student Financial Aid Regulations

until October 31, 1997, after university officials had met with Mr. Wrenn to discuss the matter and had specifically told him not to make any changes in the financial aid files of his relatives.

This documentation consisted of an October 31, 1997, MTSU award letter showing \$16,287 in financial aid had been awarded to Relative E and an undated professional judgment letter (a form letter used by the financial aid director detailing the reason a COA budget increase is justified), both signed by Mr. Wrenn. Relative E's professional judgment letter stated that "budget costs and packaging are the responsibility of the Director. This case is pretty straightforward and little action is needed." The letter listed Relative E's COA as \$24,600. However, the letter does not provide any justification for the COA increase and does not give clear rationale for the awarding of additional funds as required by the federal professional judgment provision. Mr. Wrenn stated that he prepared the professional judgment letter on October 31, 1997.

Mr. Wrenn contended that he did not understand his supervisor's instructions to mean that he could not complete activity already in progress. He stated that he had intended to prepare the professional judgment letter to document Relative E's cost-of-attendance increase but had been too busy to do so. Despite Mr. Wrenn's contentions, his actions violated his direct supervisor's explicit instructions and appear an attempt to legitimize his improper award of financial aid to Relative E.

#### *Overawarding of SEOG Funds*

Mr. Wrenn admitted overawarding federal SEOG funds to Relative E. Federal guidelines require that the SEOG be awarded in two separate disbursements not to exceed \$2,000 each semester. He stated that his overaward was simply an oversight on his part. Relative E received \$4,500 in SEOG for the 1997 fall semester and did not enroll at MTSU for the rest of the academic year. Thus, there was an overaward of \$2,500 in SEOG funds.

#### Financial Aid Awarded to Relative D

In the 1996-1997 academic year, Relative D received \$27,734.75 in financial aid consisting of institutional Saunders Loan funds (\$6,700), institutional Enrichment Scholarship funds (\$5,757.89), federal Stafford Loan funds (\$14,125), and MTSU employee discount funds (\$1,151.86). According to MTSU's cost-of-attendance (COA) budget for the 1996-1997 academic year, Relative D's budget was established to be \$8,190 (Relative D was classified an undergraduate, dependent, in-state student). Thus, there was an overaward of \$19,544.75 for the academic year. However, as mentioned above, Relative D was not entitled to Stafford Loan funds totaling \$14,125 because the appropriate federal application was not completed. The remaining funds awarded to Relative D that exceeded the MTSU COA budget totaled \$5,419.75

No rationale for the increase in Relative D's COA budget was documented in Relative D's financial aid file until November 3, 1997, after Mr. Wrenn was instructed by his direct supervisor not to make any changes to financial aid files of relatives. Relative D's financial aid file contains a

professional judgment letter dated November 3, 1997, and a Student Aid Report indicating that a FAFSA was submitted on Relative D's behalf on that same date, November 3, 1997. The professional judgment letter states, "Mother no longer employed. High blood pressure etc. Major loss of income. Use estimated income as established by handbook." However, this documentation would not have justified any increase in Relative D's COA budget and appears to have been an attempt by Mr. Wrenn to legitimize his improper award of financial aid to Relative D.

#### Other Awards Exceeding the MTSU COA Budget

Including the Stafford Loan funds questioned above, Mr. Wrenn improperly awarded financial aid funds to himself and Relatives A, B, and D that exceeded the MTSU COA budget during other academic years. These overawards were made to Relative A during the 1995-1996 academic year, to Relative B during the 1996-1997 academic year, to Relative D during the 1995-1996 academic year, and to himself during the 1996-1997 academic year. However, the financial aid would not have exceeded the MTSU COA budget if the Stafford Loan funds mentioned above had not been awarded.

### **III. IMPROPER DISBURSEMENT OF FINANCIAL AID CHECKS**

#### Violation of MTSU Procedures for Disbursing Financial Aid Checks

Mr. Wrenn violated established MTSU procedures for disbursing financial aid by personally obtaining MTSU institutional financial aid checks payable to his relatives. The university's procedures for disbursing financial aid checks require that the student to whom the check is payable (a) physically appear at the business office, (b) present a valid MTSU identification card to business office staff, and (c) personally sign a check-receipt form. Once the student's identification has been verified by a business office employee and the student signs his or her name on the check-receipt form, the business office employee physically hands the financial aid check to the student.

However, based on interviews with some MTSU staff, Mr. Wrenn contravened these established procedures. According to Ms. Sonya Rooker, the MTSU business office head cashier, Mr. Wrenn told her that he would be sending an employee of the financial aid office to her to obtain financial aid checks payable to his relatives. During a review of the financial aid checks payable to Mr. Wrenn's relatives, Ms. Rooker identified eight checks that she had provided to a financial aid office employee. According to Ms. Rooker, Mr. Wrenn instructed her to obtain the checks from other business office staff and to hand them to a financial aid office employee he would send to pick up the checks. She also told us that Mr. Wrenn volunteered his assurance that her actions would be appropriate because he was simply picking up the checks as a convenience to his relatives.

Two financial aid office employees, Ms. Barbara Sensing and Ms. Jennifer Heath, confirmed to the auditors that Mr. Wrenn had instructed them to obtain financial aid checks payable to his relatives from Ms. Rooker. These employees stated that they participated in providing checks to Mr. Wrenn. Furthermore, Ms. Sensing, Ms. Heath, and Ms. Rooker admitted signing the names of Mr. Wrenn's relatives on eight check-receipt forms, thus falsely representing in official MTSU records that Mr. Wrenn's relatives had in fact signed for the checks. Check-receipt forms were improperly signed in this manner three times by Ms. Sensing, once by Ms. Heath, and four times by Ms. Rooker.

The three employees stated that they had signed the names of Mr. Wrenn's relatives to check-receipt forms merely to document that the checks had been distributed. They said that Mr. Wrenn had not specifically requested them to sign the names of his relatives to check-receipt forms or any other documents. However, their actions provided Mr. Wrenn unauthorized access to these financial aid checks and effectively concealed his actions in terms of the pertinent written documentation. These employees told us that they had made these exceptions to the established procedures because Mr. Wrenn was the director of financial aid and they presumed his requests were appropriate and legitimate.

