

# TOP 10 AUDIT AND PROGRAM REVIEW FINDINGS



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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**

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

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**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**

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## Foreign Schools

**Barbara Hemelt - Wash DC (202) 377-3168**

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## School Participation Teams-South Central

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

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## 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)

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