

Session #28

Top Ten Audit and Program Review Findings

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Audit Findings

- Repeat Finding-Failure to Take Corrective Action
- Return of Title IV Funds Made Late
- Return to Title IV (R2T4) Calculation Errors
- Entrance/Exit Counseling Deficiencies
- Student Status-Inaccurate/Untimely Reporting



Audit Findings

- Auditor Opinion Cited in Audit (Qualified or Adverse)
- Verification Violations
- Pell Over/Under Payments
- Student Credit Balance Deficiencies
- Student Confirmation Report Filed Late/Not Filed/Not Retained for Five Years/Inaccurate



Program Review Findings

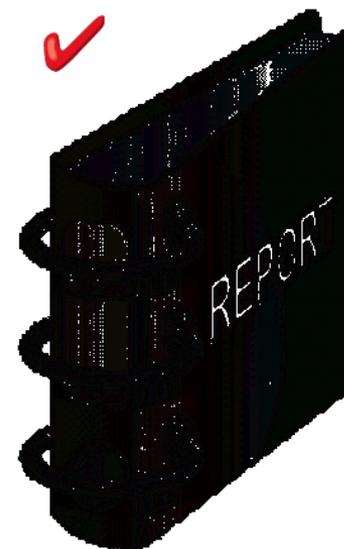
- Verification Violations
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 - Crime Awareness Requirements Not Met
 - SAP Policy Not Adequately Developed /Monitored
 - Entrance/Exit Counseling Deficiencies
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 - Information in Student Files Missing or Inconsistent
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Program Review Findings

- Student Credit Balance Deficiencies
 - Pell Over/Under Payments
 - Lack of Administrative Capability
 - Consumer Information Requirements Not Met
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- Inaccurate Recordkeeping
 - Improper/Undocumented Dependency Overrides
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- Improper Certification of FFEL
 - Ineligible Pell Disbursement

Findings on Both Lists

- Return of Title IV Funds Made Late ✓
- Return to Title IV Calculation Errors ✓
- Entrance/Exit Counseling Deficiencies ✓
- Verification Violations ✓
- Pell Grant Over/Underpayments ✓
- Student Credit Balance Deficiencies ✓



Audit Findings



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Repeat Finding-Failure to Take Corrective Action

- Same finding(s) identified in subsequent audit(s)
- School failed to adequately develop, implement, and/or monitor procedures to ensure Corrective Action Plan was followed

Regulations: 34 C.F.R. §668.16 and 668.174



Repeat Finding-Failure to Take Corrective Action

- Example: Repeat findings for Incomplete Verification, Incorrect Certification of Unsub Loans, and Pell Grant and Loan Underawards
- Solution: Review and revise verification procedures to address weaknesses in the process; determine reasons for incorrect certification of loans and underawards and revise procedures as needed

Other Compliance Solutions

- Review results of Corrective Action Plan
 - Is it working?
 - Are changes needed to improve process?
- Develop specific procedures for CAP action items
- Assign responsible person/office to ensure CAP is implemented/monitored



Return of Title IV Funds Made Late

- Returns not made within allowable timeframe (45 days)
- Inadequate system in place to identify/track official and unofficial withdrawals
- No system in place to track number of days remaining to return funds
- Lack of coordination between offices



Regulation: 34 C.F.R. §668.22(j)

Return of Title IV Funds Made Late

- Example: Unearned Pell Grant funds returned 54 and 102 days late
- Solution: Ensure a knowledgeable person has responsibility for tracking the return of funds



Other Compliance Solutions

- Design processes and procedures to
 - Track/monitor the deadlines
 - Ensure timely communication between offices
- Use R2T4 on the Web
- FSA Assessment: Managing Funds
 - Fiscal Management
- DCL ANN-09-27 (9/2/2009)
 - Recorded training session



R2T4 Calculation Errors

- Incorrect institutional charges for the period
- Scheduled breaks not included
- Incorrect withdrawal date
- Mathematical errors



Regulation: 34 C.F.R. §668.22(e)

R2T4 Calculation Errors

- Example: R2T4 calculation based on incorrect number of completed calendar days and/or incorrect number of total calendar days in payment period
- Solution: Develop system to monitor and track the number of days completed in the payment period



Other Compliance Solutions

- Perform self-assessment by reviewing a random sample of student files
- FSA Assessments: Managing Funds
 - R2T4 module
- Use R2T4 Worksheets
 - Electronic Web Application
 - Paper
- View recorded training session
 - Overview of R2T4 calculation
 - DCL ANN-09-26 (9/2/2009)



