Top Ten Compliance Issues for Audit and Program Review

Dana Kelly
Nelnet Partner Solutions
Top Audit Findings

- Repeat Finding – Failure to take corrective action
- Return To Title IV (R2T4) calculation errors
- R2T4 funds made late
- Student Status – Inaccurate/Untimely reporting
- Pell Grant Overpayment/Underpayment
Top Audit Findings

- Student credit balance deficiencies
- Entrance/Exit counseling deficiencies
- Verification violations
- Qualified auditor’s opinion cited in audit
- Improper certification of Stafford Loan
Top Program Review Findings

- Crime awareness requirements not met
- Verification violations
- R2T4 calculation errors
- Entrance/Exit counseling deficiencies
- Student credit balance deficiencies
- Satisfactory academic progress policy not adequately developed
Top Program Review Findings

- Lack of administrative capability
- Verification policy not developed/inadequate
- R2T4 funds not made
- Information in student files missing/inconsistent
- Pell Grant overpayment/underpayment
- Consumer information requirements not met
Findings on Both Lists

- R2T4 calculation errors
- R2T4 funds made late
- Pell Grant overpayment/underpayment
- Student credit balance deficiencies
- Entrance/Exit counseling not conducted
- Verification violations
Audit Findings
Repeat Finding-Failure To Take Corrective Action

- Failure to implement Corrective Action Plan (CAP)
- CAP did not remedy the occurrences of instances of noncompliance
- Internal controls not effective to ensure compliance with FSA guidelines

*Regulations: 34 C.F.R. §§ 668.16 and 668.174*
Repeat Finding-Failure To Take Corrective Action

**Example:** Repeat findings for (1) Late return of Title IV funds, (2) Incorrect R2T4 calculations

**Solution:** Develop and implement CAP and implementation schedule; develop R2T4 monitoring report; establish internal controls to ensure accurate calculations and timely returns.
Additional Compliance Solutions

- Ensure all staff are properly trained
- Perform quality assurance checks to ensure new policies & procedures are strictly followed
- Review results of CAP
  - Is it working?
  - Are changes needed to improve process?
- Accountability – assign staff to monitor the CAP
R2T4 Calculation Errors

- Ineligible funds as aid that ‘could have been disbursed’
- Improper treatment of overpayments
- Incorrect withdrawal date
- Mathematical and/or rounding errors

*Regulation: 34 C.F.R. § 668.22(e)*
R2T4 Calculation Errors

Example: Subsidized Stafford Loan certified prior to the student’s last date of attendance, unsubsidized loan was not; both included as aid that “could have been disbursed.”

Solution: Establish policies and procedures to ensure accurate disbursement information is used in the calculation; provide R2T4 training for staff.
Additional Compliance Solutions

• Pay attention to new regulations; revise procedures as needed
• Perform self-assessment by reviewing a random sample of student files
• FSA Assessment: Schools
  – R2T4 module
• Use R2T4 Worksheets
  – Electronic Web Application/Paper
Return of Title IV Funds Made Late

- School’s policy and procedures not followed
- 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

Regulation: 34 C.F.R. § 668.22(j)
Return of Title IV Funds Made Late

**Example:** R2T4 calculations performed timely, but the refunds to appropriate Title IV program accounts was not made timely.

**Solution:** Review and revise policies and procedures for reviewing time frames for making returns; develop R2T4 monitoring system; provide staff training.
Additional Compliance Solutions

• Periodically review processes and procedures to ensure compliance
  – Tracking/monitoring deadlines
  – Ensuring timely communication between offices and/or systems
• R2T4 on the web
• FSA Assessments: Schools
  – R2T4 module
Student Status – Inaccurate/Untimely Reported

- Roster File (formerly called Student Status Confirmation Report [SSCR]) not submitted timely
- Failure to provide notification of last date of attendance/changes in student enrollment status
- Conflicting status change types and dates

Regulation: 34 C.F.R. § 685.309(b)
Student Status – Inaccurate/Untimely Reported

**Example:** Failure to submit Roster file timely; conflicting enrollment status dates and types (G vs. W); no policies and procedures.

**Solution:** Develop policies and procedures for processing and submitting Roster file; train staff on reporting requirements and procedures.
Additional Compliance Solutions

• Maintain accurate enrollment records
• Automate enrollment reporting
  – National Clearinghouse uploads
  – NSLDS Batch/Online
  – Update frequently
• Designate responsibility for monitoring the SSCR reporting deadlines
• Review NSLDS newsletters for updates
• Use the correct status codes
Pell Grant Overpayment/Underpayment

- Incorrect Pell Grant formula
- Inaccurate calculations
  - Proration
  - Incorrect EFC
  - Adjustments between terms
- Incorrect number of weeks/hours

Regulations: 34 C.F.R. §§ 690.62; 690.63; 690.75 & 690.80
**Example:** Student changed enrollment status between terms, from full-time to half-time, resulting in an overpayment.

