



Top 10 Findings in Audits and Program Reviews

NASFAA
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Your Presenters Today Are

- Tom Beckerle, Institutional Improvement Specialist, Kansas City
- Laura Hall, Institutional Improvement Specialist, Atlanta





External Review Process

- Audits - Annual and OIG
- Program Reviews - ED and GA
- Purpose
 - Ensure institutions properly administer Title IV programs
 - Fulfill oversight responsibilities for Title IV programs





Audit Findings: Most Common

- Late Refund>Returns to Title IV Account
- Incorrect Return of Title IV Funds Calculation
- Entrance/Exit Counseling Deficiencies
- Enrollment Report (SSCR) Issues
- Repeat Finding-Failure to Take Corrective Action
- Auditor Opinion Cited in Audit
- Student Credit Balance Deficiencies
- Verification Violations
- Pell Over/Under Payments



Late Refund>Returns to Title IV Account

- Maximum timeframe for institution to return unearned funds is 45 days
 - Applies to program funds and lenders
 - 34 CFR 668.22(j) changed from 30 days per HERA
- Timeliness generally determined by examination of institutional ledgers
 - Have funds been restored to program account?



Late Return/Refund - Consequences

- School may fail Financial Responsibility
- Financial Responsibility
 - School must meet Refund Reserve Standards in 34 CFR 668.173
 - Satisfy the requirements for a public institution;
 - Be located in a state with a tuition recovery fund and be contributing to that fund; or
 - Make returns in a timely manner - most schools meet this requirement



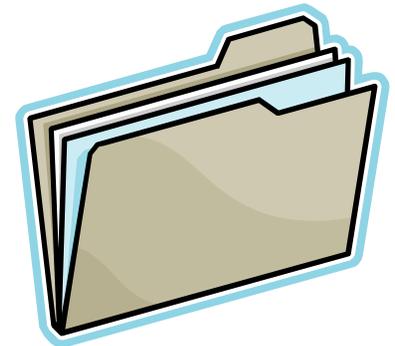
Late Return/Refund - Consequences

- Compliance thresholds for making timely returns
 - School is not in compliance with Refund Reserve requirements if untimely returns were made for 5% or more of students in an audit or program review student sample



Late Return/Refund - Consequences

- Student Sample
 - Sample includes only students for whom school was required to make a return
 - No violation if school is cited for one or two students or less than 5 % of sample





Late Return/Refund - Consequences

- Irrevocable letter of credit (LOC)
 - Required if school fails 5% compliance threshold and is not a public school or in a state with a tuition recovery fund
 - LOC is 25% of the unearned Title IV funds the school was required to return in latest fiscal year



Late Return/Refund - Consequences

- If LOC is required and school agrees with finding
 - Submit LOC
- If school disagrees with finding, may delay submission of LOC by submitting documentation
 - Showing timely returns
 - Showing the failure was beyond the school's control (34 CFR 668.173(e)(2))
 - Must be submitted within timeframe for LOC
 - If denied, school is given new LOC due date



Compliance Solutions

- Design processes to
 - Ensure timely communication between offices
 - Identify official and unofficial withdrawals
- FSA Assessments: Managing Funds
 - Fiscal Management
 - Monthly Reconciliation Worksheets

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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.

✱ This denotes a new assessment.

✳ This denotes an updated assessment.

Students	Schools
Student Eligibility	Institutional Eligibility
Satisfactory Academic Progress	Default Prevention & Management
Verification	Consumer Information
	Automation
Managing Funds	Innovations
Fiscal Management	Policies and Procedures ✱
Return of Title IV Funds	
FWS	
FSEOG	
Perkins Awarding & Disbursement	
Perkins Due Diligence	
Perkins Repayment	
Perkins Forbearance & Deferment	
Perkins Cancellation	



Download a
blank Management
Enhancement form. 

Management Enhancement Worksheet

What Assessment does this enhancement item relate to?

Select One Assessment 

Enhancement Item: (Please provide a detailed description of the policy, procedure or system that needs to be improved.)

Enhancement Action: (Please provide a detailed description of your plan to improve the above enhancement item.)

What offices need to be involved?

Who will lead the coordination of the enhancement item?

