Top 10 Audit & Program Review Findings

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Top Audit Findings

• Repeat finding – failure to take corrective action
• R2T4 funds made late
• Return to Title IV (R2T4) calculation errors
• Student status – inaccurate/untimely reporting
• Verification violations

Top Audit Findings (cont’d)

• Qualified auditor’s opinion cited in audit
• Pell overpayment/underpayment
• Entrance/Exit counseling deficiencies
• Student credit balance deficiencies
• Student confirmation report filed late/not filed/not retained for five years/inaccurate
Top Program Review Findings

- Verification violations
- Student credit balance deficiencies
- Return to Title IV (R2T4) Calculation Errors
- Crime awareness requirements not met
- Satisfactory Academic Progress policy not adequately developed/monitored
- Lack of administrative capability
- Information in student files missing/inconsistent

Top Program Review Findings (cont’d)

- Inaccurate recordkeeping
- Pell Grant overpayments/underpayments
- Account records inadequate/not reconciled
- R2T4 funds made late
- Entrance/Exit Counseling Deficiencies

Findings on Both Top Ten Lists

- R2T4 calculation errors
- R2T4 funds made late
- Pell Grant overpayment/underpayment
- Verification violations
- Student credit balance deficiencies
- Entrance/Exit counseling deficiencies
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)

Repeat Finding- 
Failure to Take Corrective Action

Example: Repeat findings for Untimely Return of Funds

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

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

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

Regulations: 34 C.F.R. §§ 668.22(j) and 668.173(b)

Example: Returns not made within the required timeframe (45 days)

Solution: Develop and implement procedures to ensure R2T4 calculations are completed and funds returned to the appropriate Title IV program within the regulatory timeframe of 45 days
**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

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**R2T4 Calculation Errors**

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

*Regulation: 34 C.F.R. §668.22(e)*

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**Example**: Incorrect calculation due to using the wrong number of days for the term/payment period

**Solution**: Work with registrar to receive accurate information regarding enrollment periods, including weekends; be sure to exclude all class breaks of five days or more
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
  - (https://faaaccess.ed.gov)/Paper (FSAH)

Student Status – Inaccurate/Untimely Reporting

- Failure to provide notification of last date of attendance/changes in student enrollment status
- Student information reported untimely
- Failure to report accurate enrollment dates and types (G vs. W)

Regulation: 34 C.F.R. § 685.309(b)

Student Status- Inaccurate/Untimely Reporting

Example: Failure to report change in student enrollment status when student is enrolled less than half time

Solution: Train staff on reporting requirements and procedures, including enrollment status codes definitions; develop process to track and monitor enrollment status changes
**Additional Compliance Solutions**

- Maintain accurate enrollment records
- Automate enrollment reporting
  - Batch uploads or individual online updates
  - Update frequently
- Designate responsibility for monitoring the reporting deadlines
- Review NSLDS newsletters for updates
- Use the correct status codes

**Verification Violations**

- Verification worksheet missing/incomplete
- Income tax transcripts missing
- Conflicting data not resolved
- Untaxed income not verified
- Disbursement of entire Title IV award before verification completed

*Regulations: 34 C.F.R. Subpart E: §§ 668.51 – 668.61*

**Example:** Conflicting information reported on the verification worksheet and on the Institutional Student Information Record (ISIR), not resolved

**Solution:** Develop and implement procedures for resolving conflicting data, and submitting ISIR corrections following completion of verification
Additional Compliance Solutions

- Develop appropriate verification procedures to ensure timely submission of all required documents
- Monitor verification process
- Create a verification checklist
- Review Federal Student Aid Handbook, Application & Verification Guide, Chapter 4
- Review verification regulations

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

Example: School did not reconcile Title IV program accounts on a monthly basis

Solution: Develop and implement procedures to reconcile Title IV program accounts on a monthly basis
Additional Compliance Solutions

