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
- Return to Title IV Calculation Errors
- Crime Awareness Requirements Not Met
- SAP Policy Not Adequately Developed/Monitored
- Entrance/Exit Counseling Deficiencies
- Return of Title IV Funds Made Late
- Information in Student Files Missing or Inconsistent
Program Review Findings

• Student Credit Balance Deficiencies
• Pell Over/Under Payments
• Lack of Administrative Capability
• Consumer Information Requirements Not Met
• Inaccurate Recordkeeping
• Improper/Undocumented Dependency Overrides
• 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
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
• 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
Program Review Findings

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Program Review Findings

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- Pell Over/Under Payments
- Lack of Administrative Capability
- Consumer Information Requirements Not Met
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- Improper Certification of FFEL
- Ineligible Pell Disbursement

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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*
- 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

*Regression: 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

## 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!)

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