Name:

Title:

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R2T4 Calculation Not Performed/Documented

- Why not?
 - Cash Flow
 - Lack of Administrative Capability
- No acceptable justification
 - Serious consequences including potential Inspector General criminal investigation



Compliance Solutions

- FSA Assessments: Managing Funds
 - R2T4 module
- Timely communication between offices
- Use R2T4 Worksheets
 - Electronic Web Application
 - Paper
- 2007-2008 FSAH, Volume 5, Chapter 2



Entrance/Exit Counseling Deficiencies

- Seek support from lenders/GAs or ED (Direct Loan Schools)
- Exit counseling material must be mailed to students who did not participate in person within 30 days of learning they did not complete
 - Certified mail not required but materials proving information was sent is required



Compliance Solutions

- FSA Assessments: Schools
 - Default Prevention & Management
- Process for documenting student completion
- Communication between:
 - Registrar, Educational and Financial Aid Offices
- FSA Coach, Module 4
 - Loan Counseling Requirements



Enrollment Reporting (SSCR)

- Use of third-party servicers
 - Ensure transmittal of NSLDS roster is synchronized with delivery of school file to servicer
 - Failure to return submittal file within 30 days results in an overdue letter - school responsible for timely response to NSLDS
- Enrollment Reporting documentation
 - Acknowledgement/Error File is adequate proof
 - Retain record of file for audit purposes



Enrollment Reporting (SSCR)

- Use proper status code: A, D, F, G, H, L, W, X
 - Graduated student reported as G not L or W
- Graduated effective date- date student completed course requirements, not date diploma/degree presented
- Summer break—do not report students who intend to return in fall as W (withdrawn)
 - Student who fails to return must be reported as W within 60 days of fall term start (effective date is last date of attendance)



Compliance Solutions

- Understand the different status codes
 - Use the correct status code
- Keep good enrollment records
- Return report by due date
- Maintain adequate number of personnel
- FSA Assessments
 - Management Enhancement Worksheet



Repeat Finding-Failure to Take Corrective Action

- Indicates Lack of Administrative Capability
- Corrective Action Plan (CAP) should have indicated corrective steps taken
 - What procedures are in place to ensure CAP is carried out?





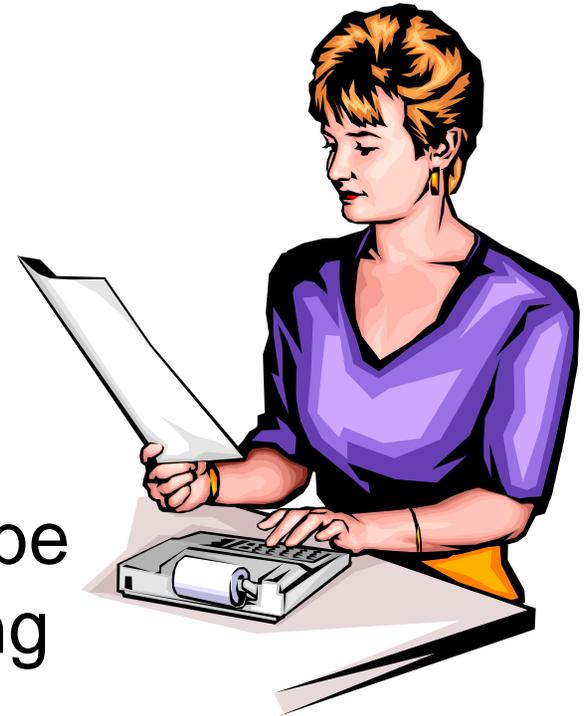
Compliance Solutions

- Follow up from prior audit
 - Address Repeat Findings
- Accountability
 - Compliance with PPA and Accurate ECAR
- Corrective Action Plans
 - Make adjustments to improve process
 - Keep checks and balances in place



Auditor's Opinion Cited in Audit

- Attestations
- Areas of concern in financial statements
- Areas of concern in compliance audit
- For A-133 schools, opinion could be on anything the auditor is reviewing
 - Not limited to Title IV issues





Compliance Solutions

- Assessment of Entire Process
 - Design a plan of action – Institutional
 - Have internal controls in place
 - On going checks and balances
- Training
 - FSA Coach, 9 modules, IFAP website
 - FISAP: Web based training, IFAP website
 - Fundamentals of Title IV



Student Credit Balance Deficiencies

- Credit balance must be eliminated within 14 days after balance occurred (34 CFR 668.164(e))
 - If before 1st day of classes of payment period, 14 days from start of payment period
- ED rules cover only *Title IV* credit balances
- Credit balances that result from retroactive withdrawals are still subject to rules



Compliance Solutions

- FSA Assessments: Managing Funds
 - Fiscal Management
- Process in place to know when:
 - A credit balance is created
 - If authorized to retain funds, is authorization in file
 - Tracking systems to know:
 - Student attendance
 - Number of days remaining before noncompliant



Verification Violations

- Verification requirements are well known
 - Errors generally the result of an oversight
- Verification regulations are specific as to untaxed income that must be verified
 - SS benefits, IRA/Keogh deductions, foreign income exclusion, EIC, interest on tax-free bonds



Compliance Solutions

- Use Verification Worksheets
 - School developed, or
 - Department of Education's Worksheets
- FSA Assessments: Students
 - FSA Verification
 - Three Activities: 1, 2 and 4
 - Helpful tools: ISIR Comparison Chart and IRS forms