Of the eight checks signed for by MTSU business office and MTSU financial aid office staff and provided to Mr. Wrenn, one was provided to Relative D by Mr. Wrenn and subsequently deposited by Relative D into a personal bank account and two were provided to Relative E by Mr. Wrenn and subsequently deposited by Relative E into a personal bank account. The auditors determined that the remaining five checks were deposited by Mr. Wrenn into his personal bank accounts along with two other financial aid checks (payable to Relative A and Relative D) that were signed for and obtained by Relative A and Relative D and apparently provided to Mr. Wrenn for deposit.

The seven checks deposited by Mr. Wrenn into his personal bank accounts totaled \$20,424.50. Of these seven checks, two were apparently endorsed by the payees (Relative A and Relative D), and four (payable to Relative B) were endorsed by Mr. Wrenn. As noted on page 10, Relative B told the auditors that Mr. Wrenn had been requested (by Relative B) to manage all personal finances and had been verbally authorized (by Relative B) to complete financial aid forms, obtain financial aid checks, and sign Relative B's name to financial aid checks.

However, based on presently available information, Mr. Wrenn endorsed the remaining check totaling \$2,634.50 (an MTSU Enrichment Scholarship check payable to Relative D) without authorization. Regarding this \$2,634.50 check, Mr. Wrenn stated that he had obtained Relative D's permission to endorse the check. However, Relative D contended that Relative D's financial aid checks were never endorsed by Mr. Wrenn and never deposited into Mr. Wrenn's bank accounts. Relative D acknowledged a failure to endorse the Enrichment Scholarship check totaling \$2,634.50 and that Mr. Wrenn had apparently written Relative D's name on the check. Relative D further acknowledged that Relative D had not obtained the check from the MTSU business office.

The MTSU business office head cashier, Ms. Rooker, admitted that she had obtained the \$2,634.50 check from the MTSU business office, had signed Relative D's name on the check-receipt form, and had provided the check to a financial aid office employee sent by Mr. Wrenn. She did not recall to whom she provided the check. Thus, apparently without Relative D's knowledge or consent, Mr. Wrenn approved the disbursement of the financial aid, obtained the financial aid check associated with the award, endorsed the check using Relative D's name, and deposited the check proceeds into his personal bank account. Relative D stated that even though these financial aid proceeds were obtained by Mr. Wrenn without Relative D's knowledge or consent, Relative D did not object to Mr. Wrenn's actions because Mr. Wrenn was managing Relative D's educational and living expenses.

Mr. Wrenn stated that he had obtained these checks on behalf of his relatives because he acted as their "banker." He further stated that in his professional judgment, he had used the money for legitimate educational expenses consistent with all financial aid requirements. Mr. Wrenn acknowledged that he was experiencing financial problems and that the financial aid he awarded to his relatives was needed to pay the educational expenses of his relatives.

#### Review of Mr. Wrenn's Bank Accounts

We reviewed Mr. Wrenn's personal bank accounts for the period December 1995 through December 1997, 1) to determine if any other financial aid checks payable to Mr. Wrenn's relatives were deposited into Mr. Wrenn's personal bank accounts, 2) to determine how Mr. Wrenn used to proceeds of these financial aid checks, 3) to determine if any unusual payments to MTSU staff or MTSU students were made by Mr. Wrenn, 4) to determine if any unusual payments from MTSU staff or MTSU students were made to Mr. Wrenn, and 5) to confirm Mr. Wrenn's representations of personal financial problems.

On November 3, 1997, Mr. Wrenn signed authorization forms giving us access to his personal bank account records. These records included accounts at First American National Bank, NationsBank, and Educator's Credit Union, all in Murfreesboro, Tennessee. First American National Bank and NationsBank officials provided the requested information. However, Educator's Credit Union officials initially denied us access to Mr. Wrenn's records because the account was controlled jointly by Mr. Wrenn and his wife. The access form had not been signed by Mr. Wrenn's wife.

Pursuant to Section 8-4-202, *Tennessee Code Annotated*, the Comptroller of the Treasury is empowered to issue subpoenas or *subpoenas duces tecum* to require attendance of persons and submission of documents. On May 15, 1998, our office issued a *subpoena duces tecum* to Educator's Credit Union to obtain copies of Mr. Wrenn's account records (including checks written from the account and deposits made to the account) for the period January 1994 through May 15, 1998. Educator's Credit Union officials provided these records to the Division of State Audit on August 3, 1998.

During the period December 1995 through December 1997, Mr. Wrenn deposited 27 financial aid checks payable to his relatives totaling \$71,064.50 into his personal bank accounts. These financial aid checks included 14 checks totaling \$26,354.50 payable to Relative D; three checks totaling \$14,280 payable to Relative A; eight checks totaling \$27,550 payable to Relative B; and two checks totaling \$2,880 payable to Relative C. With regard to the financial institutions, one check (a \$1,920 federal Stafford Loan check payable to Relative D) was deposited into Mr. Wrenn's First American National Bank (FANB) account; 15 checks totaling \$41,340.98 were deposited into Mr. Wrenn's NationsBank account; and 11 checks totaling \$27,803.52 were deposited into Mr. Wrenn's Educator's Credit Union account. Our review determined that during this period, no other financial aid checks payable to Mr. Wrenn's relatives were deposited into Mr. Wrenn's accounts.

Our review also disclosed that a check dated September 19, 1997, totaling \$1,500 was written to Mr. Wrenn by the MTSU employee mentioned below in Section V of this report as receiving institutional financial aid totaling \$33,797.50 during the period June 1993 through April 1995. Mr. Wrenn deposited this check into his personal bank account. After we initiated our review of alleged improper financial aid awards by Mr. Wrenn, the MTSU employee approached us to inform us that he had provided the loan to Mr. Wrenn. Our review confirmed that the employee gave Mr. Wrenn a check for \$1,500 more than two years after Mr. Wrenn had arranged the financial aid noted above. According to the MTSU employee and Mr. Wrenn, this loan was not associated with the financial aid funds awarded to the employee by Mr. Wrenn. The MTSU employee stated that he knew Mr. Wrenn was experiencing financial problems and wanted to assist Mr. Wrenn by providing him a loan. The MTSU employee said that no documentation for the loan was prepared. He stated that as of December 25, 1997, Mr. Wrenn had repaid \$750 of the \$1,500 loan.

