

*Lisa:*

Okay, let's get started by first listing the top findings. Then we'll discuss each of them in detail. All right, the top ten audit findings are as follows. Return to Title IV calculation errors. In the back can you all hear me? If you can't just say, "Lisa, I can't hear you. Can you speak up?" I can speak up if I need to. The other top ten audit finding is Pell overpayment/underpayment, return of Title IV funds made late, verification violations, over award financial need exceeded and then we have return of Title IV funds not made, enrollment status not verified before dispersment, an improper certification of Stafford Loan. We also have a top audit finding of student credit balance deficiencies and we had a tie for ineligible student not making satisfactory academic progress and repeat finding failure to take corrective action.

The top ten audit – excuse me – program review findings are verification violations, crime awareness requirements not met, student credit balance deficiencies, return to Title IV calculation errors, return of Title IV funds made late, entrance/exit counseling deficiencies, account records inadequate or not reconciled, information in student files missing or inconsistent, satisfactory academic progress policy not adequately developed or monitored and Pell overpayment and underpayment. You might have noticed that there are six findings that occur on both the audit and program review top ten list and they are the verification violations, return of Title IV funds made late, return to Title IV calculation errors and Pell Grant over and under payments, student credit balance deficiencies and satisfactory academic progress. We will discuss each finding only once even though six of the findings are listed in both of our lists, that is the top ten audit and program review finding list due to the similar nature of the findings.

For each of the findings we will first discuss some reasons why a school might have that finding and in other words what could go wrong. Then we'll provide an actual example of the finding from the audit along with the corrective action plan or the solution the school implemented or could implement to avoid that type of finding in the future. Finally, we'll provide some additional corrective actions or solutions you can implement to help reduce the likelihood of having this finding cited in the future.

Just a reminder, it's important to ensure that your corrective action plan also known as the CAP for FSA audits or your management plan response for A133 audits specifically or appropriately address the finding. For example, we had a school that had a finding for not monitoring satisfactory academic progress but in their CAP it talked about returning funds timely. In this CAP the school should

have detailed how it would appropriately monitor satisfactory academic progress. We've also listed the regulatory citations pertaining to the issues on the first slide of each finding.

So let's take a look at the audit findings. Our first top audit finding that we'll go over today is Pell Grant over and under payment. This finding was also one of the top program review findings. Pell Grant over or under payments can be the result of the school using the wrong EFC, an invalid student aid report or using the wrong enrollment status or using an incorrect formula or incorrect number of weeks or hours. Remember that you need to have safeguards in place to ensure proper payments to students. Regardless of the error whether it's over or under payment it must be resolved.

An example of this finding was that there – at a school there was a lack of internal controls over file maintenance and the dispersment process which resulted in the Pell Grant over and under payments. For this school they returned the Pell overpayment to the appropriate Title IV program and the Pell underpayment the school used institutional funds to pay the student since it was related to an award year that had closed. The school also indicated that it would verify student eligibility prior to dispersing any Title IV aid and would adjust aid accordingly. The school further stated that it would develop procedures for resolving Pell and underpayments once identified.

Some other ways to avoid this finding is to use the correct enrollment status from the beginning. Make sure that you use the correct Pell formula and schedule. Verify that the student began attendance in all classes and prorate when needed. You could also assign **SAF** to monitor that Pell dispersments are accurate and timely and periodically select the sample of the files to ensure that you are in compliance.

Now the next top audit finding is verification violations. This finding was also one of the top program review findings. Because students sometimes make errors on the **FAFSA** informations you need to have procedures for verifying the reported information and verification requirements are very well-known and the errors identified are generally the result of an oversight. School must ensure – secure additional documentation to ensure the accuracies of the information provided on household size, number in college, adjusted gross income, U.S. income taxes paid and un-taxed income. In this example verification was incomplete since no tax was returned – do you need us? Are we good? Okay. How's it going?

*Male:* Fine.

*Lisa:* Haven't seen you in awhile. *[Laughter]* He's the one that does all these slides. Give him a hand. He did it. Hey **Joe**. All right, so in this example like I said –

*Female:* Just a second.

*Lisa:* Oh sorry.

*Male:* Have you \_\_\_\_\_.

*Lisa:* You did want me to get **anything**.

*[Crosstalk]*

*Male:* \_\_\_\_\_ today just trying to get in so we just wanted to see if they can present tomorrow. I don't know \_\_\_\_\_.

*Female:* He has to have an answer right now. So give us just a second.

*Male:* \_\_\_\_\_ disclosure.

*Lisa:* Yeah, sure. I have energy. Yeah. *[Laughter]* Sorry guys. Oh that's going to be recorded. Yeah. You're going to cut that, right? *[Laughter]* All right, I'll talk to you later on that one **Jane**. I am sorry guys. This is like the – bye Joe. See you later. Wait, which room?

*Male:* Pardon me?

*Lisa:* What room am I in?

*Male:* We'll figure that out.

*Lisa:* Okay, thanks. I just want to make sure I go to the right room. Okay, back to verification. Isn't this exciting? Woo. Okay, what are we talking about? *[Laughter]* All right. Okay, we're talking about verification. Did you know this was so exciting? All right, in this example like I had mentioned like two minutes ago verification was incomplete since no tax return was submitted for the parent even though earned income required filing. In addition, the number in the household side was incorrect.

