Top 10 Audit & Program Review Findings

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Top Audit Findings

1. Repeat Finding – Failure to Take Corrective Action
2. Return of Title IV (R2T4) Funds Made Late
3. R2T4 Calculation Errors
4. Student Status – Inaccurate/Untimely Reporting
5. Verification Violations
Top Audit Findings

6. Qualified Auditor’s Opinion Cited in Audit
7. Pell Overpayment/Underpayment
8. Entrance/Exit Counseling Deficiencies
9. Student Credit Balance Deficiencies
10. Information in Student Files Missing/Inconsistent
Top Program Review Findings

1. Verification Violations
2. Student Credit Balance Deficiencies
3. R2T4 Calculation Errors
4. Crime Awareness Requirements Not Met
5. Satisfactory Academic Progress Policy Not Adequately Developed/Monitored
6. Lack of Administrative Capability
7. Information in Student Files Missing/Inconsistent

Tie
Top Program Review Findings

7. Inaccurate Recordkeeping
7. Pell Grant Overpayments/Underpayments
8. Account Records Inadequate/Not Reconciled
9. R2T4 Funds Made Late
10. Entrance/Exit Counseling Deficiencies

Tie
Findings on Both Lists

• R2T4 Funds Made Late
• R2T4 Calculation Errors
• Verification Violations
• Pell Grant Overpayment/Underpayment
• Entrance/Exit Counseling Deficiencies
• Student Credit Balance Deficiencies
• Information in Student Files Missing/Inconsistent
Audit Findings
Repeat Finding – Failure to Take Corrective Action

- Failure to implement Corrective Action Plan (CAP)
- CAP did not remedy the instances of noncompliance
- Ineffective CAP used from previous year(s)
- Internal controls not sufficient to ensure compliance with FSA guidelines

Regulations: 34 C.F.R. §§ 668.16 and 668.174(a)
Compliance Solutions

Repeat Finding

• Develop CAP and implement schedule
• Accountability – assign staff to monitor CAP
• Establish internal controls to prevent finding
• Ensure all staff are properly trained
• Perform quality assurance checks to ensure new policies & procedures are strictly followed
• Periodically review results of CAP
  - Is it working?
  - Are changes needed to improve process?
Return of Title IV Funds Made Late

• Returns not made within 45-day allowable timeframe
  - School’s policy and procedures not followed
  - Inadequate system in place to identify/track official and unofficial withdrawals
  - No system in place to track number of days remaining to return funds

*Regulations: 34 C.F.R. §§ 668.22(j) and 668.173(b)*
Example
R2T4 calculations performed timely, but return of funds not made within 45-day required timeframe

Solution
• Review and revise policies and procedures to ensure funds are returned no later than 45 days after date of determination
• Develop R2T4 monitoring/reporting system
• Provide staff training
Compliance Solutions
Return of Title IV Funds Made Late

• Periodically review processes, policies, and procedures to ensure compliance
  - Tracking/monitoring deadlines
  - Ensure timely communication between offices and/or systems

• R2T4 on the Web (https://faaaccess.ed.gov)

• FSA Assessments
  1. IFAP (http://www.ifap.ed.gov)
  2. Tools for Schools then FSA Assessments
  3. Return of Title IV Funds assessment
R2T4 Calculation Errors

- Incorrect number of days used in term/payment period
- Actual clock-hours used instead of scheduled hours
- Incorrect aid used as “could have been disbursed”
- Incorrect withdrawal date
- Mathematical and/or rounding errors

Regulation: 34 C.F.R. §§ 668.22(e) and (f)
### Example 1 - Credit Hour
Number of days in term included schedule break of five consecutive days

### Solution 1 – Credit Hour
- Work with academic offices to confirm when classes meet, including weekends
- Exclude all class breaks of five consecutive days or more
Example 2 – Clock-Hour
Actual clock-hours used instead of scheduled clock-hours in payment period or period of enrollment