Mr. Wrenn apparently transferred significant amounts among his banks. For instance, during the period December 15, 1995, through January 15, 1998, Mr. Wrenn deposited a total of \$437,814.93 into his NationsBank account. However, \$226,600 (52%) of these funds consisted of transfers from Mr. Wrenn's other bank accounts. Also, during this same period, Mr. Wrenn deposited a total of \$448,201.79 into his Educator's Credit Union account. Of these funds, \$311,168.73 (69%) consisted of transfers from Mr. Wrenn's NationsBank account. Other deposits into Mr. Wrenn's personal accounts (excluding transfers) included Mr. Wrenn's payroll checks, some of Mrs. Wrenn's payroll checks, checks associated with Mr. Wrenn's private financial aid consulting practice, social security checks written to Mr. Wrenn's mother, checks written by Mr. Wrenn's aunt (who was living with Mr. Wrenn), and two personal loan checks from area banks.

When questioned about the activity in his bank accounts, Mr. Wrenn stated that he was paying the educational and living expenses of some of his relatives. He stated that these monthly expenses consisted of five car loan payments, four mortgage and rent payments, insurance payments, utility payments, student and conventional loan repayments, and credit card payments. He stated that he tried to keep up with these monthly expenses by paying certain bills through a specific bank account and thus, made numerous fund transfers each month. He stated that the

burden of tracking all of the bills he was responsible for each month had become overwhelming and he had difficulties keeping enough funds in the appropriate accounts.

In a May 27, 1997, letter from the First American National Bank Area Manager in Murfreesboro, Mr. Wrenn was notified that his checking account with the bank would be closed effective June 6, 1997. The letter stated that the action was due to the unsatisfactory manner in which the account had been maintained and that the balance in the account was frequently negative.

The auditors selected two months of Mr. Wrenn's NationsBank and Educator's Credit Union account activity at random and scheduled checks written from these accounts for the period February 15, 1996, through April 16, 1996. This activity appeared to be representative of checks written from the accounts during the period December 1995 through January 1998 in that basically the same expenses were paid from these accounts during other months in the two-year period.

The total amount of checks written from these two accounts during the two-month period, excluding fund transfers of \$60,703.50, totaled \$36,003.17. (See Exhibit 5.) For this two-month period, the auditors identified check payments to 15 credit card companies totaling \$16,815.06 and to five other financial institutions (Boatman Bank of Tennessee, Bank One Kentucky, GMAC, Calvary Bank, and Provident National Bank) totaling \$2,791.72. The auditors also identified payments totaling \$2,520.92 to Sallie Mae (for student loans) and \$5,180.39 to MTSU. According to Mr. Wrenn, most of the checks payable to MTSU were for cash. Another check totaling \$25 could not be located by Educator's Credit Union Staff and was not provided. The remaining checks were written to transfer funds from one account to another (\$60,703.50) and to pay various bills relating to living expenses (\$8,670.08). These expenses included cable, telephone, medical bills, insurance, Bi-Lo, Walmart, Eckerds, Revco, and Fingerhut.

The auditors were unable to conclusively determine how Mr. Wrenn used the proceeds totaling \$71,064.50 from the 27 financial aid checks payable to his relatives because the checks were deposited into Mr. Wrenn's personal bank accounts and thus the funds were commingled with funds legitimately earned by Mr. Wrenn. However, based on presently available information, Mr. Wrenn used the financial aid proceeds to pay credit card debt and monthly living expenses.

#### **IV. ENRICHMENT SCHOLARSHIP FUNDS**

##### Establishment of the Enrichment Scholarship Program

According to Mr. Adams, the MTSU Enrichment Scholarship program was established in 1988 as a quasi-endowment fund consisting of \$8,480,500 in unallocated university fund balances. These scholarships initially consisted of the Presidential Enrichment Scholarship and the Enrichment Scholarship. MTSU renamed the Presidential Enrichments Scholarship as the University Enrichment Scholarship during the 1993-94 fiscal year.

Mr. Adams stated that during fiscal year 1993-94, the Tennessee Board of Regents instructed MTSU to develop plans for utilizing the quasi-endowment fund. Mr. Adams said the balances were used over the next several years for supporting various university capital projects. He explained that during the spend down of the quasi-endowment fund, the enrichment scholarships were funded out of the educational and general budget which, by Tennessee Board of Regents policy, allows up to 10% of student tuition and fees to be used for scholarships. Mr. Adams said that disbursements for these two scholarships were approximately \$500,000 during each of the last three academic years (August 1995 through July 1998). Mr. Adams could find no documentation that differentiated the purpose or use of the two scholarships.

According to Mr. David Hutton, MTSU Interim Director of Financial Aid, Enrichment Scholarships are used to provide matching funds for the Ned McWherter Scholarship from the Tennessee Student Assistance Corporation, pay in-state fees for approximately five graduate assistant students from the Graduate Office, provide graduate and undergraduate scholarships for Adult Learning Center students, help various university departments in the recruiting process by providing scholarships to their students, and assist individual students who would otherwise find it difficult or impossible to attend the university.

Mr. Hutton acknowledged that the established MTSU guidelines for disbursing these funds were very vague. He pointed out that the one page printed guideline sheet simply stated that academic standing, recommendations, special abilities, and need “may” be used in the selection of recipients. He further stated that no limits as to the amount of a single award existed, that the financial aid office inconsistently maintained supporting documentation for the awards in the student files, and that the funds were typically awarded at the financial aid director’s discretion based on discussions with students.

#### Enrichment Scholarship Funds Awarded to Mr. Wrenn’s Relatives

According to actual MTSU Enrichment Scholarship disbursements for the 1996-1997 academic year, excluding Mr. Wrenn’s relatives, 344 students received Enrichment Scholarship funds totaling \$455,742.81. For this academic year, the average Enrichment Scholarship awarded per student totaled \$1,324.83 (\$662.42 per semester). The largest individual award was \$5,400 and the smallest individual award was \$25.

During the period January 1, 1996, through December 31, 1997, Mr. Wrenn individually awarded Relatives B, D, and E and another relative (hereinafter referred to as Relative F) Enrichment Scholarship funds ranging from \$1,600 to \$6,900 per semester. (See Exhibit 6.)