- 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
- Implement appropriate CAP timely and effectively

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; 690.79 & 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
**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
- Ensure understanding of staff and provide training as needed
- Conduct random file reviews

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**Entrance/Exit Counseling Deficiencies**

- Entrance counseling not conducted/ documented for first-time borrowers
- Exit counseling not conducted/documented for withdrawn students or graduates (official/unofficial)
- Exit counseling materials not mailed to students who failed to complete counseling
- Untimely exit counseling

*Regulation: 34 C.F.R. § 685.304*

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**Example:** Exit counseling not completed for unofficial or mid-year withdrawals

**Solution:** Develop and implement procedures to ensure accurate tracking of withdrawals so that Exit counseling is completed for all students as needed; post links to entrance/exit counseling on schools web page

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Additional Compliance Solutions

- Assign responsibility for monitoring the entrance/exit interview process
- Develop and implement procedures to ensure entrance/exit counseling is completed; automate tracking, monitoring; post links on school's web page: www.studentloans.gov for entrance, www.nslds.ed.gov for exit
- Develop procedures for ensuring communication among registrar, business, and financial aid offices
- Provide staff training
  - FSA COACH: Module 4-03: Loan Counseling Requirements
  - FSA Assessments: Schools
    - Default Prevention & Management

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

* Regulations: 34 C.F.R. § 668.164(e) and 668.165(b)

Example: Credit balances were not paid timely; credit balance authorization incorrect or inadequate

Solution: Develop and implement procedures and internal controls so that credit balances can be identified and released timely; correct credit balance authorization; provide training for staff
**Additional Compliance Solutions**

- Establish internal controls to track dates associated with credit balances payment
- Conduct a self-audit of credit balance disbursements
- Ensure credit balance authorization is compliant with Title IV requirements
  - See example in FSA Handbook, Volume 4

**Student Confirmation Report Filed Late/Inaccurate**

- Roster file (formerly called Student Status Confirmation Report [SSCR]) not submitted timely to NSLDS
- Failure to correct student information on roster file
- Failure to correct erroneous information when roster is returned

**Example**: Failure to submit Roster File timely; no policies and procedures for updating and submitting the Roster

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

- Review, update, and verify student enrollment statuses, effective dates of enrollment, and completion dates
- Designate responsibility for monitoring the reporting deadlines, updating and submitting the Roster File
- Monitor the NSLDS reporting website for updates
- Establish an electronic enrollment reporting schedule

Program Review Findings

- Verification violations
- Student credit balance deficiencies
- Return to Title IV (R2T4) Calculation Errors
- Crime awareness requirements not met
- Satisfactory Academic Progress policy not adequately developed/monitored
- Lack of administrative capability
- Information in student files missing/inconsistent
Program Review Findings

• Inaccurate recordkeeping
• Pell Grant overpayments/underpayments
• Account records inadequate/not reconciled
• R2T4 funds made late
• Entrance/Exit Counseling Deficiencies

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 for all campus locations
• No Drug Alcohol & Abuse Program Plan in operation as of the date the PPA is signed

Regulations: 34 C.F.R. § 668.41; 668.46(c); & 668.49

Example: Failure to include all reportable offenses in crime statistics report

Solution: Examine the report, establish policies, procedures, and internal controls to ensure that all required incidents are included in the report; implement process to submit report timely; publicize the availability of the report to students and faculty
Additional Compliance Solutions

- Post a link for security reports to school's webpage
- 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)
- FSA Handbook: Volume 2, Chapters 6 & 8
- FSA Assessments: Schools - Consumer Information Module
  - Activity 5: Clery/Campus Security Act

SAP Policy

**Not Adequately Developed/Monitored**

- Disbursement of aid to students not meeting the SAP standards
- Failure to consistently or adequately apply SAP policy
- Failure to develop a SAP policy that includes the minimum Title IV requirements
  