**Solution:** Establish internal controls and procedures to verify enrollment status before disbursing aid; adjust aid accordingly; develop procedures for resolving over/underpayments; conduct random file reviews.
Additional Compliance Solutions

• Prorate when needed
• Use correct enrollment status
• Use correct Pell Grant formula/schedule
• Assign responsibility for monitoring to ensure Pell Grant disbursements are accurate and timely
Student Credit Balance Deficiencies

- Credit balance not released to student within 14 days
- No process in place to determine when a credit balance has been created
- Non-compliant authorization to hold
- Title IV credit balances
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; provide training for staff.
Additional Compliance Solutions

- Increase internal controls associated with credit balances
- Conduct a self-audit of credit balance disbursements
- Ensure credit balance authorization is compliant with Title IV requirements
Entrance/Exit Counseling Deficiencies

- Entrance counseling not conducted/
  documented for first-time borrowers
- Exit counseling not conducted/documentated for withdrawn
  students or graduates
- Exit counseling materials not mailed to students who
  failed to complete counseling

*Regulation: 34 C.F.R. § 685.304*
Entrance/Exit Counseling Deficiencies

Example: Failure to conduct entrance counseling before Stafford Loan disbursed; no documentation that exit counseling materials mailed to unofficial withdrawn students.

Solution: Develop and implement procedures to ensure entrance/exit counseling is completed; automate tracking and monitoring of entrance, exit counseling; post links to entrance/exit counseling on school’s web page: www.studentloans.gov
Additional 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
Verification Violations

- Verification worksheet missing/incomplete
- Income tax returns missing/not signed
- Conflicting data not resolved
- Untaxed income not verified
- Corrections that exceed tolerance/not submitted

Regulations: 34 C.F.R. §§ 668.51-668.61
Verification Violations

Example: Incomplete Verification
- No tax return submitted for parent (dependent student)
- Incorrect number in household size
- Verification worksheet not signed

Solution: Revise verification procedures to ensure submission of all required documents; create a verification checklist; resolve conflicting information
Additional Compliance Solutions

• Monitor verification process
• Perform internal quality control file review
• FSA Assessments: Students-Verification
• Review Federal Student Aid Handbook, Application & Verification Guide, Chapter 4
• Review new verification regulations
  – Published October 29, 2010
  – Effective July 1, 2012
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)*
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
  – FSA Online and In-Person trainings

• Implement appropriate CAP timely and effectively
Improper Certification of Stafford Loans

- Incorrect annual loan amount based on grade level, dependency status, or annual limits
- Failure to prorate loans when necessary
- Half-time enrollment not verified

*Regulation: 34 C.F.R. § 685.102(b)*
Improper Certification of Stafford Loans

Example: Total subsidized loan eligibility not awarded before disbursing unsubsidized loan; additional unsubsidized loan awarded to dependent student but no documentation of PLUS denial.

Solution: Implement internal controls to prevent improper loan certification; recalculate and disburse appropriate loan amounts; reallocate, if appropriate; document PLUS denials.
Additional Compliance Solutions

- Develop process to monitor and verify enrollment status changes
- Adjust aid appropriately when enrollment status changes between terms
- Verify grade levels and remaining period of study prior to loan certification
Program Review Findings
Crime Awareness Requirements Not Met

- Campus security policies and procedures not adequately developed
- Annual report not published and/or distributed
- Failure to develop a system to track and/or log all required categories of crimes

*Regulations: 34 C.F.R. § § 668.41, 668.46(c)(1)*
Crime Awareness Requirements Not Met

**Example:** School failed to issue timely warning in response to a campus crime incident.

**Solution:** Develop and implement policy and procedures for timely warnings to include an alert system; implement annual report notification procedures.
Additional Compliance Solutions

• Post a link for security reports to the school’s webpage
• FSA Assessments: Schools
  – Consumer Information Module Activity 5:
    • Clery/Campus Security Act
SAP Policy Not Adequately Developed /Monitored

- Missing required components
  - Qualitative, quantitative, completion rate, maximum timeframe, remedial/repeat coursework, probation, appeals
- Failure to consistently or adequately apply SAP policy
- Aid disbursed to students not meeting the standards

*Regulation: 34 C.F.R. § 668.16(e)*
SAP Policy Not Adequately Developed /Monitored

Example: School’s policy did not include all required components; aid disbursed to students not meeting SAP standards.