During the 1996 fall semester through the 1997 fall semester, 58 MTSU students received Enrichment Scholarship funds exceeding \$2,000 for one semester. Three of these students were relatives of Mr. Wrenn. The highest amount awarded to a student during each of these four semesters was as follows: \$6,900 during the 1997 fall semester (awarded to Relative E), \$5,700 during the 1997 summer semester (awarded to Relative B), \$3,750 during the 1997 spring

semester (awarded to a student unrelated to Mr. Wrenn), and \$2,702 during the 1996 fall semester (awarded to a student unrelated to Mr. Wrenn).

The auditors compared signatures on the cancelled checks provided by the MTSU business office to the signatures of the students (from MTSU admission applications) receiving the Enrichment Scholarship funds exceeding \$2,000 for one semester. Based on that comparison, the auditors found no obvious indications that Mr. Wrenn directly obtained any of these checks, except the checks payable to his relatives.

As previously noted, institutional Enrichment Scholarship funds lacked specific guidelines regulating their use and were awarded solely at the discretion of the financial aid director. However, the amount of Enrichment Scholarship funds awarded to relatives of Mr. Wrenn appears inconsistent with the amount awarded to the other recipients of the scholarships. Moreover, the scholarship awards to Mr. Wrenn's relatives exceeded the average amount of financial aid awarded to the general student population (excluding Mr. Wrenn's relatives) by more than 600%. During the 1996-1997 academic year, the average Enrichment Scholarship award per semester was \$662.42, whereas the average award to Mr. Wrenn's relatives was \$4,224.60 per semester.

Furthermore, the Enrichment Scholarship funds awarded by Mr. Wrenn to three of his relatives (Relative B, D, and E) exceeded the amount of the university's highest academic award, the Presidential Scholarship. This scholarship is a competitive award that provides \$3,300 per year to first-time freshmen applicants who have an ACT composite score of 29 or higher and at least a 3.5 cumulative grade point average after the seventh semester of high school.

Mr. Wrenn acknowledged that he had awarded institutional Enrichment Scholarships to relatives that appeared excessive, but he stated that he had intended to replace those funds with federal educational loans once he had an opportunity to submit the proper applications. However, Mr. Wrenn apparently made no efforts to replace Enrichment Scholarship funds with federal educational loans because the auditors could find no evidence that either he or his relatives had ever submitted federal applications for the loans.

Thus, based on presently available information, Mr. Wrenn afforded his relatives preferential treatment in awarding them institutional Enrichment Scholarship funds.

#### Replacement of Enrichment Scholarship Funds

In the 1997 fall semester, Relative B received a \$2,850 Enrichment Scholarship for which a check was received totaling \$2,246 (scholarship minus tuition and fee charges of \$604) and another Enrichment Scholarship totaling \$2,400 for which a check was received totaling \$2,400. On October 31, 1997, university financial aid records were changed to remove Relative B's Enrichment Scholarship funds (\$5,250). On the same date, the records were changed to add federal Direct Loan funds in the name of Relative B totaling \$7,218. These changes were made

after Mr. Wrenn was questioned by university officials and after he was instructed by his direct supervisor, Dr. LaLance, not to make any changes to financial aid files of relatives.

In a November 4, 1997, interview, Ms. Jennifer Heath, MTSU financial aid office clerk said that sometime after Mr. Wrenn met with university officials on October 31, 1997, he requested that she remove from university financial aid records the Enrichment Scholarship awards to Relative B. In a November 14, 1997, interview, Mr. Bill Grizzard, then an MTSU financial aid counselor, stated that sometime after Mr. Wrenn met with university officials on October 31, 1997, he was requested by Mr. Wrenn to post federal Direct Loans totaling \$7,218 to Relative B's account. Mr. Grizzard acknowledged that no applications for direct loans accompanied Mr. Wrenn's request and that he posted the awards based solely on Mr. Wrenn's verbal instructions.

On December 10, 1997, Mr. Wrenn provided the MTSU business office with a check in the amount of \$5,250 on behalf of Relative B, and the federal Direct Loans were removed from Relative B's account by Ms. Heath.

## **V. FINANCIAL AID AWARDED TO MTSU EMPLOYEES AND THEIR RELATIVES**

### Financial Aid Awarded to an MTSU Employee

The auditors determined that during the period June 1993 through April 1995, Mr. Wrenn awarded institutional financial aid totaling \$33,797.50 to an MTSU employee in order to supplement the employee's salary. In a signed written statement dated January 14, 1998, the employee admitted obtaining student status solely to receive money for personal expenses, not to pursue educational objectives.

The employee stated that after resigning his position with a local bank in the summer of 1993 and being unable to find full-time employment, he began working a part-time for the university. He stated that he began having financial problems and discussed his financial situation with Mr. Wrenn. He said that Mr. Wrenn told him that funds were available to help students.

According to the employee, he told Mr. Wrenn that he needed an additional \$1,200 each month to meet his financial obligations, which were not related to education. The employee said that Mr. Wrenn told him that he would need to obtain student status to qualify for financial aid and encouraged him to do so. The employee admitted that he then enrolled in various MTSU classes from June 1993 through April 1995 (six semesters) solely to obtain financial aid and that he was not pursuing a degree. (See Exhibit 7.)

According to the employee's MTSU academic record, he received a Bachelor of Science degree from MTSU in 1973. His MTSU academic record shows that in June 1993 he again enrolled at MTSU. He was classified as a Master of Education degree-seeking student. However, during this period he enrolled in eight classes and earned 15 undergraduate credits and only three graduate credits.

During four of the six semesters in which the employee received Enrichment Scholarship funds, he only took one class per semester: a three-credit-hour class in the 1994 spring semester, a one-credit-hour class in the 1994 summer semester, a one-credit-hour class in the 1994 fall semester, and a one-credit-hour class in the 1995 spring semester. The employee did not enroll in any other classes for those semesters. He received institutional Enrichment Scholarship funds totaling \$6,200 for the 1994 spring semester; \$5,325 for the 1994 summer term; \$5,900 for the 1994 fall semester; and \$5,725 for the 1995 spring semester, for a grand total of \$23,150.

During each of the remaining two semesters, the 1993 summer term and 1993 fall semester, the employee took two classes for six credit hours. He received institutional Enrichment Scholarship funds totaling \$4,400 for the 1993 summer term and \$6,247.50 for the 1993 fall semester.