So one of the solutions is that the school reviewed and revised its published procedures to ensure that all of the required data elements are verified and that conflicting information is resolved and documented in the student's file. Remember the verification is not complete until all applicable verification items are confirmed and all discrepancies are resolved. If conflicting information is identified the school must secure appropriate documentation and if necessary you need to rerun the need analysis, determine if the award has changed and pay any resulting over award to the applicable Title IV programs. Remember also that conflicting information must be resolved whether the student is selected for verification or not.

Some other ways to avoid these findings are to monitor your school's verification process and revise accordingly to ensure that procedures are followed. Perform your own audit of sample files that were selected for verifications. 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 finding becoming systemic. Also some other useful resources to help you correctly complete verification is by using the verification worksheet that the Department of Education provides or using the FSA assessment specifically under the student section. There's a section called the – it says verification and **Laura** will be giving you an overview of what the FSA assessments are towards the end of our presentation.

So by the show of hands how many of you have used or are currently – I hope that's the answer – using the information for financial aid professionals Website, the IFFAP Website? How many use it? Okay, good job. For those of you that did not raise your hands or are new and do not what the IFFAP Website is it's a Department of Education's Website that consolidates guidance, resources and includes the federal student aid handbook and information related to administration and processing of Title IV fund student aid into one online site for the use by the entire financial aid community. So it's very important that anyone that's involved with financial aid definitely needs to use the IFFAP Website. So if you have any questions about the IFFAP Website we recommend that you stop by the IFFAP table in the PC Lab or see Laura or I at the end of this session.

Finally, some of you may know or we should all know because it was brought up in several of the sessions that the new verification regulations effective date has been delayed until July 1<sup>st</sup> 2012 and that will be for effective the 2012-13 award year. For this session

we're not going to be discussing the details of those changes. So we strongly recommend and I know the sessions have already done – are complete now but that you – when you go back to the office when you have some free time that you – if you haven't already that you review sessions 25 and 26. It's the general provisions and it talks about the program integrity issues and the final rule.

Talking about the program integrity issues how many of you have read the final rule of the program integrity issues, the final rule? Yeah. No, I think it was 140 Laura.

*Laura:* [Inaudible]

*Lisa:* Okay. How many of you that read it? Oh wow. There's a few of you. Okay, so when you all go back home, fly home I want you to print out the copy and then you can read this on the airplane. That would be great. No seriously, we totally – we strongly recommend that you review not only the final rule but the NPRM because there's a lot of very good, useful information in the preamble section. Okay?

All right, let's move on to the next top audit finding which is over award financial need exceeded. Some of the issues we found in audits were that there were no systems in place to ensure over awarding didn't occur. Then there was a lack of communication between offices. Also that non-Title IV funds were not included with financial aid received and the budget was incorrect. For example, we had one school who dispersed subsidized loans in excess of the student's need and for their corrective action the school reallocated the loans to unsubsidized loans, conducted a file review and updated their policies and procedures and trained their staff.

Another way to avoid this finding is to assign a staff responsibility to monitor the effectiveness of the revised policies and procedures. You could also perform and turn a review of your student files. Also remember that 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 it's only – it's 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. You could also review your systems and calculations to ensure compliance.

The next top audit finding is return of Title IV not made. Some of the issues we found in the audits were that the institution was not aware that the student had withdrawn or that there was no system in place to verify R2T4 calculations have been made or there was a lack of communication or coordination between offices. An example of this finding was that several student files the auditor reviewed did not contain R2T4 calculation documentation even though the student had withdrawn. For this school it returned the unearned income, implemented a system to increase controls over the Title IV funds and provided training and support to 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 found that many times R2T4 funds are not made or that they're made late is when there is a lack of communication between offices at the school. For example, we had an academic office is unaware that a student withdrew from the school but – is aware – I apologize – that the student withdrew from the school but does not relay that 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 withdraws.

You could also perform self-assessments by reviewing a random sample of student files and that also the Department of Education has posted a lot of useful resources on the IFFAP Website to help you to avoid this finding and other findings which includes using the FSA assessment. Specifically there is a section under managing funds and you would select return to Title IV – return the Title IV funds module. Another good resource is the 2010-11 Federal Student Aid Handbook and that's in Volume V and it starts on page 5-27.

All right, let's continue onto our next top audit finding which is enrollment status not verified before dispersment. This happens when an incorrect amount of Title IV funds is awarded or that a school is not aware that a student withdrew or that the student changed how many units or hours he or she is taking or that there was a leave of absence issues. For example, in one of the audit reviewed there were several schools tested in the sample. There were considered part time however were awarded or dispersed as full time students. To resolve this issue the school returned the ineligible funds and retrained their staff on enrollment requirements. Another solution is to verify student enrollment status prior to dispersment, perform self-audit of student files and

you could also conduct monthly or quarterly meetings for all of the offices involved in monitoring the status of the students to ensure that your school is in compliance and that everyone is on the same page.

The next audit finding is improper certification of Stafford Loan. Several different situations could result in this finding. For example, a school might award an annual amount based on the wrong grade level or they may fail to prorate a loan for a program shorter than an academic year or for a remaining period of study that's shorter than an academic year. Also sometimes schools are unable to document that the student was enrolled at least half time when the loan was dispersed.

