

TOP 10 AUDIT AND PROGRAM REVIEW FINDINGS



February 2011

The following presentation was adapted from the presentation given by FSA Program Compliance personnel at the 2010 FSA Conference. This presentation and its contents have been approved for use by FSA.

AUDIT FINDINGS

- Return to Title IV (R2T4) calculation errors
- Pell-overpayment/underpayment
- Return of Title IV funds made late
- Verification violations
- Overaward-financial need exceeded

AUDIT FINDINGS

- Return of Title IV funds not made
- Enrollment status not verified before disbursement
- Improper certification of Stafford loan
- Student credit balance deficiencies
- Ineligible student-not making satisfactory academic progress
- Repeat finding-failure to take corrective action

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PROGRAM REVIEW FINDINGS

- Verification violations
- Crime awareness requirements not met
- Student credit balance deficiencies
- Return to Title IV calculation errors
- Return of Title IV funds made late

PROGRAM REVIEW FINDINGS

- Entrance/exit counseling deficiencies
- Account records inadequate/not reconciled
- Information in student files missing/inconsistent
- Satisfactory academic progress policy not adequately developed/monitored
- Pell-overpayment/underpayment

FINDINGS ON BOTH LISTS

- Verification violations
- Return of Title IV funds made late
- Return to Title IV calculation errors
- Pell grant over/underpayments
- Student credit balance deficiencies
- Satisfactory academic progress

AUDIT FINDINGS

PELL GRANT OVER/UNDER PAYMENT

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

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

PELL GRANT OVER/UNDER PAYMENT

- Example: Lack of internal controls over file maintenance and disbursement process resulted in Pell over/under payments
- Solution: Verify student eligibility prior to disbursing aid; adjust aid accordingly; develop procedures for resolving Pell over/under payments once identified

PELL GRANT OVER/UNDER PAYMENT

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

VERIFICATION VIOLATIONS

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

VERIFICATION VIOLATIONS

- Example: Incomplete Verification
 - No tax return submitted for parent even though earned income required filing
 - Incorrect number in household size
- Solution: Follow published verification procedures; ensure all required items are verified; document student files

VERIFICATION VIOLATIONS

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 Worksheet
 - School developed or ED worksheet

OVER-AWARD-FINANCIAL NEED EXCEEDED

- No system in place to ensure overawarding does not occur
- Lack of communication between offices
- Non-Title IV funds not included with financial aid received
- Incorrect budget

Regulations: 34 C.F.R. §§ 682.204 and 685.301

OVER-AWARD-FINANCIAL NEED EXCEEDED

- Example: Institution disbursed subsidized loans in excess of student's need
- Solution: Loans reallocated to unsubsidized loans; conduct file review; update policy and procedures; train staff

OVER-AWARD-FINANCIAL NEED EXCEEDED

Other Compliance Solutions

- Assign staff responsibility to monitor effectiveness of revised policies and procedures
- Perform internal review of student files
- Increase communication between offices
- Review systems/calculations to ensure compliance

RETURN OF TITLE IV FUNDS NOT MADE

- Institution is not aware student has withdrawn
- No system in place to verify R2T4 calculations have been made
- Lack of communication/coordination between offices

Regulation: 34 C.F.R. § 668.22

RETURN OF TITLE IV FUNDS NOT MADE

- Example: Several student files in the sample did not contain R2T4 calculation documentation even though the students had withdrawn
- Solution: Return unearned aid; implement an increase in controls over the Title IV funds; provide training and support to staff

RETURN OF TITLE IV FUNDS NOT MADE

Other Compliance Solutions

- Design processes and procedures to ensure that R2T4 funds are returned timely
- Train and assign responsibility to staff for monitoring the R2T4 process
- Develop procedures for ensuring timely communication with all offices involved
- Perform self-assessment by reviewing a random sample of student files
- Review internal system to track withdrawals

ENROLLMENT STATUS NOT VERIFIED BEFORE DISBURSEMENT

- Incorrect amount of Title IV funds awarded
- Not aware of student(s) withdrawing
- Changes in units/hours
- Leave of absence issues

Regulation: 34 C.F.R. § 668.164

ENROLLMENT STATUS NOT VERIFIED BEFORE DISBURSEMENT

- Example: Several students tested in the sample were considered part-time, however, awarded/disbursed as full-time students
- Solution: Return ineligible funds; re-train staff on enrollment requirements

ENROLLMENT STATUS NOT VERIFIED BEFORE DISBURSEMENT

Other Compliance Solutions

- Verify student enrollment status prior to disbursement
- Perform “self-audit” of student files
- Conduct monthly/quarterly meetings for all offices involved in monitoring status of students

