

Student Financial Aid Single Audit Update

FINANCIAL AID
WARRIORS

TRANSFORMING STUDENT LIVES ONE AT A TIME

SPRING 2026



Meet our Speakers

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Overview of OSA



Financial Audit

- Conducts financial audits over federal programs, state agencies, and higher education to ensure compliance and proper fund management.

Performance and Cybersecurity Audit

- Evaluates agency operations and cybersecurity measures to improve efficiency and protect citizen data.

Investigative and Rapid Response

- Examines allegations of fraud and waste, rapidly responding to issues reported via Tipline and working with law enforcement.

DAVE (Division of Accountability, Value and Efficiency)

- Established through the DAVE Act, which created a new statewide mechanism for identifying government waste and improving operational efficiency.



Agenda

- Overview of OSA's Single Audit work
- Top 10 SFA Findings
- How to Reduce the Risk of Errors
- Over Reliance on Information System
- Additional Compliance Areas to Monitor
- Helpful Resources



Overview - Single Audits

- Student Financial Aid audits are a component of the statewide Single Audit wherein OSA provides an opinion on the State's compliance with certain federal programs.
- Audits conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and Uniform Guidance.
- Include tests of compliance with federal requirements and tests of internal controls over compliance.
- Audit procedures based on requirements in OMB Compliance Supplement.



Top Reports of 2025

1



DMV Performance Audit

Recommended reforms to address severe inefficiencies and chronic staffing shortages at the DMV.

2



NCORR Report

Identified mismanagement of \$1 billion in hurricane recovery funds.

3



Statewide Single Audit Report

Found \$8.5 million in questioned costs and 11 total findings.

4



Winston-Salem/Forsyth County Schools

Discovered causes of \$46 million budget deficit and recommended solutions.

5



DAVE: DHHS Lapsed Salary Analysis

Found \$386 million in lapsed salary funds generated by DHHS.



Overview - Continued

- No opinion at the institution level. Opinion is rendered for the State as a whole. Audit results are included in the Statewide Single Audit Report.
- Factors in selection of Colleges and Universities for SFA Single Audit Coverage Include:
 - Risk assessment of institution's student financial aid program performed annually
 - SACS reaffirmation period for the institution
 - Amount of Title IV funds expended by institution



TOP 10 SFA Findings

- National Student Loan Data System (NSLDS) Reporting
- Return of Title IV (R2T4)
- Eligibility
 - Awards
 - SAP
- Common Origination and Disbursement Reporting
- Verification
- Institutional Eligibility
- Gramm-Leach-Bliley Act (GLBA)
- Direct Loan (DL) Specific
 - Notifications
 - Entrance & Exit Counseling
- Credit Balances
- Return of Funds to Department of Education



NSLDS Reporting

Criteria:

Institutions must accurately and timely report enrollment status changes (e.g., drops, withdrawals, graduations) to the National Student Loan Data System (NSLDS).



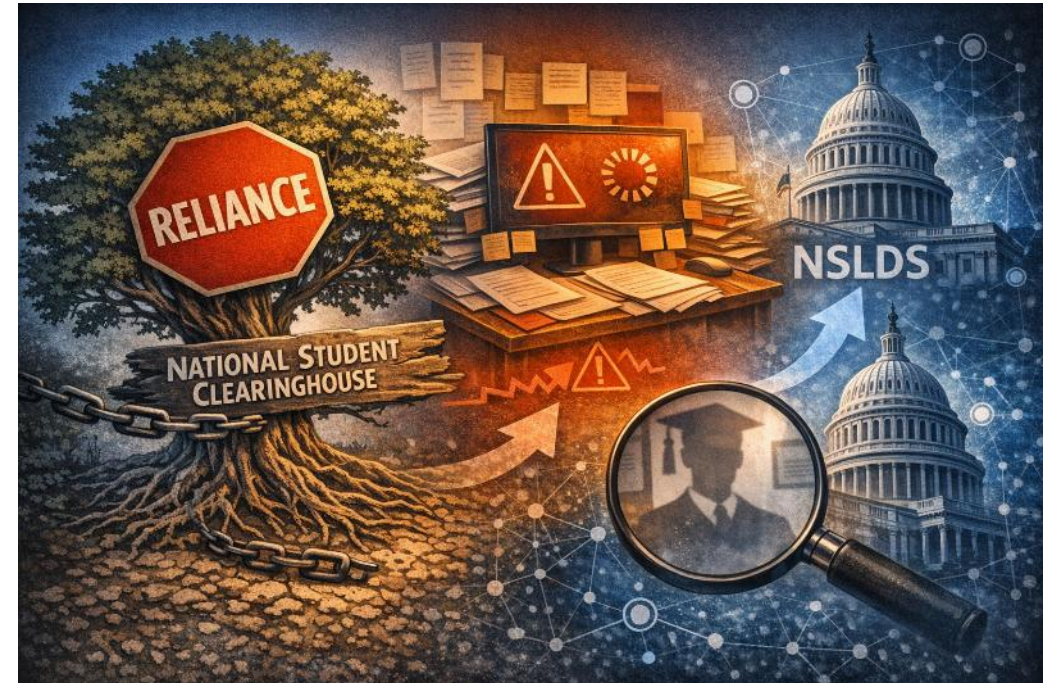
NSLDS Reporting Findings – Common Causes & Potential Impacts

