



[HUYNH:] Okay, let's get started by first listing the top 10 findings, the top findings, and then we will discuss each of them more in detail. The top 10 audit findings are as follows: Repeat finding – failure to do a corrective action plan, return of Title IV funds made late, return to Title IV calculation errors, entrance and exit counseling deficiencies, student status inaccurate untimely reporting, auditor opinion cited in the audit, verification violations, Pell over and under payments, student credit balance deficiencies, and student confirmation report filed late, not filed, not retained for 5 years, or inaccurate. Now, for the program review findings, you will note that there are more than 10 listed. That's because there were some ties in the number of occurrences of some of the findings. The top program review findings are as follows: Verification violations, return to Title IV calculation errors, and we have a tie between crime awareness requirements not met and satisfactory academic progress policy not adequately developed or monitored. We also have entrance and exit counseling deficiencies, and there was a tie between return of Title IV funds made late and information in student files missing or inconsistent. And we move on, and we have a finding here for student credit balances deficiencies. We had a 3-way tie for Pell over and under payments, lack of administrative capabilities, consumer information requirements not met, and there is another tie here for inaccurate recordkeeping, improper documented dependency overrides, and improper certification of FFEL and ineligible Pell disbursements.

You might have noticed that there are 6 findings that occur on both the audit and the program review top 10 list which are noted on the slide. Since we will be discussing audit findings first, we will cover those 6 along with all the other audit findings. However, we won't repeat information about 6 common findings when we get to the Program Review section due to the similar nature of the findings. For each of the findings, we will first discuss some reasons why a school might receive that finding, in other words, what could go wrong. Then we will provide an actual example of the finding from an audit, along with the corrective action or solution the school implemented or could implement to avoid that finding in the future. Finally, we will provide some additional corrective actions or solutions you can implement to help reduce the likelihood of having this finding cited in the future. As a reminder, it is important to ensure that your corrective action plan, also referred to as a CAP for FSA audits, or your management plan or response for A133 audits specifically and appropriately address the finding. For example, a school had a finding for not monitoring satisfactory academic progress, but in their CAP it talked about returning funds timely. There's a disconnect there. In this situation, the school should have detailed how it would appropriately monitor its satisfactory academic progress. We have also listed the regulatory citations pertaining to the issue on the first slide on each finding. So, let's take a look at our audit findings.

The audit finding that occurs the most often is "Repeat Finding – Failure to Take Corrective Action." When an auditor identifies a specific finding as a repeat finding, or the school fails to take a corrective action on a prior audit finding, it can be a clear indication of a lack of administrative capability. Further, if the repeat findings are significant enough, the school may be considered to have past performance issues and therefore not meet financial responsibility requirements. If a finding is determined to be



systemic or repetitive in nature, places or may continue to place federal funds at risk, or cause harm to the students, a referral for an administrative action can be made, and this includes: Limitation, suspension, determination or a fine. Schools must ensure that corrective actions presented previously to the Department of Education are taken and should establish procedures to ensure that all items presented in a corrective action plan are carried out. An example of this finding is that a school had repeat findings for incomplete verification, incorrect certification of Unsub loans and Pell grants and loan under-awards. As I indicated previously, a school that fails to take corrective action on a prior audit finding can be a clear indication of a lack of administrative capability. For this school, they reviewed and revised their verification procedures to address the weaknesses in the process. In addition, they determined the reasons for the incorrect certification of loans and under awards, and revised the procedures as needed. Further, the school's standard operating procedures were modified, requiring the director of financial aid to review all student files for eligibility prior to disbursements of aid.

Some other ways of avoiding this finding are to determine why the school's corrective action plan or management plan or response was not effective and make adjustments as necessary. For instance, we have seen some schools when they submit their CAP or their management plan or response for a repeat finding, they use exactly the same language from the year before. There was one school in particular that had the same finding 3 years in a row, and they submitted the exact CAP for all 3 years; something's not clicking there. A school should also develop procedures for their CAP or management plan response action items, and it is also very important to assign a responsible person or office that will ensure that the CAP or management plan of response is implemented and also monitored.

Alright, let's move on to our next audit finding, which is "Return of Title IV Funds Made Late." Some of the issues we found in audits are: Returns not made within the allowable timeframe, an inadequate system in place to identify or track unofficial withdrawals. There was no system in place to track the number of days remaining to return funds, and there was a lack of coordination between offices. An example of this finding of return of Title IV funds made late was that Pell Grant funds to the department were returned 54 and 102 days late. For this school, it indicated that it would ensure that a knowledgeable person was responsible for tracking the return of funds. In addition, it would provide training and support for its staff. Another way to avoid this finding is to design processes and procedures that will track and monitor applicable deadlines and to assign a staff responsible for these duties. We have also found that many times R2T4 funds are made late is when there is a lack of communication between offices at the school. For example, the academic office is aware that a student withdrew from the school, but does not relay this very important information to the financial aid office, or notifies the FAO late. The school needs to ensure there is a timely communication between offices when a student withdrawals. The Department of Education has posted a lot of useful resources on the IFAP website to help you to avoid this finding and other findings which include using the R2T4 on the Web, and Dear Colleague Letter (DCL) ANN 09-27 that was posted on IFAP on September 2, 2009, announced a recorded session on using the R2T4 on the Web. Another helpful resource would be to use the