Entrance/Exit Counseling Deficiencies



- Entrance counseling not conducted/not documented for first-time, first-year borrowers
- Exit counseling materials not mailed to students who failed to complete in-person or on-line counseling
- Exit counseling not conducted for withdrawn students

Regulation: 34 C.F.R. §682.604(f), (g)

Entrance/Exit Counseling Deficiencies

- Example: Loan disbursements made to first-time, first-year borrowers who did not participate in entrance counseling
- Solution: Develop process for documenting completion of required loan counseling; implement system edits to prevent disbursements before counseling



Other Compliance Solutions

- Assign responsibility for monitoring the entrance/exit interview process
- Develop procedures for ensuring communication between Registrar, Business, and Financial Aid offices
- Provide staff training
 - FSA Coach, Module 4: Loan Counseling
 - FSA Assessments: Schools
 - Default Prevention & Management

Student Status-Inaccurate or Untimely Reporting

- Submittal File not returned within 30 days of receipt of Roster File
- Incorrect enrollment status code
 - “W” for graduated student
- Incorrect graduation effective date
- Student(s) reported as withdrawn for summer break even though expected to return in the fall

Regulation: 34 C.F.R. §682.610(c)



Student Status-Inaccurate or Untimely Reporting

- Example: Student enrollment status and/or effective date reported incorrectly; SSCR Submittal Files returned late
- Solution: Provide training to personnel on the definition of the different status codes; develop schedule for processing and submitting SSCR; include process in Policies & Procedures Manual

Other Compliance Solutions

- Maintain accurate enrollment records
- Use the correct status codes
 - A, D, F, G, H, L, W, X, Z
- Designate responsibility for monitoring the SSCR reporting deadlines
- Maintain accurate SSCR documentation
 - Acknowledgement/Error File
- FSA Assessments
 - Managing Enhancement Worksheet



Auditor's Opinion Cited in Audit (Qualified or Adverse)

- Anything other than an unqualified opinion
- Serious deficiencies/areas of concern in the compliance audit/financial statements
 - R2T4 violations
 - Inadequate accounting systems and/or procedures
 - Lack of internal controls

Regulation: 34 C.F.R. §668.171(d)



Other Compliance Solutions

- Assessment of entire process
 - Design an institution-wide plan of action
 - Adequate and qualified staff
 - Appropriate internal controls
 - Training
 - FSA Coach
 - FSA Assessments
 - Fundamentals of Title IV Administration



Verification Violations

- Verification worksheet not signed
- Untaxed income not verified
- Conflicting data on ISIR and verification documents not resolved
- Required corrections not processed

Regulation: 34 C.F.R. §668.51-668.61



Verification Violations

- Example: Incomplete Verification
 - Conflicting information with respect to marital status and amount of untaxed income; tax return unsigned
- Solution: Develop a checklist to ensure all required data elements are verified and that conflicting information is resolved



Other Compliance Solutions

- Monitor verification process to ensure procedures are followed
- Perform your own audit of sample files
- FSA Assessments: Students
 - FSA Verification
- Use Verification Worksheets
 - School developed or ED worksheets



Pell Grant Over/Under Payment

- Adjustments not made for change in enrollment status between terms
- Attendance not documented in all coursework counted in the enrollment status
 - Modules or compressed coursework
- Incorrect Pell formula
- Inaccurate proration calculation
- Incorrect EFC



Regulations: 34 C.F.R. §690.62 & 690.79

Pell Grant Over/Under Payment

- Example: Institution did not document student eligibility prior to disbursement of funds, resulting in Pell overpayments
- Solution: Verify student eligibility prior to disbursing aid; adjust aid accordingly; develop procedures for resolving Pell over/under payments once identified



Other Compliance Solutions

- Use correct enrollment status
- Use correct Pell Formula/Schedule
- Verify that student began attendance in all coursework
- Prorate when needed
- Assign responsibility of monitoring to ensure Pell disbursements are accurate and timely



Student Credit Balance Deficiencies

- No process in place to determine when a credit balance has been created
- Credit balances not released to students within required 14-day timeframe
- Credit balances held without student authorizations

Regulation: 34 C.F.R. §668.164 (e)



Student Credit Balance Deficiencies

- Example: Credit balances held from 32 to 111 days without student authorizations
- Solution: Develop and implement procedures and controls to identify and release credit balances timely



