

Session #22

Top 10 Audit and Program Review Findings

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Top Audit Findings



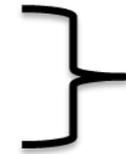
- Repeat Finding – Failure to take corrective action
- Return To Title IV (R2T4) calculation errors
- R2T4 funds made late
- Student Status – Inaccurate/Untimely reporting
- Pell Grant Overpayment/Underpayment

Top Audit Findings

- Student credit balance deficiencies
- Entrance/Exit counseling deficiencies
- Verification violations
- Qualified auditor's opinion cited in audit
- Improper certification of Stafford Loan

Top Program Review Findings

- Crime awareness requirements not met
- Verification violations
- R2T4 calculation errors
- Entrance/Exit counseling deficiencies
- Student credit balance deficiencies
- Satisfactory academic progress policy not adequately developed/monitored
- R2T4 funds made late



2
WAY
TIE

Top Program Review Findings

- Lack of administrative capability
- Verification policy not developed/inadequate
- R2T4 funds not made
- Information in student files missing/inconsistent
- Pell Grant overpayment/underpayment
- Consumer information requirements not met



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WAY
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Findings on Both Lists

- R2T4 calculation errors
- R2T4 funds made late
- Pell Grant overpayment/underpayment
- Student credit balance deficiencies
- Entrance/Exit counseling not conducted
- Verification violations



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 occurrences of instances of noncompliance
- Internal controls not effective to ensure compliance with FSA guidelines

Regulations: 34 C.F.R. §§ 668.16 and 668.174

Repeat Finding-Failure To Take Corrective Action

Example: Repeat findings for (1) Late return of Title IV funds, (2) Incorrect R2T4 calculations

Solution: Develop and implement CAP and implementation schedule; develop R2T4 monitoring report; establish internal controls to ensure accurate calculations and timely returns

Additional Compliance Solutions

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



R2T4 Calculation Errors

- Ineligible funds as aid that 'could have been disbursed'
- Improper treatment of overpayments
- Incorrect withdrawal date
- Mathematical and/or rounding errors

Regulation: 34 C.F.R. § 668.22(e)



R2T4 Calculation Errors

Example: Subsidized Stafford Loan certified prior to the student's last date of attendance, unsubsidized loan was not; both included as aid that "could have been disbursed."

Solution: Establish policies and procedures to ensure accurate disbursement information is used in the calculation; provide R2T4 training for staff.

Additional Compliance Solutions

- Pay attention to new regulations; revise procedures as needed
 - Attend conference sessions #45 and #46
- Perform self-assessment by reviewing a random sample of student files
- FSA Assessment: Schools
 - R2T4 module
- Use R2T4 Worksheets
 - Electronic Web Application/Paper

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

Regulation: 34 C.F.R. § 668.22(j)



Return of Title IV Funds Made Late

Example: R2T4 calculations performed timely, but the refunds to appropriate Title IV program accounts was not made timely.

Solution: Review and revise policies and procedures for reviewing time frames for making returns; develop R2T4 monitoring system; provide staff training.

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



Student Status – Inaccurate/Untimely Reported

- Roster File (formerly called Student Status Confirmation Report [SSCR]) not submitted timely
- Failure to provide notification of last date of attendance/changes in student enrollment status
- Conflicting status change types and dates

Regulation: 34 C.F.R. §685.309(b)

Student Status – Inaccurate/Untimely Reported

Example: Failure to submit Roster file timely; conflicting enrollment status dates and types (G vs. W); no policies and procedures.

Solution: Develop policies and procedures for processing and submitting Roster file; train staff on reporting requirements and procedures.

Additional Compliance Solutions

- Maintain accurate enrollment records
- Automate enrollment reporting
 - National Clearinghouse uploads
 - NSLDS Batch/Online
 - Update frequently
- Designate responsibility for monitoring the SSCR reporting deadlines
- Review NSLDS newsletters for updates
- Use the correct status codes

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
& 690.80***

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; conduct random file reviews.

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



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);
668.165(b)***



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; provide training for staff

Additional Compliance Solutions

- Increase internal controls associated with credit balances
- Conduct a self-audit of credit balance disbursements
- Ensure credit balance authorization is compliant with Title IV requirements

Entrance/Exit Counseling Deficiencies

- Entrance counseling not conducted/ documented for first-time borrowers
- Exit counseling not conducted/documentated for withdrawn students or graduates
- Exit counseling materials not mailed to students who failed to complete counseling



Regulation: 34 C.F.R. § 685.304

Entrance/Exit Counseling Deficiencies

Example: Failure to conduct entrance counseling before Stafford Loan disbursed; no documentation that exit counseling materials mailed to unofficial withdrawn students.

