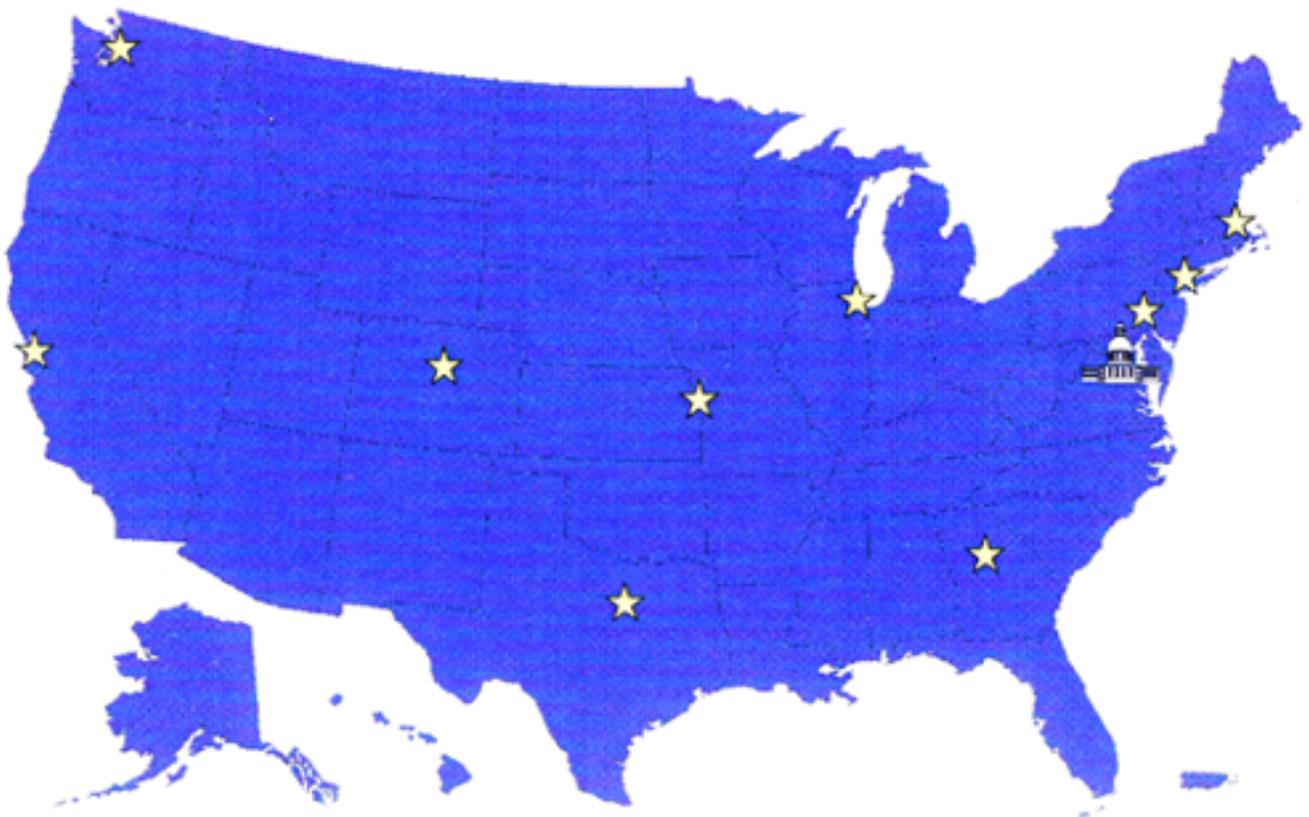




Program Review Guide



U.S. Department of Education

INSTITUTIONAL REVIEW BRANCH

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Introduction -- Program Review Guide

The program reviewer has an important and challenging job -- to protect the interests of taxpayers and students. The Program Review Guide is designed to assist the reviewer with that job.

Prepared by a team of central and regional office staff, this major revision of the Guide includes significant changes to the program review process. Valuable input was provided by numerous staff within IPOS, and important contributions were provided by many staff members from the regions and central office.

The Guide serves as a first point of reference in preparing for and conducting the Title IV program review. It is, in many ways, a living document, always evolving. Designed to be updated regularly, the Guide will be responsive to regulatory developments and the changing review process. Reviewers are encouraged to provide comments and suggestions to their supervisors on how to make the Guide a more effective program review resource.

The program review mission and the purpose of the Guide are summarized below:

PROGRAM REVIEW: THE MISSION

- Monitor compliance with Title IV statutes and regulations through on-site assessments of institutional administration of the Federal Student Financial Assistance (SFA) Programs.
- Refer for administrative action, including emergency action when appropriate, those institutions that are seriously mismanaging or abusing the SFA programs.
- Address financial harm to the taxpayer through liability assessments and fines.