In this example a school awarded the additional unsubsidized amount to the dependent students on the basis of Plus denial however the school was unable to produce documentation showing that either the parents had been denied Plus Loans or that the parents met the unusual circumstances. The school was required to conduct a full file review to identify all the dependent students who received the additional unsubsidized amounts for which the school failed to obtain the necessary documentation and also to return all the ineligible disbursements. In addition, the school developed a software edit that would prevent the awarding of the additional amounts until a flag had been indicated that the students was indeed eligible for the increased amount.

You should make sure that a system is in place to document student eligibility prior to certifying and dispersing loan funds. Is this student enrolled at least half time? Is the student meeting SAP standards? Did you use the correct grade level? How about the loan period? Depending on the way in which your program is offered you may need to monitor the weeks in the academic year and ensure that student has completed the prior academic year before certifying a new loan amount. Another good way to ensure that all this monitoring is done is to have a computer system in place that would prevent the certification of a loan until all the required eligibility check list checks have been performed. But regardless of the computer system you must have a process in place to determine a loan eligibility. It's also important to perform self-audit of your student files.

Our next top audit finding is student credit balance deficiencies. Federal regulations require that whenever an institution disperses Title IV funds by crediting a student's account and the total amount of all Title IV funds credited exceeds the amount of the

tuition and fees assessed 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 remainder of the academic year. In this example the auditor noted a credit balance was 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 a credit balance has 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 timely to avoid issuing credit balance late. You should also understand the regulations regarding minor prior year charges. For details on this topic please refer to the 2010-11 Federal Student Aid Handbook specifically starting on page 4-10.

Finally, our last top audit finding is repeat finding failure to take corrective action. When an auditor identifies a specific finding as a repeat finding or a school fails to take the corrective action on a prior audit finding it can be a clear indication of a lack of administrative capability. Further, if a repeat findings are significant enough the school may be considered to have past performance issues and therefore not meet the financial responsibility requirements. If a finding is determined to be systemic or repetitive in nature that places or may continue to place federal funds at risk or cause harm to students a referral for an administrative action can be made and this includes limitation, suspension, determination or a fine.

You must ensure that your corrective action presented previously to the Department of Education is 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 we had a school that had repeat findings for incomplete verification, incorrect certification or unsub loan, Pell under awards, loan under awards and student status confirmation reports submitted late or inaccurate. As I indicated previously a school that fails to take the correct action on a prior audit finding can be a clear indication of a lack of administrative capability. In its corrective action plan the school stated that its operating procedures were modified requiring



the director of the financial aid to review all the student files for eligibility prior to dispersment of aid.

In addition, on a quarterly basis they would review sample files to ensure the school was in compliance. Some other ways of avoiding this finding are to determine why your corrective action plan or management plan or response was not effective and make adjustments as necessary. For instance, we had some schools when they submit their CAP or management plan for repeat findings they use exactly the same language from the year before. There was one school in particular that had the same finding three years in a row and they submitted the exact CAP for all three years. Now we definitely got to change the CAP. Don't you think? Yeah, that should not be happening. So don't do that. Okay?

A school should also develop specific procedures for your CAP or plan response action items and it is also very important to assign a responsible person or office that will ensure that your CAP or management plan is implemented and also monitor who will do what and when. As we've already recommended in previous findings it's also important to conduct internal student file reviews and you can decide when is the best time for you to do it whether it be quarterly, monthly. You can do decide that. Remember that your student files need to stand alone when your independent auditor or if you have a program review if we – one of use – well not us.

We don't do program reviews anymore. Right Laura? If you have a program review you need to make sure that your student files, like I said, stand alone meaning that if you're not there at the school when we review those files we should be able to determine from the student's file why you made a particular decision. So the key here is to make sure you have sufficient documentation and you can never have too much documentation.

Finally, it's also very important for you to network with other schools which I hope you are doing this week. I mean how many people do we have? We have like – about 6,000 people? So I'm sure you can find some people amongst the 6,000 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 will have a couple people to contact, to run by them. So remember, go out there and network.

Well there you have it. The top audit findings. We will now move on to the top program review findings which Laura will go over. If you want to please feel free to stand and take a ten second stretch break while Laura and I switch positions. Thanks everyone.

*[Applause and background talking]*

*Laura:* Okay, ten seconds up. As a reminder my name is Laura Hall. I am the Institutional Improvement Specialist in the Atlanta Regional Office. I'm just kind of curious how many of you are from a northern state? How many of you thought you were going to come down to balmy Orlando in the end of November and have like 80 degree days and now we're all freezing down here? I think we should tell **Bill Taggart** that he's responsible for making sure that we have great weather wherever we go.

Okay, so I'm going to cover the section on top program review findings. Now when we're looking at the audits we're looking at audits from all of the schools that are participating in Title IV. There are a few exceptions but generally speaking every school that participates has to submit and independently conducted audit every year. Program reviews, fortunately for you and for us we don't do program reviews at all schools that are in Title IV but we do a pretty good number of them every year.