As noted above, the Family Records Privacy Act (FERPA) generally prohibits the nonconsensual disclosure of personally identifiable information that would make a student's identity easily traceable. Therefore, we did not include the specific classes taken by the MTSU employee to shield him from having his true identity easily traced.

According to Mr. Hutton, the MTSU Interim Director of Financial Aid, institutional Enrichment Scholarships are used to help needy students meet the financial obligations of attending the university and are awarded at the discretion of the financial aid director. He stated that the purpose of the MTSU financial aid office is to provide assistance to qualified students who would find it difficult or impossible to attend the university otherwise. Although the financial aid director had discretion in awarding institutional Enrichment Scholarships, the fact that the funds were awarded to the employee in essence to supplement his salary and not to provide financial assistance in reaching educational objectives, clearly violates the intent of financial aid and the purpose of the financial aid office. Furthermore, the \$33,797.50 in institutional Enrichment Scholarship funds awarded by Mr. Wrenn to the employee reduced the amount of financial aid available to MTSU students who were pursuing appropriate educational objectives and had legitimate financial need.

The employee stated that he personally picked up his financial aid checks of approximately \$1,200 each month from the MTSU business office. He stated that he deposited the checks into his personal bank account and used the money to pay his rent and child support.

Also, in his signed written statement, the employee admitted misapplying \$6,500 in institutional financial aid (Enrichment Scholarship funds totaling \$4,000 and Foundation Loan funds totaling \$2,500) awarded to his relative by using the funds to pay his personal expenses. The employee stated that in October 1996 (after becoming a full-time MTSU employee in May 1995) he once again experienced financial difficulties. He said that after exhausting all conventional methods of obtaining loans, he asked Mr. Wrenn to authorize a federal educational PLUS loan for his relative, then a MTSU student, in order for him to obtain funds to pay his personal expenses. Federal PLUS Loans are available only to parents and the proceeds are to be used to pay the educational costs of their children.

According to the employee, while his intent was to obtain a federal PLUS Loan to pay his personal financial obligations, Mr. Wrenn authorized a \$4,000 institutional Enrichment Scholarship and a \$2,500 institutional Foundation Loan for his relative. According to the employee, he informed Mr. Wrenn of his true intended use of the funds at the time he requested Mr. Wrenn to approve the financial aid. The employee stated that he requested Mr. Wrenn to award his relative financial aid funds because he was experiencing personal financial difficulties and that he did not use the funds to pay the educational expenses incurred by his relative during the award period. The employee said that he used the funds to pay his personal credit card debt, his relative's credit card debt, various medical expenses of another relative, and some household and automobile repair expenses.

During a January 23, 1998, interview, the employee's relative stated that she had verbally authorized the employee to obtain educational loans and other financial aid on her behalf to pay family expenses. She confirmed that she picked up the checks, endorsed the checks, and either deposited them for the employee in his personal bank account or presented them to the employee for deposit.

#### *Administrative Action Taken by MTSU*

The employee's employment with the university was terminated. As an "at-will" employee, he could not appeal this decision.

#### Financial Aid Awarded to Other MTSU Employees and Their Relatives

During the review, the auditors interviewed 33 current and former full-time MTSU business office and financial aid office staff. Through these interviews, 13 employees and 31 relatives were identified as having received financial aid through the MTSU financial aid office. Of these 44 individuals, 25 received institutional Enrichment Scholarships. All of the employees who received financial aid, or whose relatives received financial aid, stated that none of the aid proceeds were given to Mr. Wrenn in return for providing the assistance.

A listing of these individuals was provided to MTSU management on March 25, 1999, for its review concerning the propriety of the financial aid awards.

## **VI. IMPROPER FEDERAL PELL GRANT EXPENDITURES**

### Review of Improper Pell Grant Expenditures Mr. Wrenn Authorized

Based on interviews with financial aid office staff, the auditors determined that Mr. Wrenn instructed one MTSU financial aid office clerk, Ms. Jennifer Heath, to change information on six student financial aid applications during the 1996-1997 academic year. The six students who had filed these six applications were unrelated to Mr. Wrenn. No documentation for the changes was

provided to the clerk or located in the financial aid files by auditors. These changes consisted of (a) changes in student living status from dependent to independent and (b) changes in student income from the actual income to an amount substantially less (i.e., a change from \$5,000 to \$1,250). The effect of these changes was to make students who were actually ineligible for federal Pell Grants appear to be eligible.

In a February 26, 1998, interview, Ms. Heath stated that Mr. Wrenn had instructed her on several occasions to change a student's adjusted gross income and to change a student's dependency designation (i.e. from dependent to independent) so the student would be eligible to receive federal Pell Grant funds. According to Ms. Heath, these changes would be made from time to time so that MTSU institutional aid already awarded to the students could be substituted with federal Pell Grant funds. As stated above, federal student aid regulations require that such adjustments be made on a case-by-case basis, relate to the student's special circumstances, and be fully documented in the student's financial aid file. Ms. Heath stated that to her knowledge the students were actually eligible for the Pell Grant funds, but she never verified that documentation to support these particular changes was included in the students' financial aid files. She stated that she presumed that Mr. Wrenn maintained the supporting documentation in his office.

When interviewed, the six students stated that they were unaware changes had been made, that they did not authorize the changes, and that the changes were false. None of the changes were documented in the students' files as required by federal student financial aid regulations. Presently available information shows that Mr. Wrenn awarded these students \$13,584 in federal Pell Grant funds for the 1996-1997 academic year for which they were not eligible. Since the net amount awarded to the students was the amount they had anticipated through institutional awards (Enrichment Scholarship, MTSU/TSU Scholarship, MTSU Provost Scholarship, etc), the students were apparently unaware of the changes in funding.

According to Chapter 2 of the Federal Student Financial Aid Handbook, the financial aid director is allowed to make individual adjustments, based on his or her professional judgment, to change a student's dependency status, to adjust the components of the student's cost-of-attendance, and to adjust the data elements used to calculate the student's expected family contribution. However, the handbook clearly states in Chapter 2, page 55, that such adjustments must be made on a case-by-case basis, must relate to the student's special circumstances, and must be fully documented in the student's file.