Solution 2 – Clock-Hour
• Determine number of clock-hours student is scheduled to attend each day
• Multiply the number of clock-hours scheduled each day by the number of scheduled days elapsed in the payment period or period of enrollment
Compliance Solutions

R2T4 Calculation Errors

• Implement plan for peer review of each calculation
• Conduct monthly self-assessment by reviewing random sample of student files (file review)
• FSA Assessment: Schools - R2T4 assessment
• Use R2T4 Worksheets
  – Paper (FSA Handbook, Volume 5, Chapter 1)
Student Status –
Inaccurate/Untimely Reporting

- Roster file (formerly called Student Status Confirmation Report [SSCR]) not submitted timely to NSLDS
- Untimely reporting of specific student information
- Failure to provide notification of last date of attendance/changes in student enrollment status
- Failure to report accurate enrollment types and effective dates

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

**Example**
- Failure to submit roster file timely
- Failure to report enrollment change to less-than-half-time
- Conflicting enrollment status dates and types (G vs. W)

**Solution**
- Establish electronic enrollment reporting schedule
- Implement process to track and monitor enrollment status changes
- Train staff on reporting requirements and procedures, including definitions of different status codes
Compliance Solutions
Student Status – Inaccurate/Untimely Reporting

• Maintain accurate enrollment records
• Report correct status codes
• Automate enrollment reporting and establish a schedule
  - Batch uploads or individual online updates
  - Update frequently
• Designate responsibility for monitoring the reporting deadlines, updating, and submitting the Roster File
• Monitor the NSLDSFAP website for newsletter updates
  2. “News & Events” along top of home page
Verification Violations

- Verification worksheet missing/incomplete
- Income tax transcripts missing
- Untaxed income not verified
- Interim disbursement rules not followed
- Conflicting data not resolved

Regulations: 34 C.F.R. §§ 668.51 – 668.61 (Subpart E) and 668.16(f)
Verification Violations

Example
• Missing tax transcript for parent of dependent student
• Incorrect number in household size
• Verification worksheet not signed

Solution
• Revise verification procedures to ensure submission of all required documents
• Resolve conflicting information
• Follow through with ISIR corrections by implementing revised procedures
Verifications Violations

- Develop/enhance verification policies and procedures
- Create a verification checklist
- Monitor processing of ISIR corrections and verification status codes
- Perform monthly file reviews
- FSA Assessments: Students - Verification
- Review *Federal Student Aid Handbook, Application & Verification Guide, Chapters 4 and 5*
Qualified Auditor’s Opinion
Cited in Audit

• Anything other than unqualified opinion
• Serious deficiencies/areas of concern in compliance audit/financial statements
  - R2T4 violations
  - Inadequate accounting systems and/or procedures
  - Lack of internal controls

Regulation: 34 C.F.R. § 668.171(d)(1)
Compliance Solutions
Qualified Auditor’s Opinion Cited in Audit

- Assessment of entire financial aid/fiscal 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
- FSA Handbook, Volume 4, Chapter 5 **NEW!**
- Implement appropriate CAP timely and effectively
Pell Grant
Overpayment/Underpayment

• Incorrect Pell Grant formula
• Inaccurate calculations
  - Proration
  - Incorrect EFC
  - Incorrect number of weeks/hours
• Change in enrollment status

Regulations 34 C.F.R. §§ 690.62, 690.63, 690.75, 690.79 & 690.80
Example 1 – Credit-Hour
Student changed enrollment status between terms, from full-time to half-time; Pell Grant was not adjusted, resulting in overpayment

Solution 1 – Credit-Hour
• Establish internal controls and procedures to verify enrollment status before disbursing aid
• Conduct random file reviews
Pell Grant
Overpayment/Underpayment

Example 2 – Clock-Hour
1,500 clock-hour program; Pell Grant not prorated for remaining portion less than an academic year

[For example: $5,645 x (300/900) = $1,882 per payment period]