How many of you have been at a school before when we conducted a program review? Wow. Was that like the most fun you ever had in your life? *[Laughter]* Well hopefully after we get through this section if you ever do get one of those nice letters from us saying, "Hello, we're going to come out to your school and stay there for a whole week," you'll feel a lot more confident that at least you won't have any of these top ten findings that we've been talking about.

For the program review section we actually have only seven findings we're going to cover because remember we had some that were duplicates on both of the lists. So Lisa got three of those duplicate findings. The other three will be here in this section and then we'll do the rest of the program review findings that were not on the audit list. All right, the first program review finding top ten is crime awareness requirements not met. Now just as a reminder all schools are obligated to have a campus security report that outlines all of the policies and procedures that you have at your school to deal with campus security.

You're also responsible for having a system for monitoring and tracking any crimes that are committed on your campus and that information is included in your annual report. Then you also have to go to the campus security Website every year. It's usually opened up around mid-August, early September where you go in and enter the statistics, just the statistics on the Website, and then all of that information is compiled. Then anybody in the country can pull up any school in the country and see how many crimes are committed at that school.

So some of the issues that we have discovered in program reviews are that the school failed to fully develop all of the necessary policies and procedures that addresses all of the requirements of the **Cleary Act**. In some cases we've seen some campus security reports that are no more than one or two paragraphs long. Even if you have a really small school with only 15 or 20 students you can't possibly cover all of the information that you need to relay to your students in one or two paragraphs. Another issue is maybe the report is not prepared at all or it's prepared but it's not distributed to current students and staff. Then another issue that we've seen is that the school failed to adequately develop and implement a process for tracking and monitoring any crimes that are reported at the school.

So in a specific example that we had from a program review this school had several areas that were lacking. In the first case the school did produce a report but they just – they had it in the admissions office and they put an announcement on the bulletin board telling all of their students that if anybody wanted to see this year's report they could go into the admissions office and request that they look at a copy of that report. There also wasn't any way for perspective students to get a copy of that annual report.

In addition, the report had just a simple statement that said that in the last three calendar years no crimes had been committed and this isn't sufficient. There's a whole big, long list of individual crimes that your report has to list and how many times that crime was committed even if it's zero. You still have to show each one of those categories. Also you have to break it down by each of those previous three calendar years. You can't just lump everything all together. In addition, this school informed their students that if there ever was a crime that was committed they were to report it directly to the local police department and the school didn't have any process in place for the students to report that crime to anybody at the school or did they have anybody responsible at the school to collect all of that data.

So in this case the school had quite a bit that they had to do. First of all, they had to make sure that when they distributed that report it was actually sent out to all of their students, not just one copy of it placed in an office somewhere. They also had to develop all the necessary policies and procedures that they were missing. They added a notification in their school catalog telling any perspective students how they could get a copy of that report.

Some other things that you can do to make sure that your campus security report is adequate is to take a look at some of the resources that we have available. The first one is called The Handbook for Campus Crime Reporting and this handbook was initially published in 2005 and it goes into a lot of detail about all the different components of the Cleary Act. It talks about how you define what your campus is, what the parameters of that is, all of the different policies that you have to address, how you can put a system together to be able to have somebody tracking all of that information as well as the part about reporting this information to the online Website. The handbook is a little bit out of date in that it's now five years old, I guess, going on six year old but the good news is that the report is being updated and we're told that the revised handbook should be out within about the next one to two months. So you're going to want to be watching the IFFAP Website for an announcement that we have an updated handbook for campus crime reporting.

There were also some additional items that were added to the campus crime report requirements through the HEOA, the Higher Education Opportunity Act of 2008. For instance, institutions now have to develop and implement a timely warning process and an emergency response process to address any potentially dangerous situations that might occur on your campus. If you're institution has on-campus housing you're also required to now produce fire safety reports or a report that is included in your campus security report. Another helpful document that's out there is entitled information required to be disclosed under the Higher Education Act suggestions for dissemination. This document was actually put together by the National Post Secondary Education Cooperative and includes information not only on what needs to be in your campus security report but it covers all of the different consumer requirements that you have, all the disclosures you have to make to your students and campus security is considered one of those consumer information requirements.

So this document goes through all the different things that you have to disclose to your students. It gives all the deadlines of when this information had to be disclosed but the most helpful part of it is that it does clearly outline all the new things that were added in the HEOA. So if you don't have that document you can access it from this link that we've included on this slide.

The next program review finding we're going to discuss is R2T4 calculation errors. This finding could actually be the result of several different types of errors that schools make. For instance, maybe the school didn't use the correct institutional charges for the payment period. We have a lot of instances where schools will charge for the entire program at the beginning of the program. A lot of clock hour programs are run that way but when the school does the R2T4 calculation they're doing it based on the payment period, not for the whole program. So they have to actually know how to prorate their institutional charges to fit just that particular payment period and maybe they don't do that correctly.

Another error that sometimes schools can make is that they don't count the correct number of days in the payment period or sometimes schools have a scheduled break that's part of that payment period and they're not including, for instance, the weekend before and the weekend after that scheduled break if it all runs together. Then sometimes schools just make calculation errors when they're filling out the form, mathematical or rounding errors. One specific example that we have from a program review this school had a clock hour program. When the students withdrew they were taking the number of clock hours that the student had actually completed as of the withdrawal date. Problem is that regulation changed about four years ago now where instead of using the actual hours completed the school was supposed to use the scheduled hours as of that withdrawal date. So they had used the wrong calculation for all of their students that had withdrawn.