#### Review of MTSU Institutional Financial Aid Account Budgetary Shortages

MTSU internal audit staff reviewed expenditures from MTSU institutional financial aid accounts during the 1996-1997 academic year. According to this review, Mr. Wrenn did not exercise sound fiscal control over the financial aid accounts placed under his budgetary responsibility because he awarded more institutional financial aid funds than the budget allowed and improperly substituted institutional financial aid funds with federal Pell Grant funds for which students were not eligible. The review concluded that the substitution of individual student

awards was apparently done to cover budgetary shortages without regard to federal financial aid regulations or scholarship award criteria.

For example, the University Enrichment Scholarship account was over budget for five of twelve months during the 1996-1997 academic year. Mr. Wrenn concealed these account deficiencies by transferring funds from other institutional financial aid accounts into the University Enrichment Scholarship account and by substituting certain institutional financial aid funds already awarded to students with federal Pell Grant funds and other institutional financial aid funds.

MTSU internal audit staff reviewed institutional financial aid funds awarded by Mr. Wrenn that he later substituted with other financial aid funds and federal Pell Grant funds, for a two-month period during the 1996-1997 academic year. Substitutions made during these two months (February 1997 and June 1997) totaled \$164,464.49 and constituted the greatest reduction of institutional financial aid awards during the academic year. A “reduction of institutional financial aid awards” occurs when the initial institutional award is replaced with another source of funding, such as a federal Pell Grant. When such a transaction occurs, the total amount awarded is reduced and the balance of institutional funds available to be awarded is increased. For instance, during this two-month period, institutional financial aid totaling \$42,685 (representing 24 students) was replaced with federal Pell Grant funds.

Of this amount, MTSU institutional financial aid totaling at least \$8,953 (awarded to four of the six students mentioned above) was substituted with federal Pell Grant funds for which the student was not entitled. One of the six students had institutional financial aid substituted with federal Pell Grant funds totaling \$2,161 in May 1997. The remaining student did not have institutional financial aid substituted with Pell Grant funds during the academic year but was simply awarded Pell Grant funds totaling \$2,470 for which he was not eligible. To date, the remaining 20 students who had their MTSU institutional financial aid replaced with federal Pell Grants during the months of February and June 1997 have not been interviewed.

Thus, it appears that Mr. Wrenn improperly substituted MTSU institutional financial aid funds already awarded during the academic year with federal Pell Grant funds to make it appear he was conforming to budgetary constraints and to increase institutional financial aid funds awarded at his discretion.

### Violation of Federal Verification Requirements

In a February 11, 1998, interview, Mr. Lee Eaton, a former MTSU financial aid assistant, stated that the US Department of Education randomly selects approximately 30% of the Free Application for Federal Student Aid forms processed for accuracy verification. Student Aid Reports (based on information provided by applicants on their FAFSAs) transmitted by the federal processing center to the university contain an asterisk beside the estimated family contribution number if a student is selected for verification. Mr. Eaton stated that the verification process consists of collecting tax returns and other documentation from the students whose applications were selected to support the financial information they provided on their FAFSAs. Mr. Eaton

told the auditors that typically, if the students did not supply the required documentation to the financial aid office, their financial aid was suspended for the academic year.

Mr. Eaton stated that an MTSU report is generated at the end of each semester which lists students receiving federal financial aid who were selected for verification but had not provided the appropriate documentation to support the information they reported on their FAFSAs. According to Mr. Eaton, he would furnish the list to Mr. Wrenn who would either have the awards reversed or tell him that he had the appropriate documentation. Mr. Eaton stated that for the students Mr. Wrenn claimed to have the appropriate documentation for, he reported that their financial information had been verified and was accurate.

According to Ms. Heath, Mr. Wrenn would instruct her not to verify students for whom she made data element changes if they were selected for verification. According to Ms. Heath, she felt uneasy about Mr. Wrenn's instructions because, pursuant to his instructions, she made changes to official records without confirming that appropriate documentation existed. However, she said that she did not question him because he was her supervisor. She stated that she "presumed" that Mr. Wrenn maintained supporting documentation in his office.

During a review of documents relating to this matter, the auditors found a memorandum dated August 8, 1997, from the US Department of Education to MTSU stating that 14 students who had received federal Pell Grant funds had not been verified. The memorandum stated that these funds would be denied for reimbursement unless the students were properly verified.

In a February 26, 1998 interview, Mr. Hutton admitted that he had coded these files as "accurate" (meaning that supporting documentation had been provided and the awards were appropriate) without verifying that supporting documentation was contained in their files. In fact, none of these 14 financial aid files contained verification documentation to support the Pell Grant expenditures. Mr. Hutton stated that he presumed Mr. Wrenn maintained supporting documentation in his office and wanted to avoid an uncomfortable confrontation by questioning Mr. Wrenn.

#### Referral to the Office of Inspector General

On February 12, 1998, we informed the Office of Inspector General, US Department of Education (Atlanta, Georgia), of the matter and requested that it review the extent of Mr. Wrenn's improper Pell Grant expenditures.

### **VII. REFERRAL OF THE MATTER**

On February 4, 1999, we submitted our findings to the Office of the United States Attorney, Middle Judicial District (Nashville); the Office of Inspector General, US Department of Education (Atlanta, Georgia); the Office of the District Attorney General, Sixteenth Judicial District (Murfreesboro); and the Office of State Attorney General.

We also referred our findings to the Financial and Compliance Section of the Division of State Audit.

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## RECOMMENDATIONS

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The review resulted in the following recommendations:

1. University management should continue to monitor the implementation of corrective actions to ensure compliance with federal Student Financial Aid Regulations and university policies and procedures.
2. University management should develop a continuous monitoring process by staff external of the financial aid office of all override adjustments made by the financial aid office to student accounts, such as accounts classified as “overaward” or accounts placed on hold because of “unsatisfactory academic progress.” This process should be formally documented and any questioned items should be promptly investigated and formally resolved.
3. The MTSU Financial Aid Office should implement measures and controls to ensure compliance with university guidelines established for awarding Enrichment Scholarship funds.
4. The MTSU Financial Aid Office should immediately stop its practice of replenishing institutional financial aid funds by replacing institutional financial aid funds awarded with federal financial aid funds for which the student is not eligible.
5. The MTSU Financial Aid Office should immediately stop the practice of awarding Pell Grant funds to ineligible recipients and ensure that all federal applications selected for verification contain appropriate information documenting compliance.
6. University management should review for propriety financial aid received by employees and their relatives.
7. MTSU management should consult with the Tennessee Board of Regents regarding appropriate recovery of financial aid funds inappropriately awarded by Mr. Wrenn.