PURPOSE OF THE GUIDE

- Assist reviewers in conducting reviews of the Title IV programs at participating institutions.
- Provide guidelines for consistency in the conduct of Title IV program reviews nationwide, with special emphasis on cross-regional review cooperation.

Reviewers can find additional review guidance in the publications listed below and in IRB procedures memoranda and generic paragraphs. Many references will be available on the reviewer's notebook computer. The most valuable resource, however, will be the knowledge of experienced reviewers.

- The 1994 Program Review Guide Team

ADDITIONAL PUBLICATIONS FOR REVIEWER REFERENCE

- **Higher Education Act of 1965, as amended (HEA)**
- **Federal Registers**
- **Code of Federal Regulations (CFR)**
- **Compilation of Federal Regulations**
- **Federal Student Financial Aid Handbook**
- **Counselor's Handbook**
- **Dear Colleague Letters (Questions & Answer Bulletins)**
- **Verification Guide**
- **Audit Guide**
- **The Blue Book** (Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions)
- **ED Guide to Payment Management System**
- **Summary of Legislative Changes**
- **Delivery System Training Materials**
- **Expected Family Contribution Formula Guide**
- **Congressional Methodology Guide**
- **Direct Loan Bulletins**

LIST OF ACRONYMS USED IN THE GUIDE

ARB	Audit Resolution Branch
ATB	Ability to Benefit
CED	Compliance & Enforcement Division
COA	Cost of Attendance
CPA	Certified Public Accountant
CPS	Central Processing System
DCL	"Dear Colleague" Letter
DMS	Default Management System
EAGIR	Electronic Access Group for Institutional Review
ED	U.S. Department of Education
EDL	Expedited Determination Letter
EDPMS	Education Payment Management System
EFC	Expected Family Contribution
ESAR	Electronic Student Aid Report
ESL	English As A Second Language
FAT	Financial Aid Transcript
FCC	Perkins Loan Federal Cash Contribution
FPRD	Final Program Review Determination letter
GA	Guaranty Agency
GED	General Equivalency Diploma
HEA	Higher Education Act, as amended
IDS	Institutional Data System
IQAP	Institutional Quality Assurance Program
IMD	Institutional Monitoring Division
IPD	Institutional Participation Division
IPOS	Institutional Participation and Oversight Service
IPS	Institutional Payment Summary
IRB	Institutional Review Branch
JTPA	Job Training and Partnership Act
LDA	Last Date of Attendance
LOA	Leave of Absence
NSLDS	National Student Loan Data System
OGC	Office of the General Counsel
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General (Audit and Investigation)
PEPS	Postsecondary Education Participants System
PGI	Pell Grant Index
SAP	Satisfactory Academic Progress
SAR	Student Aid Report
SOA	Statement of Account
SSCR	Student Status Confirmation Report
SFAP	Student Financial Assistance Programs
SPRE	State Postsecondary Review Entity
SPS	Student Payment Summary (Federal Pell Grant)

Chapter I. Types of Review

The two types of program review are (1) **survey** review and (2) **concentrated team** review.

A. Survey Review

In the **survey review**, the standard review approach, the reviewer examines the institution's Title IV policies, procedures, and records with two things in mind: (1) the selection factors that identified the institution as a review candidate and (2) the Program Review Focus Items for 1994. In addition, the reviewer must check on serious deficiencies noted in previous audits or reviews, as well as on negative reports received locally, sometimes referred to as "regional assessment" (see below). The reviewer will also examine other compliance issues that reveal themselves in the course of the review.

Generally, the survey review will be conducted by one experienced reviewer. However, a regional office supervisor may decide to assign more than one program officer to a review. Reviews will generally be **unannounced**, but the regional office supervisor may make exceptions to this practice and choose to announce some reviews.

During pre-review planning, the reviewer selects from the population of Title IV recipients under review a valid **statistical sample** list. From the statistical sample, the reviewer prepares a smaller, random sample list. The file review portion of the review begins with the random sample. (Additional information on sampling is found later in this Guide.)

If the survey review reveals no findings or insignificant findings, the reviewer is to complete the review, return to the regional office, and issue the program review report within 30 days. In some cases, reviewers may opt to use the Expedited Determination Letter in lieu of a report (Appendix J). More information on the expedited closeout process will be provided in a forthcoming procedures memorandum.