FSA Assessments. Specifically, there is a section under “Managing Funds on Fiscal Management” and an area exclusively for R2T4. Laura will be giving an overview of what FSA Assessments are towards the end of our presentation. So, by a show of hands, how many of you actually use the IFAP website? All right, that’s great! Good job. And for those of you that did not raise your hand or are new and do not know what the IFAP website is, it is a Department of Education website that consolidates guidance and resources, including the Federal Student Aid handbook and information related to the administration and processing of Title IV student aid into one online site for the use by the entire financial aid community. And it is important that anyone that is administering Title IV programs use the IFAP website. If you have any questions about the IFAP website, please stop by the IFAP table in the PC lab, or you can see Laura or I after the session.

Our next audit finding is “R2T4 Calculation Errors.” Some of the issues we found in audits were that there were incorrect institutional charges for the period, or a scheduled break was not included in the calculation. There was also schools that used the incorrect withdrawal date or made mathematical errors when calculating R2T4. For example, for one school, the R2T4 calculations were miscalculated as the result of using the incorrect calendar date completed and/or the incorrect number of total calendar days in the payment period. For its corrective action plan, the school updated its policy to eliminate any additional miscalculations due to the withdrawal date error by developing a system to monitor and track the number of days completed in the payment period. The school also started using the R2T4 on the web. Another way to avoid this finding is to periodically select a random sample of student files to review to ensure that R2T4 calculations are correctly completed. In addition, as we discussed in our previous finding, another helpful resource would be to use the FSA assessments. Specifically, under “Managing Funds,” there is an area exclusively for R2T4. If you’re not already using it, you can also use the R2T4 worksheets, either by using the electronic web application or paper format. Dear Colleague Letter ANN-09-26, dated September 2, 2009, was a recorded session that gives an overview of R2T4 calculation, the step-by-step walk-through of the R2T4 worksheet, and guidance relevant to the most current R2T4 calculation. So, check it out if you haven’t already.

Our next audit finding is “Entrance and Exit Counseling Deficiencies.” This includes entrance counseling is being conducted or not documented for first time/first year borrowers and the counseling material is not being mailed to students who failed to complete in-person or online counseling, and is the counseling not being conducted for withdrawn students. An example of this finding was that the school made loan disbursements to students who did not participate in entrance counseling. The school developed a process for documenting completion of required loan counseling and also implemented systems and it is to prevent disbursements prior to entrance counseling. We’ve also seen that some schools have provided entrance and exit counseling instructions to all student applicants via their school website. Another way to avoid this finding is to assign a staff person to be responsible for monitoring the entrance and exit counseling process, and periodically have another staff select student files to randomly verify that exit and entrance counseling are being appropriately completed. Having a



good communication between the different offices at your school is a must. We have found that findings have occurred because there was a lack of communication between the different offices at the school. Remember, that is not only the financial aid office that is responsible for administering Title IV programs. It takes all offices or departments at your school, starting from the president, owner, or CEO's office and downwards, to ensure that Title IV programs are properly administered. Providing staff training on the continuous basis is very important and a must, and there are 2 resources that can help you to avoid these findings, which one of them is the "FSA Coach," specifically, Module 4, which addresses loan counseling and FSA assessments. Specifically, there is a section under "Schools On Default Prevention and Management."

Okay, let's move on to our next finding, which is "Student Status Inaccurate or Untimely Reporting." All schools participating or approved to participate in the FSA programs must have some arrangement to report student enrollment data to the National Student Loan Data System, that's NSLDS, through a roster file which is formally called Student Status Confirmation Report, or SSCR. Student enrollment information is extremely important because it is used if the student is still considered in school, must be moved in to repayment, or is eligible for an in-school deferment. For students moving in to repayment, the out-of-school status effective date determines when the grace period begins and how soon a student must begin repaying loans. Regulations require that schools review, correct, and send a completed roster file within 30 days of receipt of the roster file. And you must also use the proper status code when reporting. When reporting the graduate effective date, report the date the student completed the course requirements, not the date the diploma or degree is presented to the student. And remember, too, that the school must promptly report when a recipient's status drops below half-time, and the school does not expect to submit the next roster file within the next 60 days. For one school, an auditor stated in the audit that the student enrollment status and the effective dates were reported incorrectly. Also, schools failed to return the roster files timely. To resolve this issue, the school provided training to their staff on the definition of the different status codes in order to avoid using the wrong code. In addition, they developed a schedule for processing and submitting roster files on time. This school also updated their process to include their policies and procedures manual. It is important that a school maintain accurate enrollment records at all times since it affects the status on student loans. This includes ensuring that you use the correct status code. Another way to avoid this finding is to designate staff for monitoring the reported deadlines and to maintain accurate student roster files documentation in your files.