Pell Grant Over/Under Payment

- Generally the result of improper determination of enrollment status
 - Example: Student was full-time in fall, drops to half-time in spring, but receives a full-time disbursement for the spring term





Compliance Solutions

- Use correct enrollment status
- Use correct Pell Formula
- Use correct Pell Payment Schedule
- If program is offered in modules or compressed courses, make sure student began attendance in all classes
- Prorate when needed



Other Audit Findings-High Dollar

- Loan Discharges Paid due to Closed Additional Location
- FISAP Reporting Errors
- 90/10 Requirement Not Met – For Profit Schools
- FFEL Not Prorated
- Overaward – Financial Need Exceeded
- SAP Requirement Not Met
- Audit Report Not Submitted – Closed School



Audit – Finding Incorrect

- Ask auditor which regulation or law has been violated/discuss a reasonable resolution
 - Indicate in CAP reasons why the exception is erroneous
 - Necessary for audit resolution process
 - Cite regulation or law in support of your assertion
 - Explain in detail why the exception is incorrect



Program Review: Common Findings

- Verification Violations ✓
- Late Refund or Incorrect R2T4 Calculation ✓
- Student Credit Balance Deficiencies ✓
- Lack of Administrative Capability
- Inconsistent/Missing Information in Student File
- Account Records Inadequate or Not Reconciled
- Leave of Absence Deficiencies
- Improper Disbursement-Pell Disbursed Before Midpoint
- Independent Student Status Not Documented
- Not Meeting Campus Crime/Clery Act Requirements



Lack of Administrative Capability

- Indicates numerous/significant findings
- Most common areas of noncompliance involve
 - Separation of duties
 - Adequate checks and balances
 - System of internal controls
 - Adequate staffing
 - Satisfactory Academic Progress



Compliance Solutions

- Hire and retain adequate number of experienced personnel
- Establish a process of timely communication between all relevant offices
- Ensure that no one person or office has the ability to award *and* disburse aid
 - Electronic systems can make this more difficult



Compliance Solutions

- SAP
 - Follow your policy!
 - Document each student's file
- Internal controls
 - Report reliable information
 - Maintain effective and efficient operations
 - Ensure compliance with applicable laws and regulations



Compliance Solutions

- FSA Assessments: Schools
 - Automation
 - Default Prevention & Management
- FSA Assessments: Students
 - Satisfactory Academic Progress

Activity 1: Administrative Capability

Regulation: [668.16](#)

Review Section:

- Adequate number of qualified person(s) to administer the Title IV Programs
- Adequate Checks and Balances
- Satisfactory Academic Progress
- Conflicting Data
- Financial Aid Counseling and Fiscal Reports and Financial Statements

Good Practices:

To assist you with the completion of this Policy and Procedure, we recommend that you consider the following:

- Consider developing the Policies and Procedures in a manual or an electronic format with a table of contents for easy reference.
- Establish a team that incorporates all appropriate offices to assist in the review and writing of the procedure.
- Develop a schedule to test, review and update your manual.
- Completion of Conflicting Data Activity #4 in the Verification Assessment.
- Consider implementing the good practices outlined in the activity as part of your policies and procedures for Conflicting Data.



Inconsistent Information in Student's File

- Resolve all conflicting information prior to disbursing aid - 34 CFR 668.16(f)
- Review all subsequent ISIR transactions
- Discrepant tax data – school must know:
 - Whether person was required to file
 - Correct filing status
 - An individual may not be claimed as an exemption by more than one person



Inconsistent Information in Student's File

- If school collects W-2s, tax schedules, tax returns etc. for those not selected for verification, it is responsible for all information





Compliance Solutions

- Pay attention to student files – if you see differences, follow up
- Perform your own ‘review’ of student files
- FSA Assessments: Verification
 - Activity 4: Conflicting Information



Account Records Inadequate or Not Reconciled

- Maintain all student eligibility documents
- Maintain financial records that reflect all program transactions
- Account for the receipt and expenditures of all Title IV funds



Compliance Solutions

- Reconcile monthly GAPS, general ledgers, COD, NSLDS, bank statements
 - Assign responsibility for this process and follow up to ensure it is being done
 - Develop procedures to ensure cash is returned timely
- FSA Assessments: Fiscal Management
 - Reconciliation Worksheets



Fiscal Management

Download all activities related to this assessment 

This assessment provides your school with an opportunity to review procedures regarding the reconciliation process. Additional activities are provided in the chart below.

START HERE
GO FURTHER

[Fiscal Management Activity 1: Reconciliation Worksheets](#)

Why start with the Reconciliation Worksheets?

The reconciliation worksheets will help you review your fiscal operations. The [Fiscal Year-End Reconciliation Worksheet](#) is in a format that allows for institutional data to be easily compared. If the net expended amounts differ, those discrepancies must be noted and resolved (similar to reconciling outstanding checks in a personal bank account). Differences may be due to timing issues related to the reporting of disbursements by the financial aid office and the actual draw of cash by the business office.