### Action Taken by University Officials

*Development of Written Policies and Procedures Regarding the Disbursement of Financial Aid*

In a November 14, 1997, memorandum to all business office employees, Mr. Robert Adams, then MTSU Associate Vice President of Finance and Administration, emphasized that no one is allowed to obtain financial aid checks for anyone else without a properly executed power of attorney. MTSU management developed written procedures regarding the disbursement of financial aid checks and disseminated them to all MTSU business office employees on March 25, 1998.

#### *Development and Implementation of Enrichment Scholarship Guidelines*

In the 1998 fall semester, university officials implemented new written guidelines for disbursing Enrichment Scholarship funds. These guidelines limit the award to in-state fees and an allowance for books, require recipients to meet minimum educational criteria and be a United States citizen, and require the approval of the MTSU Vice President of Finance and Administration or the MTSU Associate Vice President of Finance and Administration before Enrichment Scholarship funds can be awarded to financial aid office staff or their relatives.

#### *Administrative Action Taken Against Business and Financial Aid Office Staff*

In a letter dated January 27, 1999, Mr. Adams administered a written reprimand to Ms. Rooker for signing students' names to check-receipt documents and releasing the checks to financial aid office employees. In letters dated January 27, 1999, Mr. Adams also administered written reprimands to two other business office staff, Ms. Wanda Kelton and Ms. Becky Bussell, who improperly released financial aid checks to Ms. Rooker.

In letters dated January 29, 1999, Mr. Harold Smith, MTSU Interim Vice President for Student Affairs, administered written reprimands to Ms. Sensing and Ms. Heath for improperly signing check-receipt forms and obtaining financial aid checks for Mr. Wrenn.

Exhibit 1

Summary of Financial Aid Awarded by Mr. Robert Winston Wrenn to Himself and His Relative  
January 1, 1996, through December 31, 1997

<b>Types of Awards</b>	<b>Relative A</b>	<b>Relative B</b>	<b>Relative C</b>	<b>Relative D</b>	<b>Relative E</b>	<b>Relative F</b>	<b>Robert W.</b>	<b>TOTAL</b>
<b>INSTITUTIONAL:</b>								
Enrichment		\$13,350.00		\$11,306.89	\$11,764.50	\$1,600.00		\$38,021.39
Saunders Loan	\$8,100.00	\$8,000.00		\$10,100.00				\$26,200.00
Foundation Loan	\$4,200.00			\$3,600.00				\$7,800.00
MTSU Employee Discounts			\$267.00	\$2,082.36			\$375.00	\$2,724.36
<b>STATE:</b>								
TSAC					\$537.00			\$537.00
<b>FEDERAL:</b>								
Pell Grant					\$1,350.00			\$1,350.00
SEOG					\$4,500.00			\$4,500.00
Stafford Loan	\$10,500.00	\$18,500.00	\$3,000.00	\$20,750.00			\$18,500.00	\$71,250.00
Perkins Loan					\$3,000.00			\$3,000.00
<b>PRIVATE:</b>								
Girls State						\$1,500.00		\$1,500.00
<b>TOTAL</b>	<b>\$22,800.00</b>	<b>\$39,850.00</b>	<b>\$3,267.00</b>	<b>\$47,839.25</b>	<b>\$21,151.50</b>	<b>\$3,100.00</b>	<b>\$18,875.00</b>	<b>\$156,882.75</b>

Exhibit 2

Summary of Financial Aid Improperly Awarded  
by Mr. Robert W. Wrenn to Himself and His Relatives  
January 1, 1996, through December 31, 1997

	Name	Total Aid Awarded	Total Aid Awarded Improperly	REASON AWARD CONSIDERED IMPROPER				
				A	B	C	D	E
1	ROBERT W.	\$18,875.00	\$18,500.00	\$18,500.00	\$3,624.00 (1)			
2	RELATIVE A	\$22,800.00	\$10,500.00	\$10,500.00	\$7,455.00 (1)		\$5,250.00 (1)	
3	RELATIVE B	\$39,850.00	\$18,500.00	\$18,500.00	\$16,024.00 (1)	\$18,500.00 (1)		
4	RELATIVE C	\$3,267.00	\$3,000.00	\$3,000.00				
5	RELATIVE D	\$47,839.25	\$26,169.75 (2)	\$20,750.00	\$25,761.25 (1)			\$14,625.00 (1)
6	RELATIVE E	\$21,151.50	\$9,237.00		\$9,237.00			
7	RELATIVE F	\$3,100.00	\$0.00					
<b>TOTAL</b>		<b>\$156,882.75</b>	<b>\$85,906.75</b>	<b>\$71,250.00</b>	<b>\$62,101.25</b>	<b>\$18,500.00</b>	<b>\$5,250.00</b>	<b>\$14,625.00</b>

LEGEND: A - Required Free Application for Federal Student Aid (FAFSA) form was not completed.  
B - MTSU cost-of-attendance budget exceeded.  
C - Not enrolled in an eligible program.  
D - Not enrolled.  
E - Annual Stafford Loan limit exceeded.

NOTES: 1 - Even if the FAFSA had been properly completed, this award amount would have been considered inappropriate because of the reason listed.  
2 - Includes all Stafford Loan funds awarded totaling \$20,750 and the amount of other financial aid award types (\$5,419.75) that exceeded the MTSU cost-of-attendance budget during the 1996-1997 academic year.