Our next audit finding is, "Auditor's Opinion Cited In Audit." When does this finding happen? This happens when the auditor provides an opinion other than an unqualified opinion when there are serious deficiencies or areas of concern in the school's compliance audit or financial statements, including R2T4 violations, an inadequate accounting system and/or procedures, and there is a lack of internal control. To avoid this type of finding it is imperative that the school makes a complete assessment of its entire process and design a school-wide plan of action that includes having adequate and qualified staff, procedures in place to ensure appropriate internal controls, and



ensuring the staff have the appropriate training to properly administer the Title IV programs, including online and in-person training. Finally, it is also important to network with other schools, which I hope you are doing this week. I mean, you know, we have 6,000 people from the financial aid community this week. I know you can find a couple of people to network with, so when you go back to your office, and you come up with a situation at your school, at least you'll have a couple of people to contact to run it by them. Bottom line, you're probably not the only school facing this issue, and to help you with this endeavor, from 4:45 to 6:00 this evening, there will be "Birds of a Feather" sessions that will be divided by the software type, you know, the software that you use, and there are going to be different sessions for that, and I hope you will attend, and please refer to page 36 of the program and the agenda for details. So, remember, go out there and network.

Okay, let's move onto our next audit finding, which is "Verification Violations." Because students sometimes make errors on their FAFSA information, schools must have a procedure to verify their recorded information. Verification requirements are very well-known, and the errors identified are generally the result of an oversight. Schools must secure additional documentation to ensure the accuracy of the information provided on household side, number in college, adjusted gross income, US taxes paid, and untaxed income. Some of the errors identified have not been properly verified untaxed income, which is required. In this example, the school did not complete verification since there was conflicting information with respect to the marital status and amount of untaxed income. In addition, the tax was unsigned. One of the solutions is that a checklist is developed to ensure that all other required elements are verified, and that conflicting information is resolved. Remember, verification is not complete until all of the applicable verification items are confirmed and all discrepancies are resolved. Some other ways to avoid this finding are to monitor your school's verification process and to revise accordingly to ensure that procedures are followed. Perform your own audit of a sample of files that were selected for verification. Schools have told us that self-auditing their student files on a monthly or quarterly basis helps them to identify and fix issues prior to the issue becoming systemic. Some other useful resources to help you to correctly complete verification includes using the FSA assessments; specifically under "Students Verification Model," and by using the verification worksheets. Also, in case you missed it, on November 20, 2009, Dear Colleague Letter ANN-09-35 was posted on IFAP. This Dear Colleague letter announced information about a recorded session on performing verification of student applicant data. The session's objective included but was not limited to why we verify student data, verification policies and procedures, and acceptable verification documentation; a very useful resource.

Our next audit finding is "Pell Grant over and under payment." Pell Grant over or under payments can be the result of a student using the wrong EFC, an invalid student air report or using the wrong enrollment status. Schools need to have safeguards in place to ensure that proper payments...to students. Regardless of the error in over and under payments, it must be resolved. In this example, this school did not document student eligibility prior to the disbursement of funds, which resulted in a Pell overpayment. The school indicated that it would verify student eligibility prior to disbursing to any Title IV



aid and would adjust aid accordingly. The school further stated that it would develop procedures for resolving Pell and under payments once identified. Some other ways to avoid this finding is to use the current enrollment status from the beginning. Make sure you are using the correct Pell formula and schedule and verify that the student began attendance in all classes and prorate when needed. Assign staff to monitor to ensure that Pell disbursements are accurate, timely, and periodically select a sample of files to ensure that you are in compliance.

And finally, our last top 10 audit finding is "Student Credit Balance Deficiencies." Federal regulations require that whenever an institution disburses Title IV program funds by creating a student's account and the total amount of Title IV funds created exceeds the amount of tuition and fees assessed to the student, the institution must pay the resulting credit balance no later than 14 days after the balance has occurred. The only exception is that if a student has in writing authorized the school to retain a credit balance in order to assist the student in managing those funds for the remaining academic year. In this example, the auditor noted credit balances were not resolved in a timely manner, ranging from 32 to 111 days late. This school developed and implemented procedures and controls to be able to identify and release credit balances timely. Schools should develop a process to determine when credit balances have been created. In addition, a process should be in place to identify when checks are not cashed by students. Those funds should be returned to the applicable Title IV programs within a specific timeframe. In addition, schools should develop a system to track the number of days remaining to release funds to avoid issuing credit balances late. And you should understand the new regulations regarding the minor prior year charges, and please refer to Dear Colleague Letter, JAN-09-11 that was dated September 4, 2009. This letter clarifies to schools on the requirements related to prior year charges. And finally, remember when your student files...that your student files need to stand alone. When your independent auditor and/or a program reviewer reviews those files, meaning that if you are not at the school when we review those files, we should be able to determine from the student's file why you made that particular decision. So, the key here is that to make sure you have sufficient documentation. You can never have too much documentation. Well, there you have the top 10 audit findings, and we will now move on to the top program review findings, which Laura will go over. If you want, please feel free to take a 10-second stretch break while Laura and I switch positions; thanks everyone.