Other Compliance Solutions

- Develop a process to determine when a credit balance is created
- Develop a system to track number of days remaining to release funds timely
- Understand new regulations regarding minor prior year charges
 - May create more credit balances if entire program cost is charged upfront
 - DCL GEN-09-11 (9/4/2009)

Program Review Findings



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Program Review Findings

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Crime Awareness Requirements Not Met

- Policies and procedures not developed
- Annual report not published and/or distributed annually to current students/staff
- Failure to report statistics on website or crimes reported in wrong category

Regulation: 34 C.F.R. 668.46(c)(1)



Crime Awareness Requirements Not Met

- Example: Campus Crime Report did not contain all required policies and most recent crime statistics
- Solution: School required to update and expand the annual report to include all the required policies and to add crime statistics for the past 3 years



Other Compliance Solutions

- Review the *Clery Act*
 - 20 U.S.C. §1092
- Download the *Handbook for Campus Crime Reporting*
 - <http://www.ed.gov/admins/lead/safety/handbook.pdf>
- Identify person(s) responsible for campus crime requirements
- Develop plan for timely warnings
- Review HEOA additional requirements

SAP Policy Not Adequately Developed/Monitored

- Missing required components
 - Qualitative, quantitative, completion rate, maximum timeframe, probation, appeals
- Policy not at least as strict as for non-Title IV recipients
- SAP standards inconsistently applied

Regulation: 34 C.F.R. §668.16(e)



SAP Policy Not Adequately Developed/Monitored

- Example: SAP policy did not state length of the probationary period, conditions of probation, or consequences of failing to meet SAP standards at the end of the probationary period
- Solution: Revise the policy to include required components; conduct file review

Other Compliance Solutions

- Develop adequate SAP policy
 - Required components, remedial and repeat coursework, probationary periods, appeal process
- Document each student's file to reflect eligibility for disbursements
- Follow your written policy!



Information in Student Files Missing or Inconsistent

- ISIR data conflicts with institutional data
 - Admissions application indicates student is married; ISIR shows single
- No documentation to support professional judgment/dependency override
- Failure to retain ISIR used to establish award

Regulation: 34 C.F.R. §668.24(a), (c)



Information in Student Files Missing or Inconsistent

- Example: ISIRs used to establish awards not maintained; completion of clock hours in the payment period not documented
- Solution: Training provided to staff on record maintenance; school implemented a time clock system and attendance taking in each class

Other Compliance Solutions

- Review all subsequent ISIRs
- Pay attention to student files
- Perform your own 'review' of student files
- Establish communication with other offices to identify and address inconsistent information



Lack of Administrative Capability

- Indicates numerous/significant findings
- Some common areas of noncompliance
 - No system of internal controls
 - Inadequate checks and balances
 - Inadequate staffing
 - SAP deficiencies

Regulation: 34 C.F.R. §668.16



Lack of Administrative Capability

- Example: Failure to reconcile, unclear audit trail, ineligible disbursements, inappropriate charges to federal bank account
- Solution: Designate capable individual(s) to oversee financial aid process; define and monitor individual duties and responsibilities of staff; develop and implement internal controls

Other Compliance Solutions

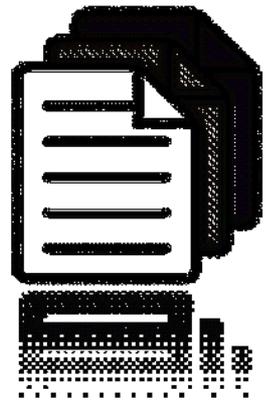
- Hire and retain adequate personnel
- Develop a complete Policies and Procedures Manual
 - FSA Assessments
- Monitor effectiveness of policies and procedures
- Perform internal review of student and fiscal records



Consumer Information Requirements Not Met

- Failed to provide basic financial aid information
- Written verification policy not developed
- SAP policy incomplete
- Return of Title IV Funds requirements not provided to students

Regulations: 34 C.F.R. §668.41 & 668.43



Consumer Information Requirements Not Met

- Example: School failed to provide adequate information to students about Return of Title IV Funds requirements
- Solution: Develop a written explanation of the R2T4 requirement and provide to students



Other Compliance Solutions

- Ensure all required consumer information is accurate, complete, and provided to students in writing
- Ensure someone is available during normal operating hours to address student questions or concerns about consumer information
- HEOA - new consumer information requirements