In addition, any students that went on an approved leave of absence and then failed to come back from that LOA the school was using the last day of the leave of absence as a withdrawal date instead of using the last date of attendance which was way before the leave of absence as they were actually required to do. So in this case the school was required to recalculate all of their R2T4s for the students that had withdrawn during the award year in question. They had to return any additional unearned aid that they were responsible for and then they have to modify their R2T4 policies and procedures to ensure that the calculation would be performed correctly in the future.

Some other things that you can do at your institution to try to avoid this finding is that you should definitely have one person for sure that's responsible for keeping up with all of the new regulations and then making sure that that information as it would affect your programs at your school is communicated to all the various offices that would have a hand in making sure that that regulation is accurately kept at your school. Speaking of new regulations, we've been mentioning these program integrity regs that came out on October 29<sup>th</sup> and those do make some changes to return of Title IV funds. One of them specifically is for schools that have standard semesters but they have modules within those semesters and the rules are going to change next year for how you deal with – how you do R2T4 for modules. So you'll definitely want to make sure that you've looked at those new regs.

You can also do your own internal assessment. We've mentioned that several different times but that's a good way that you can determine whether or not your school is following all the correct policies and procedures and if you're seeing any errors, systemic errors in your files then you're going to need to take a look at what your process is and figure out how you can stop making those same errors. You can also use the FSA assessments module called Managing Funds/R2T4 that goes into all the details about doing this particular calculation. Then if you're still doing the calculation on paper forms we would highly recommend that you take a look at R2T4 on the Web. That Website is accessed through the FAA access to CPS online Website.

So you go there first and then there's a link for R2T4 on the Web. If you use the Web based form then, first of all, that's going to eliminate any calculation or mathematical errors because the computer will do all your numbers for you but an added benefit of that is that there are some report features that you can use to help you track all of the different deadlines that you have to meet. For instance, it will keep track of when you did particular calculations and then it'll count down for you how many more days you have before your 45 days are up to return any unearned aid. So there's some really helpful reports that you can use if you're accessing that calculation online.

The next top ten program review finding is return of Title IV funds made late. Now in this case it deals with R2T4 but instead of a calculation error it deals more with the follow up process. For instance, the school might perform the calculation correctly but then they just failed to return the funds within that 45 day

timeframe. Another common problem is that a school will fail to notify the appropriate office of an official withdrawal timely so that the calculation can be performed timely and the money can go back within those 45 days. So you have to have a process in place that once you perform that calculation that someone is responsible for monitoring those days that you have to get that money back and make sure that it's returned timely. So that communication between your various offices is as always very important.

I remember visiting a newly participating school and I was talking to the financial aid director and he had really done a pretty good job of understanding how the calculation is performed. He did some practice forms to make sure he knew how to do it and he set up a process with the – he thought he set up a process with the business office where they would pick it up after the form had been completed. So he had several students that had withdrawn and he had filled out the forms and he put the forms in the appropriate drop box that the business office was supposed to pick up and they were actually going to back the funds off of the students' accounts and return the money.

Problem was that the business office – it was a new process because it's a new school, right? They didn't understand their responsibility and those forms had been sitting there for over a month and they had never been picked up. So needless to say, 30 days out of the 45 days that already passed and nobody had done anything with all of those forms. So talking to all the different people there involved in the process is certainly very important.

Some other compliance solutions that you can have is to make sure that you do have one person that's in charge – at least one person in charge of tracking all the deadline dates to make sure that you're meeting them all. You might want to periodically plan a meeting of the different people from the different offices that are involved in this process, make sure that everybody still understands what they're supposed to be doing. If you have new employees make sure that they know what the rules are and if there are any modifications to the process that you can get those all hammered out during this meeting. Then again, it would be helpful if you used R2T4 on the Web and you'll definitely want to take a look at FSA assessments if you need help in this area.

The next top ten program review finding is entrance or exit counseling deficiencies. There is one error on this slide for any of you that printed it out. It says, "First time, First year," and it's actually first time. Just cross out the first year if you see that there.

Entrance counseling needs to be performed the first time that a borrower receives a Stafford Loan regardless of what grade level they are when they receive that loan. So you need to ensure that the entrance counseling is conducted. It can be conducted in person. You can do it there at your school. Or it can be some type of an audio/visual presentation or you can direct your students to one of the Web based entrance counseling Websites that are out there and there are actually several of them.

Now it's the student's responsibility to do counseling both entrance and exit but it's the school's responsibility to document that they did it. So you always have to stay on top of this. For the entrance counseling you should know that you cannot give a first time borrower their first disbursement until they have completed this entrance counseling. So you'll definitely want to have some type of flag or something on your system that would stop your system from actually dispersing aid to that first time borrower if they haven't completed the entrance counseling.

Then for exit counseling this has to be for any borrower no matter how many times they've gotten loans before and it had to be performed when the student graduates or when the student withdraws without completing the program as well as if a student drops below half time then they have to go through exit counseling. Again, you have to make sure that your students complete exit counseling and if you can't document that they did so then you have another requirement that says within 30 days or you determine that your student never completed exit counseling in any way, shape or form then you're required to physically mail hard copy exit copy materials to that student and you have to be able to document that you did that. We don't say what you have to put in the file to document that.