Solution: Develop and implement procedures to ensure entrance/exit counseling is completed; automate tracking and monitoring of entrance, exit counseling; post links to entrance/exit counseling on school's web page:
www.studentloans.gov

Additional 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



Verification Violations

- Verification worksheet missing/incomplete
- Income tax returns missing/not signed
- Conflicting data not resolved
- Untaxed income not verified
- Corrections that exceed tolerance/not submitted



Regulations: 34 C.F.R. §§ 668.51-668.61

Verification Violations

Example: Incomplete Verification

- No tax return submitted for parent
(dependent student)
- Incorrect number in household size
- Verification worksheet not signed

Solution: Revise verification procedures to ensure submission of all required documents; create a verification checklist; resolve conflicting information

Additional Compliance Solutions

- Monitor verification process
- Perform internal quality control file review
- FSA Assessments: Students-Verification
- Review Federal Student Aid Handbook, Application & Verification Guide, Chapter 4
- Review new verification regulations
 - Published October 29, 2010
 - Effective July 1, 2012
 - Attend conference sessions #4 and #31



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)



Other Compliance Solutions

- Assessment of entire 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



Improper Certification of Stafford Loans

- Incorrect annual loan amount based on grade level, dependency status, or annual limits
- Failure to prorate loans when necessary
- Half-time enrollment not verified

Regulation: 34 C.F.R. § 685.102(b)

Improper Certification of Stafford Loans

Example: Total subsidized loan eligibility not awarded before disbursing unsubsidized loan; additional unsubsidized loan awarded to dependent student but no documentation of PLUS denial.

Solution: Implement internal controls to prevent improper loan certification; recalculate and disburse appropriate loan amounts; reallocate, if appropriate; document PLUS denials.

Additional Compliance Solutions

- Develop process to monitor and verify enrollment status changes
- Adjust aid appropriately when enrollment status changes between terms
- Verify grade levels and remaining period of study prior to loan certification

Program Review Findings



Program Review Findings

- Crime awareness requirements not met
- Satisfactory academic progress policy not adequately developed/monitored
- Lack of administrative capability
- Verification policy not developed/inadequate
- Return of Title IV funds not made
- Information in student files missing/inconsistent
- Consumer information requirements not met

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



Regulations: 34 C.F.R. §§ 668.41, 668.46(c)(1)

Crime Awareness Requirements Not Met

Example: School failed to issue timely warning in response to a campus crime Incident.

Solution: Develop and implement policy and procedures for timely warnings to include an alert system; implement annual report notification procedures.



Additional Compliance Solutions

- Post a link for security reports to the school's webpage
- Review The Handbook for Campus Safety and Security Reporting
 - <http://www2.ed.gov/admins/lead/safety/campus.html>
- FSA Assessments: Schools - Consumer Information Module
 - Activity 5: Clery/Campus Security Act



SAP Policy Not Adequately Developed/Monitored

- Missing required components
 - Qualitative, quantitative, completion rate, maximum timeframe, remedial/repeat coursework, probation, appeals
- Failure to consistently or adequately apply SAP policy
- Aid disbursed to students not meeting the standards

Regulation: 34 C.F.R. § 668.16(e)

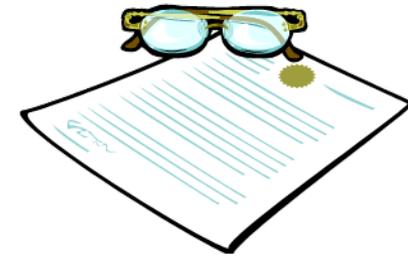
SAP Policy Not Adequately Developed/Monitored

Example: School's policy did not include all required components; aid disbursed to students not meeting SAP standards.

Solution: Revise SAP policy to include all components; apply SAP standards consistently; return ineligible disbursements; establish internal controls to monitor SAP; review a sample of files.