Common Causes

- Sole reliance on National Student Clearinghouse
- Lack of monitoring performed by institution
- Delayed or incorrect uploads of data
- Lack of coordination between Financial Aid and Registrar

Potential Impacts

- Incorrect deferment/grace period calculations for borrowers
- Inaccurate data impacting decisions made by the government regarding the effectiveness of Title IV programs



R2T4 Compliance Supplement

Calculation Requirements

Key Deadlines for Return of Title IV Funds

**30
DAYS**

Complete R2T4 Calculation

(Within 30 Days of Withdrawal)



**45
DAYS**

Return Title IV Funds

(Within 45 Days of Withdrawal)



30 Days to Calculate vs. **45 Days to Return Funds**

Criteria

Institutions must perform R2T4 calculations (earned vs. unearned funds) within **30 days** of the date of withdrawal determination and must return any unearned Title IV funds within **45 days**.



Potential Causes and Impacts of R2T4 Findings



Common Causes

- Incorrect or unsupported withdrawal dates used for calculations
- Human error
- Insufficient review
- Lack of consistent procedures
- Insufficient coordination between instructors and financial aid

Potential Impacts

- Increased Federal oversight
- Risk of heightened cash monitoring
- Returning too much aid which could negatively impact the institution



Eligibility - Award Calculations and Satisfactory Academic Progress Criteria

Institutions must accurately calculate and disburse Title IV aid based on a student's eligibility (enrollment status, cost of attendance, Student Aid Index, and applicable program limits).



Institutions must timely establish, evaluate, document, and consistently apply SAP standards and limit Title IV disbursements to only eligible students or those on approved appeal or probationary status.



Common Causes & Potential Impacts of Eligibility Findings

Award Calculations

- Incorrect enrollment status or program enrollment
- Manual calculations performed with limited review
- System issues
- Inadequate review before disbursement
- Insufficient review of lifetime limits

Satisfactory Academic Progress

- Untimely or inconsistent SAP evaluations
- Using incorrect/incomplete data
- Manual overrides
- Information System limitations or reliance
- Inadequate documentation or appeals support

Potential Impacts

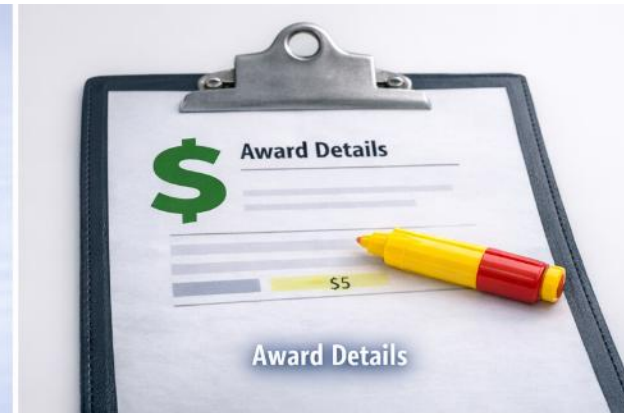
- Ineligible Title IV disbursements
- Questioned costs which result in audit findings
- Repayment required for excess awards
- Increased Federal oversight



Common Origination and Disbursement Reporting

Criteria

Disbursements must be accurately reported to the Common Origination & Disbursement (COD) system and must align with institutional financial records.