[HALL:] Okay, 10 seconds are up. Well, good afternoon everybody. Thanks for staying awake at this very difficult time of day. I hope it is cold enough for all of you in here to not get too sleepy; it's freezing up here at the front. In case your memory is getting a little bit sluggish at this time of the day, I'll just remind you again that my name is Laura Hall. I'm the Institutional Improvement Specialist on the Atlanta Case Management Team/School Participation Team, and I'll be going over the "Top Ten Program Review Findings" as part of this presentation.

Now, when we talk about audits, all schools that participate in Title IV are required to have an annual compliance audit performed every year, and then that's submitted to us,



but for program reviews it's a little bit different. We don't conduct program reviews at every single institution every year; good thing for you, and good thing for us because we'd never be able to do that. Instead, we just pick specific schools out of each regional office where we conduct those reviews, so these findings come from the national findings that we had across the whole country for the last year. All right, now remember that Lisa mentioned the top 10 findings for both audit and program review at the beginning, and we've repeated them here again for program review just as a reminder of what they are; I'm not going to bore you by reading through them again, but we just wanted to make sure that you could remember which ones we're going to go over, and then remember, too, that any of the program review findings that were also over in the audit section I'm not going to repeat that here because they are very similar, so slide #35 and #36 repeats the Top 10 Program Review Findings.

So, the first one that we're going to discuss is "Crime Awareness Requirements Not Met." Now, hopefully most of you are familiar with the requirements of the Clery Act, and unfortunately, I would guess that all of us are very familiar with the recent violent crimes that have been committed on college campuses over the last couple of years, so even though campus security has always been important, there's a lot of special attention that is being paid to this right now because of these situations that have recently occurred, so it is more important than ever that your school complies with all of the requirements of the Clery Act. As part of that, your campus security report must include all of the policies and procedures that you have developed and have in place, as well as the crime statistics that have occurred on your campus for the last 3 calendar years. Then in addition, those crime statistics need to be reported each year on the website, and then all of that information is made available to the public. Some of the issues that we found in program reviews on this finding are that the annual report was not prepared at all, or it was prepared but it wasn't distributed to current students and staff as required, or at other times the school's statistics that they reported on-line were either inaccurate or they just didn't report the statistics at all. In one specific case during the program review, it was determined that the institution's campus crime report was missing in several vital areas that needed to be there, including procedures for students to report criminal activity if it occurred on campus, the institution's response to such a report, how the institution would make timely warnings to members of its campus community, policies for preparing the annual statistics for submittal online, policies that address the activities and responsibilities of the campus law enforcement office, and as well, how that related to the local police department. In addition, at this school the report didn't include the prior 3 calendar years or the statistics. As a solution to this particular finding, the school was required to develop a complete and accurate campus security report as soon as they were able to do so, and then to distribute that to their current students and staff. Some things that you can do to avoid this finding would be, first of all, to become familiar with the Clery Act, and we put the citation for that act up here on this slide. You can also download a document called *The Handbook for Campus Crime Reporting*, which is located on the main Department of Education's website, and this handbook provides a lot of details about all of the activities that you have to do for this particular requirement, including how do you define your campus, compiling and reporting the statistics, and other tips on managing this particular requirement. You can



also assign responsibility for the campus crime requirements to one person or one office at the school, and then check to ensure that it is being done as it is supposed to. You should also develop a campus-wide notification and warning system to respond as quickly and efficiently as possible to any potentially harmful situation that might arise.

You want to note that the Higher Education Opportunity Act, or HEOA, that was passed last August expanded some of the requirements for campus security. For instance, your policy must include a statement about the enforcement authority of the campus security personnel and their relationship to state and local police departments, and whether or not they have (your campus security) has an agreement with those departments to investigate crimes that occur on your campus. The HEOA also expanded the list of hate crimes that have to be tracked and reported. And finally, HEOA requires institutions to include a statement of policy regarding their emergency response and evacuation procedures in the annual security report. As part of that policy, you must describe how you will actually test that emergency response procedure at least once every single year. So, you have to do some type of a test to show that you have those procedures ready to go in case you ever need to use them. If you have questions about the additional requirements of HEOA, there were some regulations that were very recently published within the last month and one-half that cover all of those additional requirements.

The next finding on program reviews is "Satisfactory academic progress policy not monitored or not adequately developed." The administrative capability regulations in *34 C.F.R. §668.16(e)* address numerous areas in which a school must demonstrate that it is capable of administering the Title IV programs, and satisfactory academic progress is one of those requirements. As a reminder, an SAP policy must contain all of the required components. For instance, a qualitative and quantitative measure, the increment in which the SAP will be checked, the completion rate and the maximum timeframe the students have to complete a program and still receive Title IV aid. In addition, if you have probationary periods or an appeal process, those policies must be included. The policy must be as strict or stricter than any other policy that you have for non Title IV recipients, and it must be consistently applied to all students in the same program or category, and of course, the most important thing is you need to be using that SAP policy to monitor your student's progress to make sure that the students are meeting your standards before you disburse aid to them. An example of this finding, the school included probation in its policy, but it didn't state how long the probationary period would be, any conditions of the probationary period, and the consequences if the student failed to meet SAP standards at the end of that probationary period. In this case, the institution was required to revise their policy and to conduct a file review to determine if any students were no longer eligible for aid based on the revised policy. While schools are given a lot of flexibility when it comes to designing an SAP policy that fits well for your student body, we do expect those policies to be followed. In addition, your policy must at least address those minimum components that I mentioned previously, as well as any optional items that you might have. For instance, do you allow your students to repeat courses; if so, how you would treat that repeat course. Do you have remedial coursework; how is that treated in SAP. Any optional issues like that



should be in your policy, as well. So, in order to avoid having a finding in this area, you want to make sure that you're following your own policy, that you document your SAP determinations, and that you ensure that students are meeting those standards before you disburse aid to them.