Solution: Revise SAP policy to include all components; apply SAP standards consistently; return ineligible disbursements; establish internal controls to monitor SAP; review a sample of files.
Additional Compliance Solutions

- FSA Assessments: Students - Satisfactory Academic Progress (SAP) Module

- Staff training on new regulatory requirements for SAP
  - Published October 29, 2010
  - Effective July 1, 2012
Lack of Administrative Capability

- Significant findings that indicate a failure to administer aid programs in accordance with Title IV statutes and regulations
  - R2T4 refunds calculation errors/not made
  - No policies and procedures
  - Unreported additional locations/programs
- No Title IV fund reconciliation process
- No separation of duties

*Regulation: 34 C.F.R. § 668.16*
Lack of Administrative Capability

**Example:** Failure to obtain state, accreditor and/or ED approval before disbursing Title IV aid at an additional location.

**Solution:** Obtain state, accreditor and ED approvals; determine date begin offering 50% of coursework; return ineligible disbursements.
Additional Compliance Solutions

• Training Fundamentals of Title IV administration
  – FSA COACH
  – Attend FSA training opportunities
  – FSA Assessments
  – FSA Handbook

• Establish fiscal policies and procedures to ensure that reconciliations are done monthly
Verification Policy Not Developed/Inadequate

- No documented/published verification policy
- Verification policy missing required components
  - Types of documents and time period for submitting documents
  - Consequences for failure to provide documents
  - Method for notifying applicant of the results of verification and/or changes to award/loan
  - Procedures for correcting application errors

Regulation: 34 C.F.R. § 668.53
Verification Policy Not Developed/Inadequate

Example: School’s policy does not contain deadlines and consequences for applicant’s failure to provide documentation.

Solution: Revise verification policy to include all components; publish and disseminate revised policy.
Additional Compliance Solutions

- Federal Student Aid Handbook: Application and Verification Guide
- FSA Assessments: StudentsVerification Module
- Internal/External staff training
Return of Title IV Funds Not Made

- Inadequate system in place to identify/track official and unofficial withdrawals
- No system in place to track if R2T4 funds have been made

Regulation: 34 C.F.R. § 668.22
Return of Title IV Funds Not Made

**Example:** School failed to establish last date of attendance (LDA) for withdrawn students and return funds within the 45 day timeframe.

**Solution:** Develop policies and procedures for establishing/monitoring LDA; implement a system to track and monitor the 45 day timeframe; staff training.
Additional Compliance Solutions

• Review internal system to track withdrawals
• Train and assign responsibility to staff for monitoring the R2T4 process
• Conduct random reviews of files
• FSA Assessments: Schools
  – R2T4 Module
Information In Student Files Missing /Inconsistent

- No system in place to coordinate information collected in 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 /Inconsistent

Example: Aid application and ISIR showed student as married; tax return showed Head of Household; school did not resolve conflict.

Solution: Determine accuracy of tax filing status; reprocess, if required; adjust aid, if needed; develop policies and procedures for resolving conflicting information.
Additional Compliance Solutions

• Establish communication with other offices at the institution to identify and address inconsistent information

• Perform your own periodic ‘review’ of student files

• Review all subsequent ISIRs
Consumer Information Requirements Not Met

- Policies not provided to students (SAP, R2T4, mandatory fees)
- Description of all available Title IV funding not provided
- Completion/graduation rates not provided or misrepresented
- Transferability of credits misrepresented

Regulation: 34 C.F.R. § 668 Subpart D
Consumer Information Requirements Not Met

**Example:** Published consumer information contained the school’s institutional refund policy, but did not contain the R2T4 policy.

**Solution:** Revise and publish the consumer information to include the R2T4 policy.
Additional Compliance Solutions

• Perform an annual review of all required consumer information; update appropriately and annually

• FSA Assessments: Schools
  – Consumer Information Module

• Review FSA Handbook, Volume 2, Chapters 4 and 6
Resources – www.ifap.ed.gov

- My IFAP
- What’s New
- Tools for Schools
- Publications
- Handbooks
- Letters & Announcements
- Training and Conferences
FSA Assessments

- Self-assessment tool designed to assist schools in evaluating their financial aid policies, processes, and procedures
- Includes assessment modules regarding Students, Schools, and Campus-Based Programs

http://ifap.ed.gov/qahome/fsaassessment.html
Questions?

Dana Kelly
Regional Director
Nelnet Partner Solutions
dana.kelly@nelnet.net