The amounts listed for the financial aid office should be the monthly totals reported as disbursed to and adjusted from students by the financial aid office. The business office totals should be the monthly totals disbursed to and refunded from student accounts. The GAPS amounts should be the monthly totals advanced from and refunded to the institution from GAPS.

Additional Worksheets: The reconciliation exercise is designed as a comprehensive exercise for all programs for year-end reconciliation. It is also important for schools to ensure that they reconcile all accounts on a monthly basis. Monthly reconciliation also makes year-end reconciliation an easier process. With this in mind, there are monthly reconciliation worksheets available for your use. There are separate worksheets for each program. Instructions are included with each worksheet.

[Federal Pell Grant Monthly Reconciliation](#)

[FWS Monthly Reconciliation](#)

[Federal Perkins Monthly Reconciliation](#)

[FSEOG Monthly Reconciliation](#)

[Direct Loan Monthly Reconciliation](#)

[FFEL Monthly Reconciliation \(For schools receiving funds via EFT and Master Check\)](#)

[FFEL Monthly Reconciliation \(For schools receiving funds via individual checks for each borrower\)](#)



Leave of Absence Deficiencies



- LOA vs. withdrawal - 34 CFR 668.22(d)
- School must have a formal policy
 - Written and publicized
 - Students must provide reason: written, signed, and dated request
 - Must be a reasonable expectation that student will return



Compliance Solutions

- Compare your policy with the regulations; if it doesn't meet the conditions, you must perform R2T4
- If you have an approved policy, develop a process to track the scheduled return date
- Document the beginning and ending dates of the LOA



Improper Disbursement-PELL Disbursed Before Midpoint

- School must have written procedures to ensure students are paid the correct PELL award in each payment period
- Schools may not disburse more than 50% of annual award prior to student completing 50% of the academic year



Compliance Solutions

- Track each student
 - If students progress at different rates, ensure each student is eligible for disbursement
- FSA Assessments: Fiscal Management
 - Activity 4: Disbursing Aid File Review Worksheet



Activity 4: File Review Worksheet

Directions:

The file review activity is designed to test your disbursement procedures for Title IV Recipients. For this activity, please pull a sample of at least 10 students who received Title IV funds and complete the worksheet for each student in your sample. You may want to consider pulling a sample of Federal Pell Grant Recipients since most Pell recipients will also receive other Title IV programs.

Student Name: _____ **SSN:** _____

Award year reviewed: _____

Federal Pell Grant <input type="checkbox"/> Yes <input type="checkbox"/> No			
<input type="checkbox"/> This student's eligibility reviewed at time of disbursement 668.165 .			
<input type="checkbox"/> This student's eligibility reviewed at time of disbursement 690.75(a) .			
<input type="checkbox"/> Pell Disbursements for the Award Year Reviewed:			
\$ _____	1st Payment Period	\$ _____	2nd Payment Period
\$ _____	3rd Payment Period	\$ _____	4th Payment Period
<input type="checkbox"/> Proper notification was made regarding the amount to be paid, the method, and pickup date if paying by check.			
<input type="checkbox"/> Proration.			
Pell payments for this student acceptable under program regulations? <input type="checkbox"/> Yes <input type="checkbox"/> No			



Independent Student Status Not Documented

- School must document reason for dependency override
- Case by case based on unusual circumstances
- Examples that are *not* unusual
 - Parents refusing to pay or unwilling to provide verification documentation
 - Parents not claiming student for IRS
 - Student demonstrates self sufficiency



Compliance Solutions

- Develop written procedures/possible unusual circumstances for a D/O
- Assign a committee to make decisions rather than one individual
- Ensure your process does not allow for 'mass' D/O based on similar situations
 - Large employer closed in your area
 - Many students from the same country
- Document, document, document!



Not Meeting Campus Crime/ Clery Act Requirements

- All schools required to provide annual Campus Security Report to students and employees
 - Campus crime policies
 - 3 most recent years of statistics
- Statistics from campus security authority or local police agencies
 - occurrences on campus, in or on non-campus property, or public property



Compliance Solutions

- The Handbook for Campus Crime Reporting

www.ed.gov/admins/lead/safety/campus.html



- Regulations: 34 CFR Section 668.46



Other PR Findings-High Dollar

- Ineligible Program/ Location -Approval Requirements Not Met
- Loan Discharge Paid (CL, FC, Refund)
- Ability to Benefit Violations
- SAP Policy Not Adequately Developed or Monitored



PR -Finding Incorrect

- Ask program reviewer which law or regulation has been violated/discuss a reasonable solution
 - Indicate in Program Review Response why finding is erroneous
 - Final Program Review Determination will inform school of ED's decision – Appeal Rights



Questions??