The next finding is "Information in student files missing or inconsistent." Resolving conflicting information is also one of the aspects of administrative capability. All schools must have a system in place to identify and resolve all discrepancies with any information received at the school regardless of which office that information is in. And remember that conflicting information must always be resolved regardless of whether or not the student is selected for verification. While this finding can actually cover a variety of different situations, some of the more common ones are that the ISIR data conflicts with the data in other offices at the school or sometimes even in other information that is right there in the financial aid file. For instance, maybe the student reported that she was married on the FAFSA, but you have an admissions application and she said she was single. Somebody should followup on something like that to determine what was the correct answer. Perhaps the school failed to document a dependency override or a professional judgment decision, and in some cases, the school failed to retain the ISIR that they used to establish eligibility for aid for a student.

An example of this finding, in five of the files that the program reviewers looked at, there was no ISIR to support the aid that the student received, but there is not a requirement that you keep a paper copy of an ISIR in all of the student's files, but you do have to be able to produce that ISIR if it's asked for, and in this case, the reviewers asked for those ISIRs and the school could not produce them out of their database. Also, this school had a clock hour program and they couldn't document the actual number of hours that the students had attended for over half of the students in the sample. The school didn't have any type of electronic timekeeping system, and instead, students just signed themselves in on a roster at the beginning of the day, and signed back out at the end of the day, but there was no recordkeeping to determine whether or not the students actually went to class or clinic. So the school was not able to document that the students had actually attended the clock hours that they were scheduled to attend each day. To address these problems, the school provided training to the financial aid staff on records management, and also developed a backup system for all of their files, including their ISIRs so that those could be retrieved if needed, and then the school also implemented a new electronic time-keeping system that the students had to use to clock in and clock out every time they left class. In addition, they required their instructors to start taking attendance, and then they cross-checked the attendance records with those time clocks to make sure that they were documenting the clock hours attended each day. Some other solutions would be, for instance, to make sure that all subsequent ISIRs that you receive for students are reviewed to determine whether or not there was anything that changed that could affect the student's eligibility, and in many cases, inconsistent information in a student file is either caused by either just not paying enough attention to what's already in the file, or failing to followup and review information that is contained in other offices at the school. One really helpful suggestion would be for you to ask someone to do your own little "mini file review." Just randomly



pull 5 or 6 student files, ask someone at your school who is knowledgeable about financial aid, but doesn't have to look at those files on a daily basis, to take a look at them and then report back to you what they discovered. See if they're noticing any inconsistencies, any missing information, or any conflicting information that you should have followed up on, and that would be a great way for you to determine whether or not you have the procedures in place to identify conflicting information.

The next finding is "lack of administrative capability." The administrative capability regulations that I've mentioned a couple of times already actually include a long list of things that schools are required to do to demonstrate that they are capable of administering our programs; those include things like having sufficient electronic processes, consistency of information, adequate staffing, checks and balances, separation of duties, sharing student information with other systems like NSLDS, Direct Loan Servicing or Guarantors, satisfactory academic progress, tracking of withdrawal rates and cohort default rates. When a finding of lack of administrative capability is cited, it is often the result of one or more of the following: Inadequate systems of internal controls and/or checks and balances, inadequate or inexperienced staff, or deficiencies in the institution's satisfactory academic progress policy. In an example of this finding, the program review had numerous other findings, as well, including ineligible disbursements, Pell over and under awards, early disbursements, FISAP Income Grid supporting documentation not maintained, conflicting information, credit balance subsidiary ledger not maintained, incomplete verification, incorrect R2T4 calculations, invalid high school diplomas, and failure to reconcile. Needless to say, with all of those types of findings, there was also a finding of a lack of administrative capability. In addition to returning the ineligible disbursements, the institution was required to develop internal controls and designate knowledgeable and capable individuals to administer the programs. The corrective action plan also included a provision to identify the individual duties and responsibilities of the various staff members, and then to develop an ongoing monitoring system to ensure that the staff members were performing their jobs as required. Probably one of the most important things that you can do to avoid having this finding is to make sure that you do have an adequate number of experienced and capable individuals to administer your programs.

There is one story that I like to tell whenever I do this presentation; it's the only one that I have, so if you've heard it before, you're going to think it's the only joke I have, which is probably true, but it is a true story. One time I received a call from a woman who said that she was the newly hired financial aid director at XYZ School, she had just arrived there that week, and she had absolutely no financial aid experience at all, and somebody had told her that she needed to get a hold of some "izzers" so that she could get the students some financial aid. While it took me a minute to figure out what that was, there wasn't a whole lot I could do to help in that situation because they had hired someone that had absolutely not a clue what federal student aid even is, so needless to say, that school was not going to have a smooth road ahead trying to administer their programs. So, hopefully that doesn't ever happen to you.