If significant, systemic violations are disclosed, the reviewer should recommend to the regional office supervisor that a concentrated team review be conducted, and discuss with the supervisor the observations that support this recommendation. The need for a concentrated review is suggested when the reviewer notes two conditions: (1) findings reflecting seriously deficient administrative and fiscal systems and (2) a substantial level of Title IV funding. A general threshold for substantial funding is the receipt of \$500,000 in Title IV funds per year. The reviewer's judgment will be relied upon in making this decision.

Additional deficiencies that would typically support the recommendation for a concentrated team review are as follows:

- N** Any finding of Title IV noncompliance with the potential for significant dollar impact that is adverse to the government or harmful to students. (Review Focus Items)
- N** Any other finding of noncompliance with specific program participation requirements (including provisional certification conditions) that, in combination with the findings above, indicate that the institution lacks administrative capability.
- N** Any finding that the institution is not in full compliance with the institutional refund and repayment requirements.

One or more such findings may justify referral to CED for administrative action.

B. Review Options and Decision-making Authority

After the survey review, if the reviewer concludes a concentrated team review is needed, the immediate supervisor should be consulted. The review supervisor, after discussion with the reviewer and consultation with the regional office supervisor, will determine whether one or all of the following actions is appropriate: (1) immediate referral of the institution to the Compliance and Enforcement Division (CED) for transfer to reimbursement, or for administrative action, including emergency action, when appropriate; (2) a request to the Director, Institutional Monitoring Division (or the Director's designee), to assign a concentrated team; and (3) in the case of suspected fraud, immediate notification of the Office of Inspector General (OIG).

If immediate referral is made to CED, the referring supervisor must ensure that specific findings and backup documentation are prepared and promptly forwarded to CED for evaluation and subsequent action. CED's action may include transferring the school to the payment reimbursement system and evaluating for appropriate administrative action. CED should also be advised of the request to the Institutional Monitoring Division (IMD) for a concentrated team review. The referring supervisor must notify the Director, IMD (or the designee) of the referral to CED because this could affect the scope, planning and scheduling of any concentrated team review activity. CED and IMD should coordinate their subsequent activities to ensure that any pending administrative action can proceed swiftly.

The following scenario is one example of how the new program review process should work: A reviewer determines on-site that a computer training school has violated a number of program requirements. In addition, the reviewer finds that the school has routinely mis-applied federal refund requirements and has calculated lower or no refund amounts. Although checks were prepared for the incorrect refund amounts, there is evidence that most checks were withheld by the business manager of the school. In addition, funds are

unavailable to support payment at this time. Therefore, a substantial number of students (or their loan holders) have not received proper refunds.

From an off-site location, the reviewer contacts the supervisor and recommends a concentrated team review. The reviewer promptly sends a memo to the supervisor which describes the key findings and citations.

The supervisor reviews the findings and discusses what documentation has been collected to substantiate the violations, alerts the regional supervisor, and decides to make immediate referrals to CED and to OIG. Reimbursement and potential administrative action (including emergency action) should be referred to CED. Any potential fraud should be referred to OIG.

The supervisor prepares a memo to IMD and CED stating the findings and pertinent regulatory provisions, and ensures that it is then e-mailed or faxed to both Divisions. The supervisor also reminds the reviewer that it will be necessary to prepare and mail to CED copies of documentation that substantiate the findings which justify the referral for administrative action.

The supervisor's memo will request CED to transfer the school to reimbursement and evaluate the case for administrative action, identifying the lead reviewer who observed and collected documentation on the findings. The memo also requests CED to discuss the findings with the reviewer and provide a preliminary assessment of the case, including any additional information that may be helpful to CED. In addition, the memo requests IMD to assign a review team, coordinating with CED and the original reviewer the steps to be taken by the team.

The supervisor also provides a brief memo to OIG noting the nature of the case and the findings prompting the referral for possible investigation. Copies of the memo to CED or IMD should be attached to the OIG memo.

For the reviewer on-site, three options are available with regard to the assignment of a team: (1) if requested, prepare and send to the supervisor a memo summarizing the initial findings and plan to remain at the school, unless reasons of personal safety dictate not remaining, and continue review activities until the team's arrival; (2) if directed by the supervisor, or if sensing a risk to personal safety, leave the site, indicating to school officials only that review work is being suspended and may be resumed at a later date; prepare and send to the supervisor a summary memo of initial findings, safeguard copies of documents removed from the site, and prepare to either meet with the team initially or return later as part of the team; or (3) leave the site if no further work can be performed under current conditions, return to the regional office, brief the supervisor, prepare the memo of initial findings, make copies of documentation and send to CED; then resume other assignments until notified of the need to join the team.