IMPROPER LOAN CERTIFICATION

- 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

Regulations: 34 C.F.R. §§ 682.603 and 685.301

IMPROPER LOAN CERTIFICATION

- Example: Additional unsubsidized loans awarded to dependent students but no documentation of PLUS denial
- Solution: Document/maintain documentation for PLUS denial; return loan funds incorrectly awarded; implement system edits to prevent certification of loans without appropriate PLUS denial flag

IMPROPER LOAN CERTIFICATION

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
- Perform “self-audit” of student files
- Monitor enrollment

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

STUDENT CREDIT BALANCE DEFICIENCIES

- 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 regulations regarding minor prior year charges
 - May create more credit balances if entire program cost is charged upfront
 - *2010-2011 Federal Student Aid Handbook, Volume 4, Page 4-10 to 4-13*

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, Pell Grant and Loan Underawards, and Student Status Confirmation Reports (SSCRs) Submitted Late/Inaccurate
- Solution: Require FAD to review all files for eligibility prior to disbursement of aid; review sample files quarterly

REPEAT FINDING-FAILURE TO TAKE CORRECTIVE ACTION

Other Compliance Solutions

- Review results of Corrective Action Plan (CAP)
 - 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
- Conduct student file reviews
- FSA Assessments

PROGRAM REVIEW FINDINGS

CRIME AWARENESS REQUIREMENTS NOT MET

- Policies and procedures regarding campus security not adequately developed
- Annual report not published and/or distributed annually to current students/staff by the required deadline
- Failure to develop a system to track and/or log all required categories of crimes

CRIME AWARENESS REQUIREMENTS NOT MET

- Example: Report not distributed; did not list three most recent years of statistics; no process for reporting crimes to school officials
- Solution: Fully develop all required components of the report; actively distribute the report as required

CRIME AWARENESS REQUIREMENTS NOT MET

Other Compliance Solutions

- Review *Handbook for Campus Crime Reporting*
 - <http://www.ed.gov/admins/lead/safety/handbook.pdf>
- Review HEOA additional requirements
 - Emergency response, timely warnings, fire safety, missing persons
- Review *Information Required to be Disclosed Under the Higher Education Act: Suggestions for Dissemination*
 - <http://nces.ed.gov/pubs2010/2010831rev.pdf>

R2T4 CALCULATION ERRORS

- Incorrect institutional charges for the period
 - Payment period vs. period of enrollment
- Scheduled breaks not correctly determined
- Incorrect number of days counted for the period
- Incorrect withdrawal date
- Mathematical and/or rounding errors

Regulation: 34 C.F.R. § 668.22(e)

R2T4 CALCULATION ERRORS

- Example: Clock hour school used completed hours rather than scheduled hours; for student who failed to return from a LOA, used last date of LOA for withdrawal date rather than LDA
- Solution: Recalculate unearned aid and make adjustments as needed; modify policies and procedures

R2T4 CALCULATION ERRORS

Other Compliance Solutions

- Pay attention to new regulations; revise procedures as needed
- Perform self-assessment by reviewing a random sample of student files
- FSA Assessments: Managing Funds
 - R2T4 module
- Use R2T4 Worksheets
 - Electronic Web Application
 - Paper

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: School processed checks to return funds but failed to mail the checks within the 45-day timeframe
- Solution: Perform an internal assessment to determine why checks weren't mailed timely; revise procedures to ensure compliance; assign responsibility for monitoring the process

RETURN OF TITLE IV FUNDS MADE LATE

Other Compliance Solutions

- Periodically review processes and procedures to ensure they are compliant
 - Tracking/monitoring the deadlines
 - Ensuring timely communication between offices
- Use R2T4 on the Web
- FSA Assessment: Managing Funds
 - Fiscal Management

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 online counseling
- Exit counseling not conducted for withdrawn students

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

ENTRANCE/EXIT COUNSELING DEFICIENCIES

- Example: No documentation that students who unofficially withdrew completed exit counseling; school did not mail exit counseling materials to students who failed to complete counseling
- Solution: Conduct file review to determine if other students failed to complete counseling; mail required exit counseling materials; revise procedures to ensure all borrowers receive counseling

ENTRANCE/EXIT COUNSELING DEFICIENCIES

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

ACCOUNT RECORDS INADEQUATE/NOT RECONCILED

- Failure to maintain financial records reflecting all program transactions
- Failure to reconcile financial aid records with general ledger and/or Department systems
- Incomplete audit trail

Regulation: 34 C.F.R. § 668.16

ACCOUNT RECORDS INADEQUATE/NOT RECONCILED

- Example: Accounting system did not provide for student ledgers showing charges, payments, and a running balance; system did not capture the point at which credit balances were created and released to students
- Solution: Purchase an accounting system that meets generally acceptable accounting principles; revise procedures to ensure accurate student accounts are maintained