Another good thing that you can do is to make sure that you develop a complete policies and procedures manual. The best way to think of what should be in one of these is, what if the person that does the primary financial aid processing couldn't come to work one day, and somebody else had to keep the boat afloat; would you have enough procedures written down that somebody could at least get through them enough to keep the aid coming through to your students? It should be much more complete than that, but that's really the basics of why you want to have a policies and procedures manual, to make sure that everything can keep running no matter who is there. It is not a requirement that you have a policies and procedures manual, but we do think that it is one of the most important things that you can do to make sure that you have the necessary internal controls and that you have an effective and efficient management of the Title IV programs at your school, and if you need assistance in developing a policies and procedures manual, there's a great tool in the FSA assessments that I'll be pointing out to you at the end of this session. Let's keep in mind, too, that having the best written policies and procedures manual in the world doesn't do much good if it's not followed, or if it is not updated as needed, so make sure that you keep it up to date, make the changes and revisions as you need to, and that everybody is aware of what's in that policies and procedures manual.

The next finding is "consumer information requirements not met." This finding can also cover a lot of different situations, but some of the more common ones are that the school failed to provide you some real basic general information about the types of financial aid that they offer, how a student applies for aid, how they disburse aid to the students and so forth, information about the verification process; they didn't have a complete SAP policy, or they didn't provide a thorough explanation of the return of Title IV funds requirement. In a particular program review, it revealed that the school had weaknesses in its consumer information regarding return of Title IV funds. As a reminder, schools are required to provide a summary of the requirements of R2T4 that should provide sufficient information to a student so that student would know, and would be able to estimate about how much aid he or she had earned, and therefore, how much would need to be returned if the student left school before the end of the payment period. In addition, you should always inform the students that if your own institutional refund policy would result in a student having to owe you money after you returned unearned Title IV aid, they should be aware of that, so again, they know the consequences of them leaving school. In a particular case during a program review, the school catalog contained only a very general statement that said that the school abided by the refund policy of the U.S. Department of Education, and that was it. So, needless to say, there was not nearly enough information that the students were getting, the solution was pretty easy. The school just had to go back and expand that policy so that it clearly explained to the students how R2T4 works. When it comes to all of the different types of consumer information, just make sure that all of the necessary information is provided to students, and that you have knowledgeable staff on hand to come and answer their questions if they have any. And please note that HEOA also added additional requirements for consumer information. For instance, you must provide information on retention rates for first-year, full-time undergraduate students, the completion and graduation rates at your institution based on gender, race, and



whether or not the students received grants or loans, and the types of gradual or professional education the students who enroll in your school after completing a 4-year degree, what types of professional programs they go into. Also, if you provide campus housing, HEOA added the requirement to publish an annual fire safety report and to develop a missing persons notification policy. And again, these new requirements were mentioned in regulations that were just published within the last month.

The next finding is "inaccurate recordkeeping." This also can cover a variety of different situations. For instance, in some cases a school can't provide all the documentation needed to support the award that they made to that student. Many times, the finding refers to accounting or recordkeeping systems that do not adequately track all of the awarding and disbursing processes. And finally, the finding can refer to a failure on the part of the institution to reconcile its federal expenditures and program records. In an example of this finding, a school used a very basic bookkeeping system that didn't clearly show when Title IV disbursements had been made or which program those disbursements came from; for instance, Pell or Stafford Loans. In addition, the system didn't show a running balance of charges minus payments and credits that had been made against those charges. Therefore, it was very difficult to determine when a Title IV credit balance had been created and whether or not the school had actually released those funds to the students within the required 14-day timeframe. In addition, although the school had obtained student authorization to hold credit balances, the school didn't have subsidiary ledgers identifying all of those credit balances held throughout the award year. The school's corrective action plan in this case included the purchase of an accounting system that would more readily show the types of federal aid that had been disbursed, the date of the disbursement, and whether or not the posting resulted in a Title IV credit balance. In addition, the school was required to develop that subsidiary ledger system so that they could track all of the Title IV credit balances and to be able to demonstrate that they have the cash on hand at all times to cover those credit balances. One of the best things to do to avoid this finding, especially in the fiscal area, is to develop and fully implement fiscal procedures. Your procedures should look at things like how you request funds from G5, your disbursement procedures, your fiscal recordkeeping process, credit balance procedures, and monthly reconciliation. Maintaining a clear audit trail means that it is possible to trace all federal cash at the point at which it hits your federal bank account to the point where it's disbursed to the students. As a matter of fact, during a program review, most reviewers will ask for copies of your school's bank statements, and they'll take a sample of 2 or 3 drawdowns, and they will ask you to then produce a list of all of the students that received federal funds from those drawdowns, and the 2 lists should match as far as a total dollar amount. A good audit trail should also include cross references in which identifying information is available to offset or support other accounting entries. For example, a Pell drawdown from G5 might have an entry that references the journal page on which you recorded the names of the students who received money from that drawdown. FSA Assessments also has a good fiscal management module that should help you in this area if you feel like you need assistance.