Additional Compliance Solutions

- FSA Assessments: Students - Satisfactory Academic Progress (SAP) Module
- Staff training on new regulatory requirements for SAP
 - Published October 29, 2010
 - Effective July 1, 2012
 - Attend conference session#37



Lack of Administrative Capability

- Significant findings that indicate a failure to administer aid programs in accordance with Title IV statutes and regulations
 - R2T4 refunds calculation errors/not made
 - No policies and procedures
 - Unreported additional locations/programs
- No Title IV fund reconciliation process
- No separation of duties



Regulation: 34 C.F.R. § 668.16



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Lack of Administrative Capability

Example: Failure to obtain state, accreditor and/or ED approval before disbursing Title IV aid at an additional location.

Solution: Obtain state, accreditor and ED approvals; determine date begin offering 50% of coursework; return ineligible disbursements.

Additional Compliance Solutions

- Training
 - Fundamentals of Title IV administration
 - FSA COACH
 - Attend FSA training opportunities
 - FSA Assessments
 - FSA Handbook
- Establish fiscal policies and procedures to ensure that reconciliations are done monthly

Verification Policy Not Developed/Inadequate

- No documented/published verification policy
- Verification policy missing required components
 - Types of documents and time period for submitting documents
 - Consequences for failure to provide documents
 - Method for notifying applicant of the results of verification and/or changes to award/loan
 - Procedures for correcting application errors

Regulation: 34 C.F.R. § 668.53

Verification Policy Not Developed/Inadequate

Example: School's policy does not contain deadlines and consequences for applicant's failure to provide documentation.

Solution: Revise verification policy to include all components; publish and disseminate revised policy.

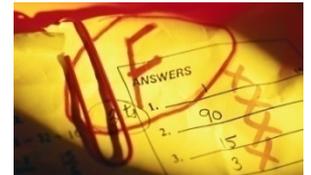


Additional Compliance Solutions

- Federal Student Aid Handbook: Application and Verification Guide
- FSA Assessments: Students
 - Verification Module
- Internal/External staff training

Return of Title IV Funds Not Made

- Inadequate system in place to identify/track official and unofficial withdrawals
- No system in place to track if R2T4 funds have been made



Regulation: 34 C.F.R. § 668.22

Return of Title IV Funds Not Made

Example: School failed to establish last date of attendance (LDA) for withdrawn students and return funds within the 45 day timeframe.

Solution: Develop policies and procedures for establishing/monitoring LDA; implement a system to track and monitor the 45 day timeframe; staff training.

Additional Compliance Solutions

- Review internal system to track withdrawals
- Train and assign responsibility to staff for monitoring the R2T4 process
- Conduct random reviews of files
- FSA Assessments: Schools
 - R2T4 Module

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 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: Aid application and ISIR showed student as married; tax return showed Head of Household; school did not resolve conflict.

Solution: Determine accuracy of tax filing status; reprocess, if required; adjust aid, if needed; develop policies and procedures for resolving conflicting information.

Additional Compliance Solutions

- Establish communication with other offices at the institution to identify and address inconsistent information
- Perform your own periodic 'review' of student files
- Review all subsequent ISIRs



Consumer Information Requirements Not Met

- Policies not provided to students (SAP, R2T4, mandatory fees)
- Description of all available Title IV funding not provided
- Completion/graduation rates not provided or misrepresented
- Transferability of credits misrepresented

Regulation: 34 C.F.R. § 668 Subpart D

Consumer Information Requirements Not Met

Example: Published consumer information contained the school's institutional refund policy, but did not contain the R2T4 policy.

Solution: Revise and publish the consumer information to include the R2T4 policy.



Additional Compliance Solutions

- Perform an annual review of all required consumer information; update appropriately and annually
- FSA Assessments : Schools
 - Consumer Information Module
- Review FSA Handbook, Volume 2, Chapters 4 and 6

Resources – www.ifap.ed.gov

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- Participation Links - Programs
- Funding Links
- Resource Links
- Financial Partners Links
- Federal Loan Servicer Links
- Student & Parent Links - Application
- Student & Parent Links - Programs
- ED Links
- Other Links

Information for Financial Aid Professionals (IFAP)

The Information for Financial Aid Professionals (IFAP) Web site consolidates guidance, resources, and information related to the administration and processing of Title IV federal student aid into one online site for use by the entire financial aid community.

The most recent postings to the site are listed in the [What's New](#) section.

Tools for Schools

Click on this box to access online and computer-based training resources.

Worksheets, Schedules, & Tables

Click on this box to access worksheet, schedule, and table resources.

Publications

Click on this box to access program-related and processing-related publications.

Processing Resources

Click on this box to access program and system processing information and materials.