Some schools will send it Return Receipt Requested and put the card in the student's file but that costs money to mail things that way. So if you don't want to go that route you could create your own form that somebody signs off on that says, "Yes, we mailed it on this date." You can take a photocopy of the envelope. We don't really care what you do but you have to have something in the file to show that if you could not document that the student did exit counseling in any other way then you mailed those materials to the student.

One other comment or question that has come up several times during this conference is for that group of students – now keep in mind we're talking about the students that you cannot document



did this exit counseling in any other way. Some schools have said, “Well if we just send out another letter or an e-mail that says, ‘Here’s the exit counseling Website; go out and do it,’ is that meeting the requirement for mailing the material?” What do you guys think? No. That’s a good thing to do to tell them that they have to do the exit counseling but it doesn’t meet the requirements for mailing the materials to the students.

*Male:* **There’s a note** in the system that says that you mailed the documents on a certain day \_\_\_\_\_ **documentation** if you have it so you mailed out the documents **just have** \_\_\_\_\_ **patient in your hand** \_\_\_\_\_?

*Laura:* Like just in the student’s file? Did you hear the question? He was just saying if you just had a note in the – where – in the student’s file?

*Male:* In the file, yeah.

*Laura:* Saying that those documents have been mailed. I think that would be adequate. If we saw some systemic thing where everybody had that note in their file we may start to question is but again, we don’t say what you have to use to document it. Just something that if an outside person looked at that they would reasonably conclude that yes, you had actually mailed those materials. So in our specific example that we have from a program review when students unofficially withdrew from the school – so that just means they disappeared in the night sometime, right – then the school did notify the students that they had to complete exit counseling. Problem was they didn’t follow up to ensure that the students did that in any way nor did they have any documentation in the file showing that they had done that and they didn’t mail those materials to those students that they couldn’t document it.

Due to the number of errors in this program review, the number of times that this occurred the school was required to conduct a full file review to determine all of the students who had not completed exit counseling and they had to prepare and mail all of those exit counseling materials. Then the school had to review and revise its policies and procedures on tracking exit counseling to make sure that they were going to catch those students that had not completed the counseling as required. So some other compliance solutions that you can do to ensure that you don’t have this finding, again, it would be very helpful if you assigned the responsibility to at least one person to track this whole process especially to identify those students who failed to do either entrance of exit counseling and

then to follow up with those students and do whatever is appropriate with them.

You also have some good resources from us about entrance and exit counseling requirements. The first is called FSA Coach. How many of you have used FSA Coach? Oh a good number of you. Did you find helpful? Please say yes. If you're going to say no don't say it out loud. FSA Coach is actually a tutorial, a Web based tutorial that was designed for new financial aid people but it's very comprehensive. It's basic but it's comprehensive and it covers all the different aspect so Title IV processing and it has a whole section there on doing entrance and exit counseling under the section that's entitled Default Prevention and Management.

There's also stuff in FSA assessments that you can use that will help you with entrance and exit counseling if you need some help there. Then remember too for all of you that are transitioning or are have transitioned from FFEL to Direct Loans students can do their entrance and exit counseling online through the department. Students can do their entrance counseling on StudentLaons.gov Website and they can do their exit counseling now on NSLDS and what's really nice about doing it in NSLDS now is that it doesn't matter whether the students have FFEL Loans previously and now Direct Loans. Because they're out on NSLDS where we have all of that information it's giving them a very comprehensive view of all of their federal student loans and what the repayment amounts might be depending on the repayment plan and so forth. So you have the ability to send your students out to those Websites and then you can also go to the Websites themselves and view and see whether or not a particular student has done the entrance of exit counseling and then you can document it that way if you needed to.

All right, the next top ten program review finding is account records inadequate or not reconciled. This finding could also be the result of a variety of different situations. For instance, maybe the school can't produce all of the documentation needed to support the awards that it made to students or the school doesn't have the information necessary to determine an individual student's eligibility for aid. At other times the finding refers to accounting or recordkeeping systems that don't adequately track all of the different steps in the awarding and the dispersing process and then finally, this finding can occur if the institution doesn't have a process to reconcile their program records with what the department has.

Now again, how many of you have transitioned from FFEL to Direct Loans this year? Okay, a good number of you. I think that reconciliation is going to be one of the areas that you're going to see a difference between FFEL and Direct Loans. For sure you're going to see a difference. When you think about what the FFEL process was you would certify the loan and that would go off to whatever entity it was that you sent it to, usually the guarantee agency. Right? Then many times the lender dealt with the prom note with the student. You might not have even had to do anything the prom note. Then the next thing you knew the money showed up at your school. Right? You got the master check or EFT or whatever it was that the lender sent you. Then you posted that aid to the student's account and then you were done. Right? Pretty much?

Well Direct Loans it's a little bit of a different story, right? You're not only going to be reporting Direct Loan origination and dispersment records to COD but you're going to have to make sure that your students do have an executed master promissory note on file. Once you actually make the actual dispersment you're going to be reporting that information back to the COD system. You're responsible for determining your own funding needs that you have. The money is not going to show up from a bank. You're going to have to figure that out yourself and you're going to have to accurately determine that.