C. Concentrated Team Review

1. COMPOSITION OF TEAM

For concentrated team reviews, IMD-HQ assigns a special review team, drawing on staff resources from all regions and requesting the support of other Institutional Participation and Oversight Service (IPOS) components or Departmental offices. The expanded team is under the guidance of a team leader (experienced senior reviewer) and includes additional reviewers, as well as other appropriate specialists, which may include: a financial analyst (perhaps a CPA), a systems analyst, a CED or OGC representative, or personnel from the state agency, guaranty agency, or accrediting body. IMD-HQ will consult with the regional office supervisor to select the team leader.

The actual composition of the team will depend upon the compliance issues identified during the survey review or which emerged during the team review itself. Before beginning the review, the team should examine available information, prepare a written work plan, and, if necessary, call in specialists in other review areas.

2. ROLE OF TEAM LEADER

The team leader is responsible for planning and directing the accomplishment of work on-site and for preparation of a review report (to be submitted to IMD and the team leader's supervisor for release to the institution) or any internal reports or recommendations to IMD, CED, or OIG that may be appropriate to address more serious risks of loss of funds or program abuse presented by the school's continued participation in the Title IV programs. If the review team itself surfaces grounds for a referral for administrative action, the team leader will promptly provide an internal recommendation to his or her immediate supervisor for such a referral to CED, and as soon as possible thereafter provides a written report and backup documentation to IMD, to be transmitted to CED. If the team review identifies a basis to suspect fraud, the team leader immediately makes a recommendation to the supervisor that such notification be made to the OIG and CED, and provides backup information.

3. TEAM ACTIVITY

If as a result of the survey review (or as a result of the team review itself), a referral is made to CED for administrative action, then, as suggested above, additional work may be required to document fully the scope and severity of findings which may lead to such action, including emergency action. The work to be performed on-site by the team must be defined case by case, and will vary, depending on the findings relied upon to justify such a referral.

CED, IMD, and the review team leader must communicate closely in selecting the key findings and identifying the relevant documentation that must be examined to sustain a referral for administrative action. If the Department can make a case for emergency action and subsequent termination, the team's **initial task** is to support that effort. The team should identify and copy all documentation necessary to make such a case, conduct interviews and secure affidavits or statements where possible, and safeguard and forward such materials promptly to CED.

After addressing the need for effective support of administrative action, the **primary task** of the concentrated team is to thoroughly evaluate the school's compliance with Title IV law, regulations, and agreement(s) with the Department, and determine the status of its administrative and fiscal systems. Special emphasis is placed on evaluating accounting processes, financial stability and key program issues identified during the survey review. As part of this effort, the concentrated team members complete the review of the entire statistical sample of student files to determine the extent of non-compliance and extrapolate a liability.

At the conclusion of the team review, if no referral for administrative action is pending, a program review report is prepared and will normally be sent to the school **within 30 days**. However, if such action is pending, the team leader's supervisor, in consultation with CED and or OGC, may elect **not** to issue such a report so as not to prejudice the case for administrative action, or may choose to issue a final program review determination letter in lieu of such report. Any such report or final letter (like the finding relied upon to justify administrative action) must be clear and logical narratives of observed violations, must include accurate citations, and must be supported by relevant workpapers.

It is essential that documentation -- copies of relevant correspondence, forms, checks, memos, attendance sheets, logbooks, registers, etc. -- be clear and readable. It is important that each finding be associated with specific student files, school files, checks, documents, etc. to substantiate each violation that supports the finding. It is insufficient to state a conclusion that a violation exists; the report must explain the facts and basis of that conclusion. If conflicting documents are at issue, the report must identify the documents and the specific information that is in conflict.

Further guidance on what constitutes adequate and persuasive documentation will be provided by the team leader or by the CED specialist, if any, on the review team or by telephone consultation with CED paralegal specialists. **Assume all reviews will end up in court, and that testimony to identify and vouch for work performed will be required. It is good practice for a reviewer to sign and date notes taken during a review, to help authenticate them as contemporaneous with the review, and to allow them to serve to refresh memory at a hearing.**

While the concentrated review team will have completed its review of the statistical sample, the review report that is directed to the school may require **school staff** to complete additional file reviews, indicating that a CPA must attest to accuracy. On **refund issues**, where a statistical sample is not appropriate for determining amounts owed to specific students, loanholders, or program accounts, either the full team (time permitting) will complete the full file review, or the institution may be required to do so, with CPA attestation of the results before submission to the Department. ED will specifically reserve the right to review original documentation.

D. Program Review Flow Chart