Solution 2 – Clock-Hour
• Document award proration in policies and procedures
• Train staff
• Conduct random file reviews
Compliance Solutions
Pell Grant Overpayment/Underpayment

• Prorate when needed
• Use correct enrollment status
• Use correct Pell Grant formula/schedule
• Train new staff and conduct annual training
• Assign responsibility for monitoring to ensure Pell Grant disbursements are accurate and timely
• Conduct file reviews of less than full time students
• FSA Handbook, Volume 4, Chapter 3
Entrance/Exit Counseling Deficiencies

- Entrance counseling not conducted/documeted for first-time borrowers
- Exit counseling not conducted/documentied for withdrawn students or graduates
- Exit counseling materials not mailed to students who failed to complete counseling
- Exit counseling completed late

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

**Example**
- Failure to conduct entrance counseling before loan is disbursed
- No documentation of exit counseling materials mailed to unofficially withdrawn students

**Solution**
- Develop and implement policies and procedures to ensure counseling requirements are met
- Automate tracking and monitoring to prevent disbursement of loans
- Post www.StudentLoans.gov link on school’s web page
Compliance Solutions

Entrance/Exit Counseling Deficiencies

• Develop policies and procedures to ensure communication among registrar, business, and financial aid offices

• Automate tracking and monitoring to prevent disbursement of loans before entrance counseling is completed

• Post www.StudentLoans.gov link on school’s web page along with entrance and exit counseling requirements

• Provide staff training
  – FSA COACH: Lesson 4-03: Loan Counseling Requirements
  – FSA Handbook, Volume 2, Chapter 6
Student Credit Balance Deficiencies

• Credit balance not released to student within 14 days
• No process in place to determine when credit balance has been created
• Non-compliant authorization to hold Title IV credit balances
• Credit balances not released by end of loan period or award year

Regulations: 34 C.F.R. §§ 668.164(e) and 668.165(b)
Student Credit Balance Deficiencies

Example
• Credit balances held beyond 14 days without student authorization
• Inadequate student authorization statement

Solution
• Develop and implement policies and procedures and controls to identify and release credit balances timely
• Provide training for student accounts staff
• Implement new student/parent authorization statement compliant with required elements
Compliance Solutions

Student Credit Balance Deficiencies

• Increase internal controls to identify credit balances and ensure timely release of funds

• Conduct a periodic self-audit of credit balance disbursements

• Ensure credit balance authorization is compliant with Title IV requirements

• Pay credit balances held with authorizations before end of loan period or award year

• FSA Handbook, Volume 4, Chapter 2
Information in Student Files

Missing/Inconsistent

• No system in place to coordinate information collected in different offices at 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

Regulations: 34 C.F.R. §§ 668.16(f) and 668.24(a),(c)
Information in Student Files
Missing/Inconsistent

**Example**
Conflicting information: admissions application indicates student has bachelors degree and ISIR indicates student has no bachelor degree.

**Solution**
- Determine accuracy of status
- Reprocess ISIR and adjust aid, if needed
- Develop policies and procedures for resolving conflicting information
Compliance Solutions

Information in Student Files Missing/Inconsistent

• Establish communication with other offices to identify and address inconsistent information
• Develop process to monitor and verify that all documents are received and reviewed
• Where possible, automate requests for and receipt of documents
• File documents and/or scan to student files in a timely manner
• Keep orderly files
• Document conversations and actions
Program Review Findings
Top Program Review Findings

1. Verification Violations
2. Student Credit Balance Deficiencies
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4. Crime Awareness Requirements Not Met
5. Satisfactory Academic Progress Policy Not Adequately Developed/Monitored
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Top Program Review Findings

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Crime Awareness

Requirements Not Met

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

Regulations: 34 C.F.R. §§ 668.41, 668.46(c) & 668.49
Crime Awareness

Requirements Not Met

**Example**
- Failure to include all reportable offenses in crime statistics report
- Failure to issue timely warning in response to campus crime incident