ACCOUNT RECORDS INADEQUATE/NOT RECONCILED

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

INFORMATION IN STUDENT FILES MISSING OR INCONSISTENT

- No system in place to coordinate information collected at different offices at the school
- Data on ISIR conflicts with institutional data or other data in student's file
- Insufficient or missing documentation needed to support professional judgment or dependency override

Regulation: 34 C.F.R. § 668.24(a),(c)

INFORMATION IN STUDENT FILES MISSING OR INCONSISTENT

- Example: School application and ISIR showed student as married; tax return submitted for verification showed Head of Household; school did not resolve conflict
- Solution: Determine if tax filing status was correct; adjust aid if needed; develop policies to address conflicts

INFORMATION IN STUDENT FILES MISSING OR INCONSISTENT

Other Compliance Solutions

- Develop adequate policies and procedures to address conflicting information
- Establish communication with other offices at the institution to identify and address inconsistent information
- Perform your own periodic 'review' of student files to determine if procedures are working
- Review all subsequent ISIRs

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
- Aid disbursed to students not meeting the standards

Regulation: 34 C.F.R. § 668.16(e)

SAP POLICY NOT ADEQUATELY DEVELOPED/MONITORED

- Example: School did not include coursework taken during a previous period of attendance in SAP determination; aid was disbursed to students not meeting SAP standards; policy allowed for first 12 credits to be excluded from SAP determination
- Solution: Return aid disbursed to ineligible students; revise policy; establish internal controls

SAP POLICY NOT ADEQUATELY DEVELOPED/MONITORED

Other Compliance Solutions

- Develop adequate SAP policy
 - Required components, remedial and repeat coursework, probationary/warning periods, appeal process
- Document each student's file to reflect eligibility for disbursements
- Note new regulations published on Nov. 1, 2010

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>

FSA CONTACT INFO – SCHOOL TEAMS

Program Compliance

Robin Minor, Chief Compliance Officer

(202) 377-4358

Call the appropriate School Participation Team for information and guidance on audit resolution, financial analysis, program reviews, school and program eligibility/recertification and school closure information.

FSA CONTACT INFO – SCHOOL TEAMS

School Participation Teams – Northeast

Geneva Leon, Director – Wash DC

(202) 377-3173 geneva.leon@ed.gov

New York/Boston (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New Jersey, New York, Puerto Rico, Virgin Islands)

Betty Coughlin–New York (646) 428-3737

Rosemary Torpey - Boston (617) 289-0133

Christopher Curry—New York (646) 428-3738

Patrice Fleming - Wash DC (202) 377-4209

Philadelphia (DC, Delaware, Maryland, Pennsylvania, Virginia, West Virginia)

Nancy Gifford - Philadelphia (215) 656-6442

John Loreng – Philadelphia (215) 656-6437

Michael Frola - Wash DC (202) 377-3364

Foreign Schools

Barbara Hemelt - Wash DC (202) 377-3168

Campus Security

Clifton Knight – Wash DC (202) 377-4244

FSA CONTACT INFO – SCHOOL TEAMS

School Participation Teams-South Central

Carolyn White, Director – Wash DC
(202) 377-3173 carolyn.white@ed.gov

Atlanta (Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina)

Charles Engstrom - Atlanta (404) 974-9290
Christopher Miller – Atlanta (404) 974-9297
Barbara Murray--DC (202) 377-4203

Dallas (Arkansas, Louisiana, New Mexico, Oklahoma, Texas)

Charles Engstrom - Atlanta (404) 974-9290
Janet Dragoo - Dallas (214) 661-9481

Kansas City (Iowa, Kansas, Kentucky, Missouri, Nebraska, Tennessee)

Ralph LoBosco-Kansas City (816) 268-0410
Dvak Corwin – Kansas City (816) 268-0420
Phillip Brumback-Wash DC (202) 377-3464

FSA CONTACT INFO – SCHOOL TEAMS

School Participation Teams - Northwest

Pat Dickerson, Director – Wash DC
(202) 377-3173 patricia.dickerson@ed.gov

Chicago (Illinois, Indiana, Minnesota, Ohio, Wisconsin)

Douglas Parrott - Chicago (312) 730-1532
David Heath – Chicago (312) 730-1522
Earl Flurkey – Chicago (312) 730-1521

Denver (Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, Wyoming)

Harry Shriver - Denver (303) 844-4128

San Francisco/Seattle (American Samoa, Arizona, California, Guam, Hawaii, Nevada, Palau, Marshall Islands, N. Marianas , Federated States of Micronesia, Alaska, Idaho, Oregon, Washington)

Martina Fernandez-Rosario (415) 486-5605
Gayle Palumbo (415) 486-5614
Dyon Toney - Wash DC (202) 377-3639