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)
Return To Title IV Funds Made Late

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

**Solution:** Develop and implement procedures to ensure that 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
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)
R2T4 Calculation Errors

**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
Verification Violations

**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
  – 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)(1)
Auditor’s Opinion Cited in Audit
(Qualified or Adverse)

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
Pell Grant
Overpayment/Underpayment

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
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
Entrance/Exit Counseling Deficiencies

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
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)
Student Credit Balance
Deficiencies

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
Student Confirmation Report
Filed Late/Inaccurate

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
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

41 Program Review Findings
Crime Awareness Requirements Not Met

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

44 Program Review Findings

2013 CASFAA Conference
SAP Policy
Not Adequately Developed/Monitored

**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
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
Lack of Administrative Capability

**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)
Information In Student Files Missing/Inconsistent

**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
Inaccurate Recordkeeping

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

56 Program Review Findings
Account Records
Inadequate/Not Reconciled

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

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What’s New
Tools for Schools
Publications
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Training and
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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
QUESTIONS?
Contact Information

We appreciate your feedback and comments. I can be reached at:

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