  - Qualitative, quantitative, completion rate, maximum timeframe, remedial/repeat coursework, warning, probation, appeals
- Not monitoring or documenting SAP

Regulations: 34 C.F.R. §§ 668.16(e); 668.32(f) & 668.34

Example: Failure to disclose the quantitative measure required to maintain Title IV eligibility

Solution: Revise SAP policies and procedures to include all components for maintaining eligibility; publicize revised SAP policy
Additional Compliance Solutions

- FSA Assessments: Students - Satisfactory Academic Progress (SAP) Module
- FSA Handbook, Volume 1, Chapter 1
- Staff training on new regulatory requirements for SAP
  - Published October 29, 2010
  - Effective July 1, 2011
  - Stay up-to-date on IFAP – Program Integrity Q & As

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
  - No policies and procedures
  - Unreported additional locations and programs
  - No Title IV reconciliation process; excess cash
  - No separation of duties

Regulation: 34 C.F.R. § 668.16

Example: General ledgers not reconciled with Common Origination Disbursement (COD) report and/or G5

Solution: Verify amounts reported in COD to the general ledger; establish procedures for monthly and annual reconciliation; assign personnel to oversee reconciliation process
Additional Compliance Solutions

• Training
  - Fundamentals of Title IV Administration
  - FSA Coach
  - Attend FSA training opportunities
  - FSA Assessments
  - FSA Handbook, Volume 2
  - Blue Book for Fiscal employees
• Establish fiscal policies and procedures to ensure that reconciliations are done monthly
• Conduct self-audits of both financial aid and fiscal areas.

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 the student’s file
• Insufficient or missing documentation needed to support professional judgment or dependency override

Regulation: 34 C.F.R. § 668.24(a)(c)

Example: Institutional aid application and ISIR showed student as married, tax return showed Head of Household, school did not resolve conflict

Solution: Implement policies and procedures that require resolution of conflicting information prior to disbursement of Title IV funds
**Additional Compliance Solutions**

- Establish communication with other offices to identify and address inconsistent information
- Perform periodic 'review' of student files
- 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

**Inaccurate Recordkeeping**

- Inadequate or mismatched attendance records for schools that are required to take attendance
- Failure to maintain consistent disbursement records
- Conflicting information between hours on students enrollment agreement and actual required attendance hours
- Federal Work Study timesheets discrepancies

*Regulations: 34 C.F.R. §§ 668.24(a),(d) and 668.161-668.167*

**Example:** School failed to properly record attendance, allowed students to clock in and out for each other and disbursed Title IV funds without verifying student eligibility

**Solution:** Implement a time clock system or a process that documents student attendance; develop procedures to verify clock hours before disbursing aid
**Additional Compliance Solutions**

- Communicate the importance of accuracy of all FSA records with all staff members
- Ensure records have all supporting documentation regarding Title IV eligibility
- Establish procedures to routinely check documents for accuracy
- Take advantage of FSA Assessments and IFAP training options to ensure that all staff members are well-informed

**Account Records Inadequate/Not Reconciled**

- Failure to use an accounting system that adequately tracks all transactions involving Title IV aid and institutional charges
- Failure to balance school’s program accounts with G5 and COD
- Reporting incorrect Pell and Direct Loan disbursements amounts/dates to COD
- Failure to identify Federal funds in institutional bank accounts

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

**Example**: Student ledger reflected a Federal Pell Grant in the amount of $2155, while NSLDS and COD showed no disbursements being made

**Solution**: Develop procedures and perform monthly reconciliation of all program accounts with COD and G5
Additional Compliance Solutions

- Perform routine reconciliation of all program accounts with COD and G5
- Establish internal reporting procedure
- FSA Assessments: Schools
  - Fiscal Management
- FSA COACH
  - School Responsibilities: Fiscal and Records Management
- The Blue Book - newly updated 2013
- Direct Loan School Guide

Resources – www.ifap.ed.gov

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

FSA Assessments

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

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