COD Reporting Findings

Common Causes

- Lack of cross training among staff
- Insufficient coordination between financial aid and registrar
- Batch submissions that fail without staff noticing
- Inadequate reconciliation procedures

Potential Impacts

- Delays in student disbursements
- Impact on student's SAI and award calculations
- Cash management issues – excess cash



Verification



Criteria

- Must perform verification for applicants selected
- Obtain appropriate documentation
- Ensure changes are accurately reported
- Disburse correct amount of aid based on verified information

Common Causes and Potential Impacts

Common Causes

- High turnover in financial aid staff
- Lack of documented procedures
- Insufficient review
- Misunderstanding of requirements

Potential Impacts

- Over awards of Title IV Aid Disbursements
- Return of improper disbursements
- Increased Federal oversight



Institutional Eligibility

Calculate, monitor, and retain documentation supporting compliance with these thresholds:

- No more than 25% of regular enrolled students being incarcerated;
- No more than 50% of correspondence courses and 50% or more of its regular enrolled students being enrolled in correspondence courses;
- No more than 50% of regular enrolled students lack a high school diploma or equivalent.



Institutional Eligibility Findings

Common Causes

- > Lack of awareness or understanding of compliance requirement
- > Failure to calculate and retain required documentation
- > Using inaccurate student data
- > Failure to continuously monitor compliance

Potential Impacts

- > Loss of Title IV institutional eligibility
- > Increased Federal oversight
- > Potential repayment required



Gramm Leach Bliley Act

Criteria

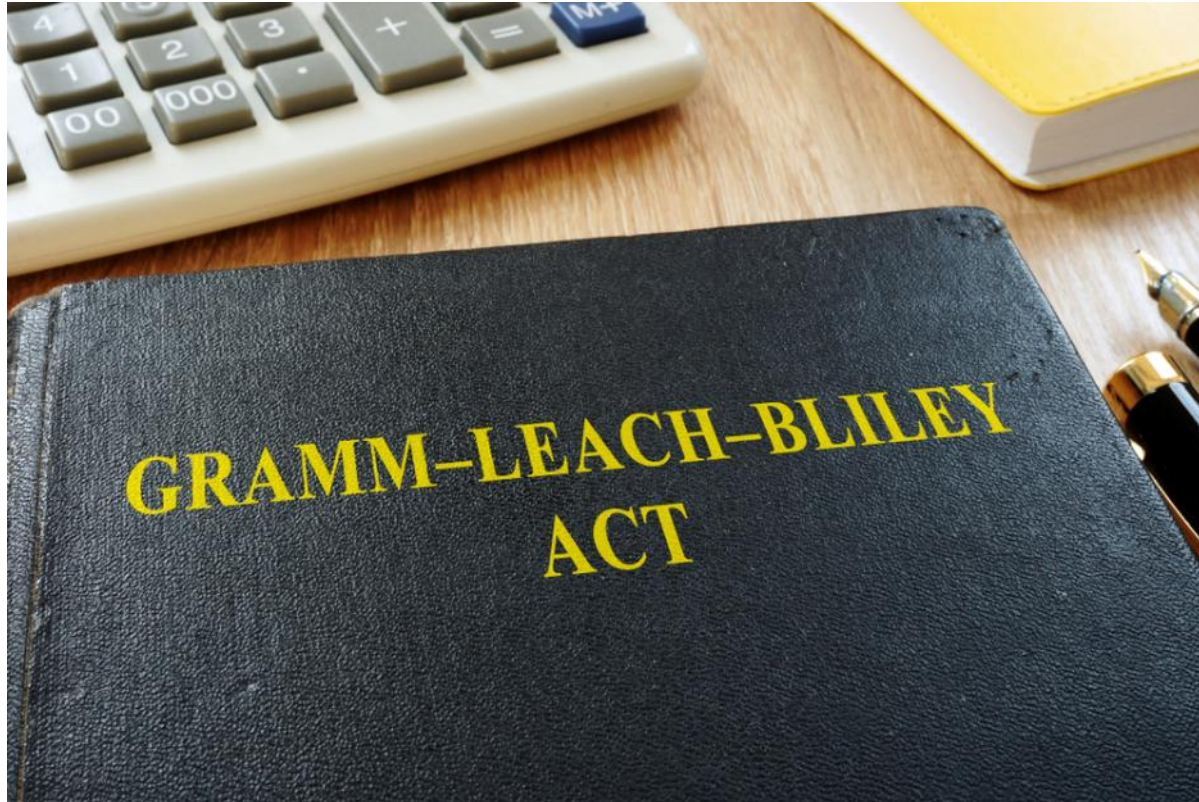
Requires institutions to develop, implement, and maintain a written information security program to protect the security, confidentiality, and integrity of student financial aid information.