**Solution**
- Implement report completion procedures to ensure complete and accurate information is included
- Develop and implement policy and procedures for timely warnings to include alert system to keep community abreast of potential threats to campus security
Compliance Solutions
Crime Awareness Requirements Not Met

- Post link to reports on school’s webpage
- FSA Handbook: Volume 2, Chapters 6 & 8
- FSA Assessments: Schools - Consumer Information
  - Activity 5: Clery/Campus Security Act
  - Consumer Information Disclosures At-A-Glance
- Review *The Handbook for Campus Safety and Security Reporting*
  - [http://www2.ed.gov/admins/lead/safety/campus.html](http://www2.ed.gov/admins/lead/safety/campus.html)
SAP Policy
Not Adequately Developed/Monitored

• One or more missing required components in Satisfactory Academic Progress (SAP) policy
  - Qualitative, pace of completion, maximum timeframe, reestablishing aid eligibility

• Improper use of financial aid warning, appeals, probation and academic plans in SAP policy

• Failure to consistently or adequately apply SAP policy

• Aid disbursed to students not meeting SAP standards

• Insufficient or missing documentation to support SAP

Regulations: 34 C.F.R. §§ 668.16(e), 668.32(f) & 668.34
SAP Policy
Not Adequately Developed/Monitored

**Example**
- Failure to include pace of completion in SAP policy
- Aid disbursed to students not meeting SAP standards

**Solution**
- Revise SAP policy to include all components
- Publish revised SAP policy
- Strengthen policies and procedures to monitor SAP
Compliance Solutions
SAP Policy Not Adequately Developed/Monitored

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

• FSA Handbook, Volume 1, Chapter 1

• Use SAP checklist for student file or store documentation in system

• Conduct periodic random file reviews
Lack of Administrative Capability

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

  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 additional location

**Solution**
- Obtain state, accreditor, and ED approvals
- Determine date at which institution first began offering 50% of coursework at ineligible location
Compliance Solutions
Lack of Administrative Capability

• Staff Training
  - New Federal Student Aid E-Training website
    ✓ http://fsatraining.info
    ✓ Take the Virtual Tour
  - Fundamentals of Federal Student Aid Training Series
  - FSA Coach
  - FSA live and recorded webinars

• FSA Assessments
• FSA Handbook, Volumes 2 & 4
• Establish fiscal policies and procedures to ensure reconciliations are done monthly
Inaccurate Recordkeeping

- Failure to document enrollment status before disbursement
- Failure to determine unofficial withdrawals
- Failure to maintain consistent disbursement records
- Inadequate or mismatched attendance records for schools required to take attendance
- Inaccurate/missing Federal Work-Study timesheets
- Conflicting Last Dates of Attendance (LDA)
- Failure to follow policies and procedures

*Regulations: 34 C.F.R. §§ 668.24 and 668.161-668.167*
Inaccurate Recordkeeping

**Example**
Attendance records (summary documents) maintained for each individual student logged more time attended than the time cards (source documents) used to clock in and out.

**Solution**
- Reconcile attendance summary documents to source documents
- Acquire automated attendance system, if possible
Compliance Solutions

Inaccurate Recordkeeping

• Maintain accurate and complete student file records that support Title IV eligibility
• Communicate the importance of accuracy of FSA records to all staff members
• Conduct periodic reviews to check records for accuracy
• Provide staff training
Account Records
Inadequate/Not Reconciled

- Failure to maintain appropriate documentation to support disbursements
- Failure to use accounting system that adequately tracks all Title IV aid disbursements
- Failure to reconcile school’s program accounts with G5 and COD/Inaccurate disbursements on ledgers
- Failure to provide correct disbursement dates in COD
- Failure to identify Federal funds in institutional bank accounts

Regulations: 34 C.F.R. §§ 668.24 and 668.161-668.167
Account Records
Inadequate/Not Reconciled

Example 1

- Failure to clearly demonstrate Title IV disbursements on individual student account ledgers
- Failure to maintain running balance on student account ledgers
  - no method to track Title IV credit balances