Inaccurate Recordkeeping

- Failure to maintain documentation in support of awards
- Failure to maintain student eligibility information
- Inadequate accounting and/or recordkeeping systems
- Failure to reconcile



Regulations: 34 C.F.R. §668.16 & 668.24

Inaccurate Recordkeeping

- Example: Student account ledgers did not adequately support Title IV disbursements; no clear audit trail; no subsidiary ledgers for credit balances
- Solution: Develop or purchase an accounting system that clearly shows when Title IV disbursements are made and when credit balances are created and released

Other Compliance Solutions

- Develop policies and procedures
 - G5, handling credit balances, drawdowns and disbursements
- Provide for a clear audit trail
 - Trace all federal cash from drawdown to its final destination
 - Cross-reference accounting entries
- FSA Assessments/Fiscal Management

Improper/Undocumented Dependency Overrides

- Dependency override performed for invalid reason
- No documentation in student file
- Failure to confirm continued unusual circumstance in new award year

*References: Section 480(d), HEA
Application and Verification Guide*

Improper/Undocumented Dependency Overrides

- Example: Performed dependency overrides for students who lived with relatives other than parents or with non-relatives
- Solution: Develop policies that conform to Title IV rules; obtain adequate documentation to support dependency override

Other Compliance Solutions

- Develop written procedures
- Make decisions by committee
- Ensure your process does not allow for 'mass' D/O based on similar situations
- Document, document, document!



Improper Certification of Stafford Loan

- Use of incorrect annual loan amount based on college grade level or dependency status
- Failure to prorate loans when necessary
- At least half-time enrollment not documented

Regulation: 34 C.F.R. 682.201(a)(3)



Improper Certification of Stafford Loan

- Example: Additional unsubsidized loans awarded to dependent students without documentation of PLUS denial
- Solution: Conduct file review; return loan funds incorrectly awarded; implement system edits to prevent certification of loans without appropriate PLUS denial flag

Other Compliance Solutions

- Maintain documentation to support the award
 - Enrolled at least half-time, grade level, remaining period of study
- Monitor loan periods
- Implement system edits to prevent disbursements to ineligible students



Pell - Ineligible Disbursement

- Use of wrong EFC
- No high school diploma, GED, etc.
- Student not meeting SAP at time of disbursement
- Student enrolled in ineligible program
- Payment period not completed

Regulation: 34 C.F.R. §668.21(a)



Pell - Ineligible Disbursement

- Example: Pell disbursements made to students no longer enrolled
- Solution: Conduct file review; return all aid disbursed to ineligible students; develop a monitoring system to document attendance in all classes for which Pell is disbursed

Other Compliance Solutions

- Follow your policies
 - Admissions, SAP
- Implement system flags to track eligibility of students
- Verify attendance prior to disbursement
- Closely monitor completion of previous payment period



FSA Assessments

- Self-assessment tool designed to assist schools in evaluating their financial aid policies, processes, and procedures
- Includes assessment modules on Students, Schools, Managing Funds, and Policies and Procedures

<http://www.ifap.ed.gov/qahome/fsaassessment.html>

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- FSA Assessments**
- ISIR Analysis Tool
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- Links

FSA Assessments

In collaboration with financial aid professionals, Federal Student Aid has designed management assessment modules to help schools enhance their services. The modules contain links to applicable laws and regulations. If you have questions regarding how to use this useful tool please visit our [FAQ page](#).

[This chart](#) features examples of specific compliance issues and provides recommendations for related assessments that your school may want to complete.

(ALL assessments have been updated with the new 2009-10 FSA Handbook Links!)

Students

- [Student Eligibility](#)
- [Satisfactory Academic Progress](#)
- [Verification](#)

Schools

- [Institutional Eligibility](#)
- [Default Prevention & Management](#)
- [Consumer Information](#)
- [Automation](#)

Managing Funds

- [Fiscal Management](#)
- [Return of Title IV Funds](#)
- [FWS](#)
- [FSEOG](#)
- [Perkins Awarding & Disbursement](#)
- [Perkins Due Diligence](#)
- [Perkins Repayment](#)
- [Perkins Forbearance & Deferment](#)
- [Perkins Cancellation](#)

Innovations

- [Policies and Procedures](#)
- [A Guide to Creating a Policies and Procedures Manual](#)



Contact Information

We appreciate your feedback and comments

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