Common Causes

- Absence of a written (and up-to-date) information security program
- Incomplete or undocumented risk assessments
- Insufficient monitoring or testing of security controls
- Limited oversight of third-party service providers with access to student data
- Not staying informed of changes to this requirement



Potential Impacts of GLBA Findings



Potential Impacts

- Increased Federal oversight
- Loss of public trust
- Increased risk of data breaches
- Potential for unauthorized disclosure of student information, including PII
- Loss of institutional eligibility



Direct Loan Specific - Notifications

Criteria

Timely and accurate Direct Loan (DL) notifications to borrowers, include required disclosures related to:

- loan eligibility
- details regarding disbursements
- borrower rights and responsibilities



DL Specific Findings - Notifications

Common Causes

- ❖ Lack of awareness of required requirements
- ❖ Reliance on system-generated notifications
- ❖ Lack of monitoring
- ❖ Failure to retain documented correspondence



Potential Impacts

- ❖ Borrowers not given all information needed to make informed decisions
- ❖ Increased Federal oversight



DL Specific Findings - Entrance and Exit Counseling

Criteria

Institutions must ensure that borrowers complete entrance counseling prior to receiving loan funds and exit counseling upon graduation, withdrawal, or dropping below half-time enrollment, and must retain documentation supporting completion.



DL Specific Findings - Entrance and Exit Counseling

Common Causes

- Failure to track student status changes triggering exit counseling
- No process to retain counseling confirmation
- Overreliance on students to complete counseling without follow-up



Potential Impacts

- Borrowers not prepared to fulfill repayment obligations
- Risk of borrower delinquency or default
- Increased Federal oversight



Timely Disbursement of Credit Balances & Return of Funds to Department of Education Findings

Criteria

Institutions must timely disburse Title IV credit balances (within 14 days) & promptly return Title IV funds to ED after 240 days

Common Causes

- Untimely reconciliation between financial aid, student accounts, and the general ledger
- Lack of monitoring outstanding refunds
- No controls in place over uncashed checks

Potential Impacts

- Financial burden for students
- Excess cash balances
- Increased Federal oversight



Reducing the Risk of Noncompliance

- ✓ Design controls that prevent/detect errors and/or noncompliance
- ✓ Cross-train staff
- ✓ Coordinate with those in academics, registrar and business office
- ✓ Consistently implement the controls – don't just document them!
- ✓ Retain evidence to support that controls are in place
- ✓ Document standard operating procedures to assist with personnel changes
- ✓ Stay informed of changes to the compliance requirements applicable to SFA
- ✓ Do not place sole reliance on third parties



Reliance on Information Systems - Controls Still Matter!



1. Configure & Validate
2. Test System Output
3. Monitor Outside the System

Key Reminder

Reliance on the information system does not replace management's responsibility to design, implement, and monitor effective controls over Title IV compliance.



Additional Compliance Areas to Monitor

Clery Act

Institutions must collect, maintain, and disclose campus crime statistics and security policies including:

- Publish and distribute an Annual Security Report by October 1st
- Include crime and fire data for the prior 3 calendar years
- Include campus safety policies



Additional Compliance Areas to Monitor



Foreign Gifts and Contracts

Institutions offering a Bachelor's degree or 2-year transfer program must semiannually report foreign gifts or contracts \geq \$250,000 in the aggregate by foreign source for the calendar year. Including:

- Amount
- Foreign source
- Date received/executed
- Restrictions or conditions (if any)



Helpful Resources

Federal Student Aid Website (studentaid.gov)

- ❖ FSA Handbook
- ❖ FSA NSLDS Enrollment Reporting Guide
- ❖ Return of Title IV (R2T4) Worksheets
- ❖ FSA COD 25-26 COD Technical Reference

Department of Education Website

Office and Budget Management (OMB) Compliance Supplement -
Part 5 - Cluster of Programs

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