Solution 1

- Change payment descriptions in accounting system (or manual entry on account card) to specify each Title IV disbursement by name on student account ledgers
- Change procedures to maintain running balance in accounting system or on account card
Account Records
Inadequate/Not Reconciled

Example 2
Disbursement dates in COD do not match disbursement dates on student account ledgers

Solution 2
• Correct disbursement dates in COD to reflect accurate disbursement dates posted on student account ledgers
• Enter updated disbursement dates in COD as information becomes available; provide updates to third-party servicer if applicable
Compliance Solutions

Account Records Inadequate/Not Reconciled

• Perform monthly reconciliation of all program accounts with COD, G5 and institutional ledgers
  - FSA Handbook, Volume 4, Chapter 5
  - FSA Assessments: Schools
    ➢ Fiscal Management
  - Direct Loan School Guide (2008-09)

• Establish internal reporting procedures for monthly and annual reconciliation process

• FSA COACH
  - School Responsibilities: Fiscal and Records Management

• 2013 Blue Book
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
FSA Assessments

In collaboration with financial aid professionals, Federal Student Aid has designed the FSA Assessments to help schools with compliance and improvement activities. The assessments contain links to applicable laws and regulations. The FAQ page provides guidance on how to navigate and begin using the FSA Assessments. The FSA Assessments Chart can help you choose the FSA Assessments to complete.

**Students**
- **Schools**

  - Student Eligibility
  - Satisfactory Academic Progress
  - Verification

- **Automation**
- **Consumer Information**
- **Default Prevention & Management**
- **Fiscal Management**
- **Institutional Eligibility**
- **Return of Title IV Funds**

**Campus-Based Programs**

- **FSEOG**
- **FWS**

**Perkins:**
- Awarding & Disbursement
- Cancellation
- Due Diligence
- Forbearance & Deferment
- Repayment

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WhiteHouse.gov | USA.gov | ED.gov
School Eligibility Service Group (SESG)

Ron Bennett - Director, School Eligibility Service Group, Washington, DC
(202) 377-3181
School Eligibility Service Group General Number: (202) 377-3173 or e-mail: CaseTeams@ed.gov

Or call the appropriate School Participation Division manager below for information and guidance on audit resolution, financial analysis, program reviews, school and program eligibility/recertification, and school closure information.

New York/Boston School Participation Division
Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New Jersey, New York, Puerto Rico, Virgin Islands

Betty Coughlin, Director (646) 428-3737
Tracy Nave – Boston (617) 289-0145
Patrice Fleming – Washington, DC (202) 377-4209
Chris Curry – New York (646) 428-3738

Philadelphia School Participation Division
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Nancy Gifford, Director (215) 656-6436
John Loreng – Philadelphia (215) 656-6437
Sherrie Bell – Washington, DC (202) 377-3349

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Ralph LoBosco, Director (816) 268-0440
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Jim Moore – Washington, DC (202) 377-4089

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Douglas Parrott, Director (312) 730-1532
Earl Flurkey – Chicago (312) 730-1521
Brenda Yette – Chicago (312) 730-1522
Douglas Parrott – Denver (A) (312) 730-1532

San Francisco/Seattle School Participation Division

Martina Fernandez-Rosario, Director (415) 486-5605
Gayle Palumbo – San Francisco (415) 486-5614
or Seattle (206) 615-3699
Dyon Toney – Washington, DC (202) 377-3639
Erik Fosker – San Francisco (415) 486-5606
Training Feedback

To ensure quality training we ask all participants to please fill out an online session evaluation

- Go to http://s.zoomerang.com/s/AnitaOlivencia
  
  Evaluation form is specific to Anita Olivencia

- This feedback tool will provide a means to educate and inform areas for improvement and support an effective process for “listening” to our customers

- Additional concerns about training can be directed to annmarie.weisman@ed.gov
QUESTIONS?