So when you go down and draw down funds from G5 you're going to be able to – you need to know that you should be able to disperse all of that aid within the next three business days. So you have to be tracking your funding needs. Then it is a requirement that you perform monthly reconciliation in the Direct Loan program. That's a regulatory requirement.

So when we talk about reconciliation we need to know that all of the different systems are in sync. So for instance, we need to know that if you have a record of how much money you drew down from G5 in your system that's going to match the G5 system. If you have reported that you dispersed X number of dollars to the COD system for a particular award year you should also be able to run a report from your internal system and tell us exactly how many dispersments you made and those two amounts have to match. So your internal system, the G5 system and COD all have to match when we're talking about our Direct Loan records and you have to make sure that you are reconciled and that you have a process to do that.

Now one common area that we see when schools are doing Direct Loans has to do with the actual dispersment dates and amounts that are reported to COD. When you create a Direct Loan origination record in whatever system you're using you're required to include also dispersment records. They can be anticipated or pending is what they're called in COD. Pending dispersment dates and amounts of you could actually make an actual dispersment at the same that you send in your origination record. But the most common way that the schools do this is to have anticipated dates and amounts included with their origination record. All that does is you're telling us that you think – you don't know for sure but you think that on this day this student is going to get this much money.

Does it always work like that? No. So a lot of times we know that something gets delayed. The student doesn't complete verification or they don't sign their prom note or there's some type of a delay. So by the time you finally get everything in place and you're able to make that actual dispersment it's not longer that same date that was in your anticipated dispersment record that you had previously submitted.

Problem is if you don't change that date to what you actually – when you actually reported that dispersment then we've got a problem because interest starts accruing on whatever date you reported to us in COD. We don't know what you did at your school. Only you know what you did at your school and that actual dispersment record is supposed to be reflecting what you did at your school. So we've seen situations where we will look at the COD record for a student and it'll say that the loan was dispersed on September 1<sup>st</sup> and then we look at the student's ledger, the student's account card or whatever you call it at your school and maybe that student didn't actually get that money until November 15<sup>th</sup>.

Well we've got two and a half months difference in those dates and that means that from – what did I say – September 1<sup>st</sup> on interest was accruing on that dispersment. If it's a subsidized loan you and I are paying that interest because that's where it comes from, right, taxpayer money to pay the subsidized interest. If it's an unsub loan the student is on the hook for that interest for all of those days when the student didn't in reality have the benefit of that Direct Loan dispersment. So it's very important when you're doing your Direct Loan processing that you're double checking to make sure that when you turn those anticipated dispersments into actuals you

change the date if you need to make sure that it reflects the date they actually got that dispersment at your school.

Okay, so an actual example that we had from a program review is that at this school they maintained two different accounting systems. One of them where they recorded institutional charges and any cash payments that the students made and then a whole different system where they were recording Title IV dispersments. Because these two systems were separate the school could never really provide an accurate picture of actually how much more money the student owed the school for charges and it was almost impossible to figure out when a Title IV credit balance had been created. So after the school reviewed the system and we laid out what the issues were with it they determined that there wasn't really any way that they could modify this particular system.

So they ended up buying a new accounting system. They had to purchase something new that met all of the generally accepted accounting principles. They were required to report back to us once they had finally installed this new system and to be able to demonstrate to us that it was going to meet all of the different requirements and specifically that the new system would be able to clearly track when a Title IV credit balance was created so that they could release that money to the student within the required 14 days.

For some other compliance solutions some things that you can do, one of the most important things you can do is to have all of your fiscal procedures clearly outlined in a Policies and Procedures Manual. It should have all of your procedures for requesting funds from G5, what your dispersment process is, how you credit aid to your students' accounts, your fiscal recordkeeping process, credit balance procedures and how you're going to perform monthly reconciliation. We also talk about maintaining a clear audit trail. This means that you can demonstrate from the time that federal funds hit your federal bank account where it went and where it ended up. So we should be able to track it from the day you got a draw down all the way through to the day that that money was dispersed to an individual student.

A good way to be able to do that is to come up with some type of a cross reference system so that, for instance, over where you keep track of all of your draw downs you could have perhaps a reference number that takes you back to another journal that shows you, "Okay, this draw down amount, here are the students that got all of that money and all of that adds up to exactly what that draw down

amount it.” However you decide to do it you have to have that clear audit trail. Then also keep in mind that in the Direct Loan program you should have already received these but you will receive a school account statement or an SAS every month that’s from COD and that’s going to summarize for you all of your draw downs, all of your reported dispersments for that particular timeframe and you should be able to use that report as well to help you reconcile your internal records with COD.

The next top ten program review finding is information in the student’s file missing or inconsistent. This finding can also be caused by a variety of different issues. For instance, maybe the ICER that’s in the student’s file has some information in it that conflicts with data that is in another office at the school or in some cases it conflicts with other data that’s right in that same financial aid file. Or at other times we see where schools have not adequately documented a dependency override or a professional judgment decision.