Hot Topics

- [Net Price Calculator](#)
- [2011 Negotiated Rulemaking](#)
- [Federal Student Aid Data Center](#)
- [Disaster Assistance](#)

Gainful Employment

Links to information for gainful employment

[Information Page](#)

Default Prevention

Links to information for default prevention

[Information Page](#)

Direct Loan Information

Links to information for potential and participating Direct Loan schools

[Direct Loan Source Newsletters](#) | [Steps to Participate and New School Information](#) | [Operational Communications](#)

What's New **RSS**

Below is an abbreviated list of the most recent postings to the IFAP Web site. Click [here](#) or on the "What's New" link in the top menu bar to view all recent postings.

COD XML Schema

- [2011-10-06](#) Subject: COD Common Record XML Schema Version 3.0e

Dear Colleague Letters

- [2011-10-06](#) (ANN-11-24) Subject: Live Internet Webinars - Business Officer Training

My IFAP
What's New
Tools for Schools
Publications
Handbooks
Letters &
Announcements

Training and
Conferences



FSA Assessments

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

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



- Home
- Joining the QA Program
- Tools for Schools
- FSA Assessments**
- ISIR Analysis Tool
- Action Plan
- Training & Guidance
- Conferences & Upcoming Events
- Recent Correspondence
- Data Analysis Reports
- Archive
- Contact Us
- 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:	
<ul style="list-style-type: none"> • Awarding & Disbursement • Cancellation • Due Diligence • Forbearance & Deferment • Repayment 	

Question and Answers



Contact Info – School Teams

Robin Minor – Chief Compliance Officer, Program Compliance, Washington, DC (202) 377-3717

School Participation Teams General Number: (202) 377-3173 or email: caseteams@ed.gov

Or call the appropriate School Participation Team manager below for information and guidance on audit resolution, financial analysis, program reviews, school and program eligibility/recertification and school closure information.

School Participation Teams – Northeast

Geneva Leon, Director – Wash DC
(202) 377-3169 geneva.leon@ed.gov

New York/Boston (CT, Maine, Mass., NH, RI, Vermont, NJ, NY, Puerto Rico, Virgin Islands)

Betty Coughlin-New York (646) 428-3737
Tracy Nave – (A) Boston (617) 289-0142
Patrice Fleming - Wash DC (202) 377-4209
Chris Curry-New York (646) 428-3738

Philadelphia (DC, Delaware, Maryland, Pennsylvania, Virginia, West Virginia)

Nancy Gifford - Philadelphia (215) 656-6436
John Loreng – Philadelphia (215) 656-6437
Michael Frola - Wash DC (202) 377-3364

Clery:

Clifton Knight-Wash DC (202) 377-4244

Foreign Schools

Barbara Hemelt - Wash DC (202) 377-4201
Joseph Smith-Wash DC (202) 377-4321

School Participation Teams-South Central

Carolyn White, Director – Wash DC
(202) 377-3197 carolyn.white@ed.gov

Atlanta (Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina)

Charles Engstrom - Atlanta (404) 974-9290
Christopher Miller – Atlanta (404) 974-9297
Barbara Murray – Wash DC (202) 377-4203

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

Cynthia Thornton - Dallas (214) 661-9457
Jesus Moya - Dallas (214) 661-9472
Kim Peeler- Dallas (214) 661-9471

Kansas City (Iowa, Kansas, Kentucky, Missouri, Nebraska, Tennessee)

Ralph LoBosco-Kansas City (816) 268-0440
Dvak Corwin – Kansas City (816) 268-0420
Phillip Brumback-Wash DC (202) 377-3464

School Participation Teams – Northwest

Patricia Dickerson, Director – Wash DC
(202) 377-4218
patricia.dickerson@ed.gov

Chicago/Denver (Illinois, MN, Ohio, Wisconsin, IN, Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, Wyoming)

Douglas Parrott - Chicago (312) 730-1532
Earl Flurkey – Chicago (312) 730-1521
Dr. Brenda Yette – Chicago (312) 730-1522
Janet Dragoo - Denver (303) 844-4128

San Francisco/Seattle (American Samoa, Arizona, California, Guam, Hawaii, Nevada, Palau, Marshall Islands, N. Marianas State of Micronesia, Alaska, Idaho, Oregon, Wash.)

Martina Fernandez-Rosario -San Fran (415) 486-5605
Gayle Palumbo -San Fran (415) 486-5614
Dyon Toney - Wash DC (202) 377-3639
Erik Fosker – San Fran (415) 486-5606

Contact Information

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