

Office of the State Auditor

2023 Student Financial Aid -Single Audit Update

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Who We Are

Mission: We are the State's Independent Auditor. We provide unbiased and irrefutable audit and investigative reports so stakeholders can make informed decisions, hold entities accountable, and ensure good stewardship of public funds.

Our Vision: To protect the future of North Carolinians by devoting the majority of our resources toward eliminating wasteful government spending and improving government services.



What We Do

Divisions of the State Auditor

- **Financial** - Comprises the largest division of OSA and is responsible for performing financial statement and single audits of state agencies, universities, and community colleges.
- **Information Systems/Data Analytics** - Conducts IT general control audits.
- **Performance** - Conducts audits to ensure that publicly-funded programs are achieving desired results.
- **Investigative** - Performs investigations of alleged fraud, waste, and abuse.



Student Financial Aid – Single Audits

- Overview
- Recent Reportable Findings
- Potential Reportable Findings
- Recent Key Changes in Testing Compliance Requirements
- Future Changes to Compliance Requirements
- Other Audit Considerations
- Useful Resources



Student Financial Aid – Single Audits

- Overview
 - Represent 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.

Student Financial Aid – Single Audits

- Overview continued
 - Audit procedures based on requirements in OMB Compliance Supplement.
 - No opinion is provided on compliance or internal controls at the college level. Opinion is rendered for the State as a whole.
 - Although no opinion is provided at the college level, a standalone report is published for each college with the results of the audit.



Student Financial Aid – Single Audits

- Overview continued
 - Factors Included in the Selection of Colleges for Student Financial Aid Single Audit Coverage Include:
 - Risk assessments performed annually on each college’s student financial aid program.
 - The SACS reaffirmation period for each college.
 - Amount of Title IV funds expended by the college.

Student Financial Aid – Recent Reportable Findings

- Enrollment Status Reporting Errors
 - Enrollment status changes reported were incorrect.
 - Enrollment status changes were not reported or not reported timely.
- Common causes:
 - Inadequate monitoring of NSLDS to ensure its agreement with college records.
 - Omitting an enrollment status change report submission and no independent verification was in place to detect such an omission.
 - Information systems not properly setup to identify all types of enrollment status changes.
 - Key turnover resulting in loss of knowledge and inadequate training of new employees responsible for the enrollment reporting process.

Student Financial Aid – Recent Reportable Findings

- Financial Aid Exceeded Student Needs
 - Awarding federal financial assistance that exceeded the financial need of students.
- Common causes:
 - Procedures were not in place to review and adjust award calculations when the student's enrollment status changed.

Student Financial Aid – Recent Reportable Findings

- Failure to Notify Direct Loan Recipients of Their Right to Cancel Loans
- Common causes:
 - There were no monitoring procedures in place to ensure that the new method of communication was sufficient to meet federal requirements.

Student Financial Aid – Recent Reportable Findings

- Untimely/Errors in Return of Title IV Funds
 - Excess Title IV funds not returned timely based on federal requirements.
 - Incorrect calculations of return to Title IV amounts.
- Common causes:
 - Lack of independent review of return calculations.
 - Untimely communications of student withdrawals.
 - Inadequate communication between relevant departments.

Student Financial Aid – Recent Reportable Findings

- Deficiencies in Cash Management
 - Cash drawn down exceeded the immediate need of students.
 - Excess balances not returned timely based on federal requirements.
- Common causes:
 - Changes to student award calculations not communicated to relevant personnel.
 - Inadequate review in place to detect excess cash balances.

Student Financial Aid – Recent Reportable Findings

- Information Security Program Does Not Meet Minimum Federal Requirements
- Common causes:
 - Responsible staff fail to ensure that they develop, implement, and maintain a comprehensive information security program that at a minimum includes:
 - A designated, qualified individual responsible for overseeing the information security program.
 - A risk assessment that identifies foreseeable internal and external risks to the security of student information.
 - The design and implementation of safeguards to control the risks identified by the institution through its risk assessment.

Student Financial Aid – Potential Reportable Findings

- Satisfactory Academic Progress (SAP) Not Being Verified Prior to Disbursing Aid
 - Schools did not verify students prior to disbursing their financial aid.
- Common causes:
 - Scripts not being set-up correctly to include all students in which SAP needed to be calculated.
 - Changes in a student's status not being reviewed by appropriate staff.

Student Financial Aid – Potential Reportable Findings

- The College did not timely or accurately report COD dates to Common Origination and Disbursement (COD) for students who received federal financial assistance.
- Common causes:
 - No documented procedures over COD reporting.
 - Lack of or improper training of back-ups or no back-ups in place to perform COD reporting.



Why These Audits Matter

- Failure to report accurate student enrollment/awarding information could prevent eligible students from receiving financial assistance in the future.
- Failure to notify loan recipients of their rights to cancel loans increases the risk of default because recipients could remain obligated for loans they would have otherwise cancelled.
- Student information could be more susceptible to unauthorized disclosure, misuse, alteration, destruction, or other compromise because risks could exist for which safeguards have not been designed and implemented.

Student Financial Aid – Recent Key Changes in Testing

- Using a Servicer or Financial Institution to Deliver Title IV Credit Balances to a Card or Other Access Device
 - Applicable colleges are either Tier 1 or Tier 2.
 - Auditors are now required to review these contracts to determine the type of arrangement between the servicer or financial institution and the school.
 - Procedures to be performed are determined based on the contract type.
 - Colleges should determine if this requirement is applicable.
 - If so, determine which Tier applies to them.
 - Ensure they are meeting all requirements applicable to that Tier.

Student Financial Aid – Future Changes

- Federal requirements change over time as a result of new legislation, regulations, and other federal actions.
- Important to monitor communication and related guidance from relevant authoritative bodies to stay current on the nature and status of future changes.

Student Financial Aid – Other Audit Considerations

- Reliance on information systems
 - Internal controls are either manual, automated (IT), or a combination of manual and automated (hybrid).
 - Example of a hybrid control: A manual review of a computer-generated exception report.
 - When relying on automated or hybrid controls/processes, other controls should be in place to ensure that systems are properly configured and operating as intended.



Student Financial Aid – Useful Resources

- [Office of Federal Financial Management | OMB | The White House](#)
- [Federal Student Aid Handbook | Knowledge Center](#)

THANK YOU!



Questions?
Contact Information
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NCASFAA would like to thank our Professional Affiliates!

