Top 10 Audit &
Program Review Findings

Renée Gullotto
U.S. Department of Education

U.S. Department of
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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

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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

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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

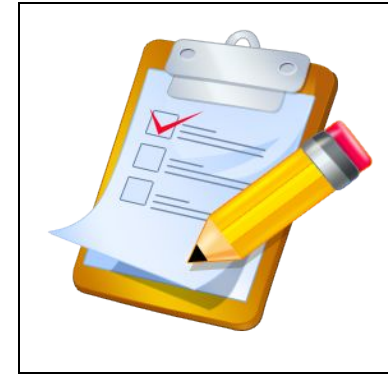**2 WAY TIE**

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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

2 WAY TIE

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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

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Audit Findings

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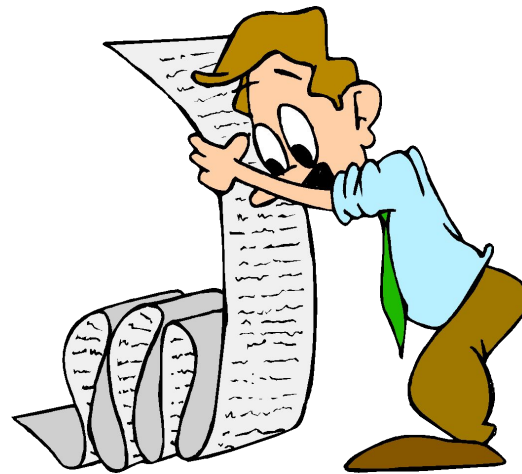
Repeat Finding – ✓
Failure To Take Corrective Action

- 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)

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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

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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

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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)

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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

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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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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

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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)

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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)

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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

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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

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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

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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

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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

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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)

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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

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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

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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

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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

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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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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

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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.govDevelop 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

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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)

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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

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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

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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

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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

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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

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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

2 WAY TIE

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Program Review Findings

- Inaccurate recordkeeping
- Pell Grant overpayments/underpayments
- Account records inadequate/not reconciled
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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

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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

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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
- FSA Handbook: Volume 2, Chapters 6 & 8
- FSA Assessments: Schools - Consumer Information Module
  - Activity 5: Clery/Campus Security Act

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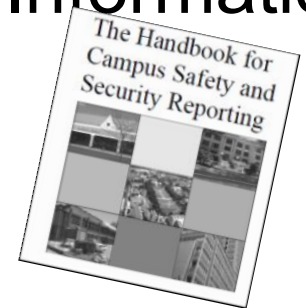
SAP Policy
Not Adequately Developed/Monitored

- 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

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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

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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

Total Number of Completed Credits = Your Completion Rate
Total Number of Credits Attempted

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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

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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

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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

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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

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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

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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

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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

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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

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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.

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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)

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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

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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

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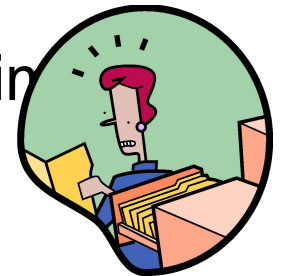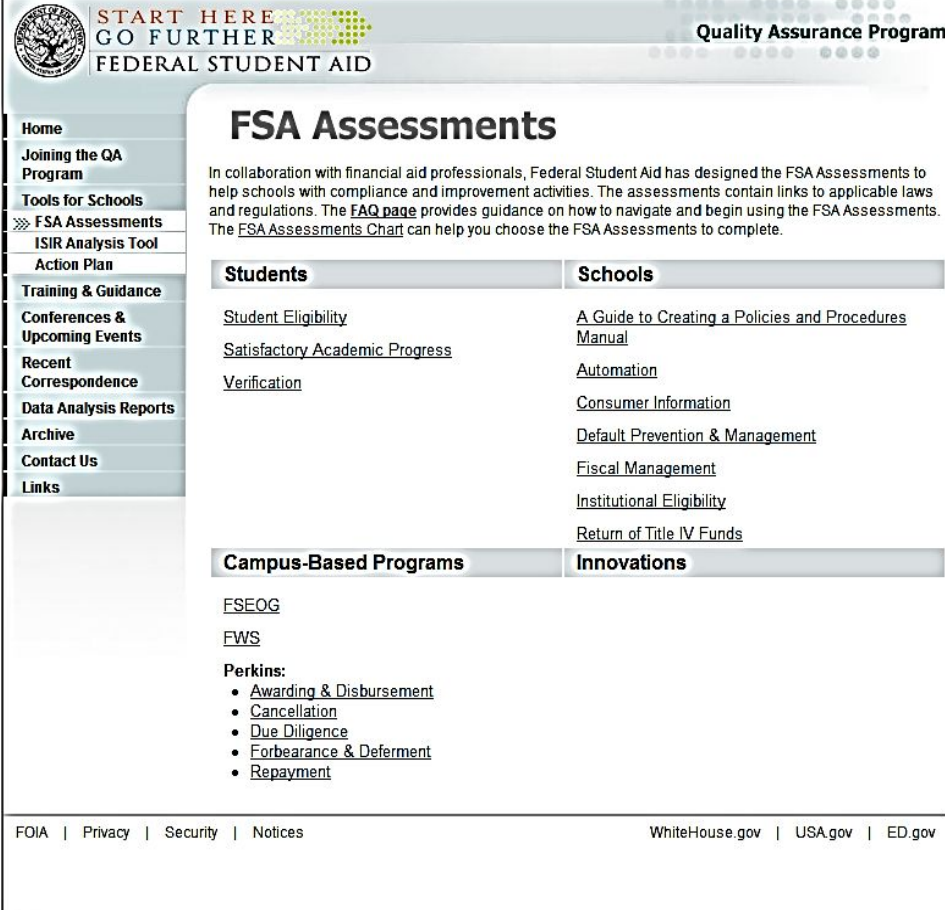
Resources – www.ifap.ed.gov

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What's New
Tools for Schools
Publications
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Letters & Announcements

Training and Conferences

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FSA Assessments

START HERE
GO FURTHER
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Quality Assurance Program

Home
Joining the QA Program
Tools for Schools
≫ FSA Assessments
 ISIR Analysis Tool
 Action Plan
Training & Guidance
Conferences & Upcoming Events
Recent Correspondence
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Links

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	A Guide to Creating a Policies and Procedures Manual
Satisfactory Academic Progress	Automation
Verification	Consumer Information
	Default Prevention & Management
	Fiscal Management
	Institutional Eligibility
	Return of Title IV Funds

Campus-Based Programs	**Innovations**

FSEOG

FWS

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

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

- 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

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QUESTIONS?

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Contact Information

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

Renée Gullotto

Institutional Improvement Specialist

- Phone: 415-486-5367

- E-mail: renee.gullotto@ed.gov

For a complete list of School Participation Divisions, go to http://www.ifap.ed.gov/ifap/help.jsp for contact information

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SCHOOL ELIGIBILITY SERVICE GROUP (SESG)

Ronald Bennett - Director, School Eligibility Service Group, Washington, DC

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
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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

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District of Columbia, Delaware, Maryland, Pennsylvania, Virginia, West Virginia
Nancy Gifford, Director (215) 656-6436
John Loreng – Philadelphia (215) 656-6437
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Dvak Corwin – Kansas City (816) 268-0420
Phillip Brumback − Washington, DC (202) 377-3464

Clery/Campus Security (Managed under the Administrative Actions and Appeals Service Group)
Jim Moore – Washington, DC (202) 377-4089

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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