Exhibit 3

Summary of Stafford Loan Funds Improperly Awarded  
by Mr. Robert W. Wrenn to Himself and His Relatives  
January 1, 1996, through December 31, 1997

Name	Academic Year	Amount Disbursed	REASONS AWARD CONSIDERED IMPROPER					Total Amount Awarded Improperly	Improper Amount Awarded IF FAFSA Had Been Completed (Excluding Attribute E)	
			A	B	C	D	E			
Robert W.	96-97	\$18,500.00	\$3,624.00					\$18,500.00	(1)	\$3,624.00
Relative A	95-96	\$10,500.00			\$5,250.00			\$10,500.00	(1)	\$5,250.00
Relative B	96-97	\$18,500.00				\$18,500.00		\$18,500.00	(1)	\$18,500.00
Relative C	95-96	\$3,000.00						\$3,000.00		\$0.00
Relative D	95-96	\$6,625.00	\$2,616.50	\$4,000.00				\$6,625.00	(1)	\$4,000.00 (1)
	96-97	\$14,125.00	\$14,125.00	\$10,625.00				\$14,125.00	(1)	\$14,125.00 (1)
		<b>\$71,250.00</b>	<b>\$20,365.50</b>	<b>\$14,625.00</b>	<b>\$5,250.00</b>	<b>\$18,500.00</b>	<b>\$63,750.00</b>	<b>\$71,250.00</b>	(2)	<b>\$45,499.00</b>

LEGEND: A - MTSU Cost-of-attendance exceeded.  
B - Exceeded annual Stafford Loan limit.  
C - Not enrolled.  
D - Not enrolled in an eligible program.  
E - Required Free Application for Federal Student Aid (FAFSA) form was not complete

NOTES: 1 - This Stafford Loan award violated multiple federal student aid regulations as noted under "Reasons Award Considered Improper." These violations would have made the student ineligible for various parts of the awards, but not necessarily the entire award. The greatest ineligible amount is presented as the total amount awarded improperly.  
2 - Since the required FAFSA was not completed for any of these loans, Mr. Wrenn and his relatives were not entitled to any of the loan proceeds (\$71,250)

EXHIBIT 4  
SUMMARY OF FINANCIAL AID AWARDED TO RELATIVE E  
1997 FALL SEMESTER

<u>Date</u>	<u>Account Activity</u>	<u>Amount of Aid Awarded</u>	<u>Amount of Aid Voided</u>	<u>Amount of Aid Disbursed</u>
August 15	Awarded TSAC	\$537		
August 18	Awarded SEOG	\$2,000		
	Awarded Enrichment	\$2,500		
	Awarded Pell Grant	\$1,350		
August 18	Generated on-line check			\$5,289 <b>(1)</b>
August 26	Awarded Enrichment	\$1,500		
August 26	Generated on-line check			\$1,500
September 11	Awarded SEOG	\$2,500		
September 11	Generated on-line check			\$2,500
October 1	Awarded Perkins Loan	\$3,000		
October 1	Generated on-line check			\$3,000
October 24	Awarded Enrichment	\$2,900		
October 24	Generated on-line check			\$2,900
October 30	Awarded Foundation Loan		3,750 <b>(2)</b>	
<b>Total</b>		<b>\$16,287</b>	<b>\$3,750</b>	<b>\$15,189</b>

Notes: 1 Aid awarded minus tuition and fee charges of \$1,098.  
2 On October 31, 1997, this award was questioned by university officials and on November 12, 1997, the check generated for the award was voided.

Exhibit 5

Summary of Account Activity  
Mr. Wrenn's Educator's Credit Union and  
NationsBank Accounts  
February 15, 1996, through April 16, 1996

**Description of  
Checks Written  
Other than Transfers  
Between Mr. Wrenn's  
Accounts**

**Amount**

1	Credit Cards	\$16,815.06	(1)
2	Other Financial Institutions	\$2,791.72	(2)
3	MTSU	\$5,180.39	
4	Sallie Mae (Student Loans)	\$2,520.92	
5	Other Expenses	\$8,670.08	(3)
6	Check Not Available	\$25.00	
	<b>TOTAL</b>	<b>\$36,003.17</b>	<b>(4)</b>

NOTES:

- 1 Includes Discover, MBNA America, Exxon, Diners Club, Shell Mastercard, Sears, American Express, JC Penney, Chase, Dillards, Amoco, Castner Knott, First Card, Associates Visa, and Ford Citibank.
- 2 Includes Calvary Bank, Bank One Kentucky, Boatman Bank of Tennessee, GMAC, and Provident National Bank.
- 3 Includes living expenses like cable bill, telephone bill, medical bills, insurance, and retail stores (Bi-Lo, Walmart, Eckerds, Revco, and Fingerhut).
- 4 In addition to this amount, Mr. Wrenn transferred \$60,703.50 between these accounts and to his other bank accounts.

Exhibit 6

Summary of Enrichment Scholarship Funds  
Awarded to Mr. Wrenn's Relatives  
January 1, 1996, through December 31, 1997

<u>Name</u>	<u>Term</u>	<u>Amount</u>
Relative B	1997 Spring	\$2,400.00
	1997 Summer	\$5,700.00
	1997 Fall	\$5,250.00
Relative D	1997 Spring	\$2,857.89
	1997 Summer	\$2,900.00
	1997 Fall	\$5,549.00
Relative E	1997 Summer	\$4,864.50
	1997 Fall	\$6,900.00
Relative F	1997 Fall	\$1,600.00
<b>Total</b>		<b>\$38,021.39</b>

NOTE: According to actual MTSU Enrichment Scholarship disbursements for the 1996-1997 academic year, 344 students (excluding Mr. Wrenn's relatives) received Enrichment Scholarship funds totaling \$455,742.81. For this academic year, the average Enrichment Scholarship awarded per student was \$1,324.83 (\$662.42 per semester). In comparison, the average Enrichment Scholarship awarded to Mr. Wrenn's relatives was \$4,224.60 per semester (\$38,021.39 divided by nine semesters). Thus, the scholarship awards to Mr. Wrenn's relatives exceeded the average amount of financial aid awarded to the general student population (excluding Mr. Wrenn's relatives) by more than 600%.

Exhibit 7

Summary of Enrichment Scholarship Funds  
Awarded to an MTSU Employee  
The 1993 Summer Term through the 1995 Spring Semester

<u>Term</u>	<u>Hours Earned</u>	<u>Type</u>	<u>Amount of Aid Received</u>
1993 SUMMER	3	UNDERGRADUATE	
	3	UNDERGRADUATE	\$4,400.00
1993 FALL	3	UNDERGRADUATE	
	3	UNDERGRADUATE	\$6,247.50
1994 SPRING	3	GRADUATE	\$6,200.00
1994 SUMMER	1	UNDERGRADUATE	\$5,325.00
1994 FALL	1	UNDERGRADUATE	\$5,900.00
1995 SPRING	1	UNDERGRADUATE	\$5,725.00
		<b>TOTAL</b>	<b>\$33,797.50</b>