The next finding is "improper or undocumented dependency overrides." Some of the common reasons for this finding are that the school used an unacceptable reason for performing the dependency override; specifically, that either the student was self-supporting or that the parents no longer claimed the student on the parental tax return, or the school failed to document the reason why they performed a dependency override, or the school performed a dependency override one award year, and then they just carried it over to the next award year without determining whether or not those unusual circumstances still existed. In a specific finding for this...in a specific instance for this finding, the institution performed dependency overrides for 4 students who didn't meet any of the normal independent status items, and the school approved the dependency overrides because the students had said that they were living with someone other than parents, for instance a relative or a friend, and they were self-supporting. The files didn't contain any indication that there was any type of unusual circumstance; for instance, that there was an abusive home situation that forced the student to leave home, or that the parents had abandoned the student; there wasn't anything like that. It was just a signed statement from the student saying "I live with this person and I support myself." So, the determination was that these dependency overrides had been made for an ineligible reason. In this case, the school was required to reprocess the awards with the correct dependency status, and return any aid that had been incorrectly awarded. In addition, the school was required to change its procedures and provide the reasons why it would do a dependency override, what the unusual circumstances would be, as well as the documentation that they would ask to support that. If you perform dependency overrides, you should have written procedures that outline the possible unusual circumstances for which you had performed the override, the documentation you would collect, and who will be responsible for reviewing the supporting documentation and making the decision. It's always a good idea to have a committee make a decision like this rather than just one individual, as this will provide a more balanced approach to the process. You'll also want to avoid the appearance of doing mass dependency overrides for a whole bunch of students all for basically the same reason, so just keep in mind that you always do these on a case-by-case basis, and then make sure you fully document your decision.

The next finding is "improper certification of Stafford Loans." Several different situations could cause this finding. For instance, a school might award the annual loan amount based on the wrong college grade level, or the school might fail to prorate a loan for a program that's shorter than an academic year or for a remaining period of study that's shorter than an academic year, and sometimes schools are just unable to document the student's who were enrolled at least half-time when they disbursed the loan. In a specific example here, the school awarded the additional unsubsidized loan amount to dependent students whose parents had been denied a PLUS loan. The problem was, the school was unable to produce any type of documentation showing that the parents had applied and then had been denied for the PLUS loan. Nor did the parents fall in to the unusual circumstances exception, such as that the parents are on public assistance or incarcerated. Since the school couldn't produce any PLUS denial documentation, they were required to conduct a file review to identify all dependent students for whom they had awarded the additional unsubsidized loan amount based on this PLUS denial,



and determine if there were other students that were not eligible; if so, they had to return those ineligible funds. In addition, the school developed a software edit that would prevent the awarding of additional unsub amounts to dependent students until certain check marks had been put into the system to show that someone had determined that these students were truly eligible for these additional funds. Other solutions would be to make sure that you have a system in place to document student eligibility prior to certifying and disbursing loan funds: Is the student enrolled at least half-time...Is the student meeting your SAP standards...Did you use the correct college grade level...How about the loan period? Depending upon the way in which your programs are offered, you may need to monitor the weeks and academic year, and ensure that the student has completed all of those weeks before you certify a new annual loan amount, and perhaps the best way to ensure that all of this monitoring is done is to have a computer system in place that will prevent the certification of a loan until all of the required eligibility checks have been performed, but regardless of your computer system or how you do this, you must have a process in place to determine correctly loan eligibility.

The last program review finding is "ineligible Pell disbursements." There is also a variety of reasons why a school might get this finding. Maybe the school accidentally used the wrong EFC when they were determining the student's eligibility. Or, perhaps they failed to followup on a subsequent ISIR that came in showing that the student was not Pell-eligible. Sometimes the school will have additional requirements, such as the student being asked to turn in a copy of their high school diploma to be eligible for aid and maybe the school didn't get the high school diploma, so they didn't follow their own policy. Or, maybe the student wasn't meeting SAP or was enrolled in an ineligible program. Sometimes the school will disburse a subsequent Pell disbursement before the student has completed the current payment period. In one case, the school had several students who enrolled in the first time and got their first disbursement, then when the spring term came along, the school disbursed the spring disbursement. Unfortunately, there were several students that never enrolled in the spring, so when the program reviewers asked for documentation demonstrating that the school had determined that those students were enrolled, they couldn't produce it. So, needless to say, that aid all had to go back. The school was required to conduct a file review to identify any other eligible disbursements and return that aid, as well. In addition, the school was required to submit a corrective action plan that would prevent future disbursements to students who had not enrolled in that payment period. In order to avoid this finding, it is important to follow your policies and procedures. For instance, if you have a requirement the students have to give to you a copy of their high school diploma, make sure that you have that because when we come and look at your files, if that's what your policy says, we'll expect you to follow it. You should work with your IT department to develop system edits that will make sure that all of the financial aid is being awarded correctly, and that it would prevent any disbursements being made until all of those eligibility requirements have been checked off. In addition, you'll always need to make sure that the student is still enrolled before disbursing aid, and you always want to make sure that the student has completed the payment period before making a subsequent disbursement, and this is especially important if you have either



nonstandard term or non-term programs because often students are completing their payment periods all at different times, so you have to make sure that each one of those students is eligible for the next disbursement.

So, there you have it, “The Top 10 Audit and the Top 10 Program Review Findings.” We’ve been talking a lot about how you can prevent these findings at your institution and the importance of having well-developed policies and procedures. We’ve also mentioned how FSA assessments can help in this case. If you aren’t familiar with the assessments, it’s an on-line quality assurance tool that can be used to help you assess your own internal process and make sure that it is all correct. It is almost like performing your own audit or program review before anybody else gets out there to do it, so it would always be best to find any errors or breakdowns in the system by yourself and get those corrected first. We’ve included a link to the assessments on the slide (<http://www.ifap.ed.gov/qahome/fsaassessment.html>) and then here’s a screen shot of the main page, and there are 3 primary areas: Students, Schools, and Managing Funds. The Students module covers all the basic student eligibility issues, as well as verification and satisfactory academic progress. Under Schools, there’s information on institutional eligibility, default prevention and management, consumer information, and automation. Managing Funds covers pretty much every thing you ever wanted to know about fiscal management. As I mentioned previously, the assessment also includes assistance in developing a policies and procedures manual, and this tool is located under “Innovations,” and there is an arrow pointing to that on this slide. Under Innovations and Policies and Procedures Manual, it actually contains a template that you can use where you can just pull up all of the different policies that you need to have, and then you just plug in your specific information. I have talked to numerous schools that have used this template, and they say that it is really a great way to develop a policies and procedures manual if you don’t have one, or if you do and you want to make sure that yours covers everything, you can use it for that purpose, as well.

So, before we open up the session for questions, I would like to say that if you do have questions, this session is being recorded today, so it would be very important that if you do need to leave, just leave very quietly, and if you do have a question to ask, please go back to the microphone back at the middle of the room and we will address your questions from there, and let me remind you to please turn in your evaluation forms. Do we have any questions?

[AUDIENCE:] I have a question about program reviews. Does the department have policies set up for how they conduct the reviews, who they choose? There was a time when new schools were coming in, you tried to get new schools within a certain timeframe, but what are the rules of the road now?

[HALL:] It used to be not as defined. Now we actually have a whole set of risks that we look at for schools, and it’s things like how they did in their audits, how their financial statements are, whether or not we received student complaints. There’s a variety of different things that would have to come to our attention that would result in us putting



the schools on a program review list, so that's pretty much how we make the decisions now.

[AUDIENCE:] Okay, are those posted somewhere, as well?

[HALL:] It's more of just an internal risk assessment that we have; I don't know if that's actually posted anywhere that it would be available to schools. There is a program review guide that is available to schools on the IFAP website that describes how we conduct program reviews, but I'm not sure if it's in there or not.

[AUDIENCE:] Thank you.

[HALL:] Yes, ma'am?

[AUDIENCE:] Two quick questions. The first one is, with respect to professional judgment, if no conflicting information exists and the file is selected for verification, is it a requirement that the file be verified first before PJ is used because we can't find it in writing anywhere, and the only guidance we're given is that it's longstanding verbal guidance by the Department and ASFA. So, do you have an answer?

[HALL:] If the student is not selected for verification....

[AUDIENCE:] They're selected for verification, but there's no conflicting information, you don't have any data but you didn't ask for that.

[HALL:] Everything is fine with your verification, you mean it matches what the ISIR said?

[AUDIENCE:] Well, our question is, it's not written anywhere that it's a requirement that verification be done before you use professional judgment, it just says that you have to resolve any conflicting information, have clean and accurate data, so is it written anywhere that verification is a requirement before PJ is used? We can't find it in writing, and even NASFA said that it was just longstanding verbal guidance by the Department.

[HALL:] Ok, I'm still not...If you're just asking if I want to do a professional judgment, do I have to do verification first, even if the student hasn't been selected?

[AUDIENCE:] No, they're selected.

[HALL:] Selected. All right. So, if the student is selected for verification you always have to complete verification.

[AUDIENCE:] Okay. Even though it's not written in....



[HALL:] Then after that if you decide that you want to do professional judgment, then you can make that decision, but you always have to go ahead and complete verification if selected.

[AUDIENCE:] So that is a requirement? Okay, thank you. And the second question is, with respect to the master calendar and the HEOA, there is supposed to be a calendar coming out so that all schools had deadlines and requirements so that they can look in one comprehensive place. Has that come out yet, do you know?

[HALL:] All the different implementation dates, you mean?

[AUDIENCE:] There was supposed to be one place where all reporting requirements, deadlines, dates, were all going to be in one master calendar so schools had access to that, but we've not seen that come out and we're just questioning or wondering about that.

[HALL:] I know that it addressed different deadlines in the regulations that just came out, but whether or not there was, I'm not sure. There was just a nice little spreadsheet or something like that that was put together; I don't think that I've seen one like that.

[AUDIENCE:] Okay, thank you.

[HALL:] Other questions? All right, thank you very much, and we'll stay up here for a few more minutes if you do want to just come up and speak to us separately. Thank you.