In one particular example in a program review we had a student that had completed a school application form and had indicated that she was married. She also said that she was married on her FAFSA. Then the student was selected for verification and when the student completed – turned in – can’t talk anymore – turned in her tax return the tax filing status she had used was Head of Household and there was no indication that the school had done anything at all to try to follow up on that possible conflict of information.

If you’re not aware of it the Head of Household status is in almost all cases meant for single individuals that have dependents. There is some very rare instances where a married person can use Head of Household but in the vast majority of cases if they used that it was an incorrect tax filing status. We’ve always said for years that we don’t expect you all at schools to be tax experts but this is some pretty basic information. Right on the front of the 1040 it says who can use which tax filing status. It says who has to file a tax return depending on how much money you made that year. So this is some pretty basic, up front information and we do expect you to keep an eye out on that type of information. In this particular case the school was required to go back and resolve that conflict and really the only way that they could do that was to obtain a correctly completed tax return from this student and if they weren’t able to get that they were going to have to return that money because it was – they had given it to an ineligible student.

Some other compliance solutions, again, a good policies and procedures manual should outline how you will identify and resolve any inconsistent or conflicting information. You should definitely list which offices are going to be responsible for this and of course we say this all the time, it's hard to do but the different offices need to be talking to each other so that all of you know the same information about a particular student. Whenever we have a finding we say that it was one particular person's issue. It was the school. So the school as a whole is responsible for making sure that all the different offices are sharing relevant information. One other issue that comes up with this as well is you'll want to make sure that when you get a subsequent ICER for a student even if you've already figured out what their award is going to be if a new ICER comes in you're required to at least look at that ICER and make a determination whether or not something changed that would affect your student's eligibility.

The next finding is satisfactory academic policy not adequately developed or monitored or that a student that wasn't meeting SAP was given Title IV aid. The SAP requirements currently fall under the administrative capability regulations and we say that of course you have to have an SAP policy. It has to have some minimum components in it. For instance, you have to address the qualitative and the quantitative measures.

You have to say how often you're going to check SAP. You have to give a completion rate for your students to meet and the maximum timeframe that they'll have to complete their program and still be eligible for Title IV aid. Then if you have things like probationary periods or an appeal process you have to make sure that you have policies that cover those as well. The very most important one is you have to make sure that your students are meeting your minimum standards before you disperse aid to them.

So in a program review that we had we had a situation where students started a program at this particular school and then they withdrew. Then a very short period of time later they came back and reenrolled in the same program. The school was not counting the coursework that the student had previously taken for that same program in their SAP determination. They were just starting the student all over again and you can't do that.

Another issue that they had is that their policy said that for the first 12 credits that a student took they simply would ignore those when it came to SAP. It was like a freebie that they gave them all. "We're not going to count the first 12." Well you can't do that

either. We're not any requirement that you can do that.

*[Laughter]*

Then finally the really bad one was that this school awarded aid to over 100 students that were meeting their SAP minimum standards. So they had a \$260,000.00 liability that they had to pay back to the department. So you don't want that to happen to you. You want to make sure that you develop good policies and procedures and that you actually take a look at your students before you disperse aid to them. If you've gone to any of these other sessions about the new regulations I'm sure that you're aware of the fact that SAP has been addressed, right, and you're all going to have to take a look at your policies and by next summer you're going to have to make sure that especially with warning and probation and all that stuff that's in there that your current policy is going to meet the new regulations.

Some other compliance solutions that we have available to you, you're going to want to – you want to make sure that your policy does at least meet our minimum requirements. You have a lot of flexibility still even with the new regs. You have a lot of flexibility to design a policy that meets your programs and your students' needs but you do at least have to have those minimum things that we say should be in a policy. You also have to follow your written policy. Does that seem like sort of a no-brainer?

*[Laughter]* You'd be surprised how many times we go out to look at schools and the policy is, "We can't find anything wrong with it. It might be a little bit different but it's fine with us." But then we look and see how they actually implemented it and they weren't following their own policy. They were doing something completely different. So we hold you to whatever your written policy is and that could be a finding as well, that you failed to follow your own written policy. The most important thing is that you will document your student files showing that when you made that disbursement that student was meeting your minimum SAP requirements or they were on appeal or whatever it is that would make them eligible for aid.

All right, so that's the discussion of the top ten audit and program review findings. We have mentioned several times throughout the day the FSA assessments. How many of you have used that before? A good number of you. Not as many as FSA Coach.

So let's talk about this for just a minute. This is a self-assessment Website tool that we have made available to you. The Department



produces it and it's just out there for you to use. It actually goes through all of the different requirements that you have, for all the different programs that you might have and our programs as well.

It gives you all of the regulations that you have to be in compliance with. It gives you best practices but the most important thing about it is it allows you to assess yourself. So it's like you're holding up the standard over here. "This is what the department says we need to have. Now let's take a look at our own internal process in this particular area and see how we stack up against that. If we're missing some things then you can implement your own changes to get that improved so that you're covering everything."

As a matter of fact many times we recommend that when your next compliance audit is about ready to be done – actually you should probably do this a few months before but it's a good idea to go through some of the sections of FSA assessments because it's almost like you're going to do your own internal audit of your records before your auditor gets there. So if there are some issues hopefully you can get those corrected before it shows up in your audit report. Same thing with the program review. If you get one of those lovely letters from us saying that we're coming out then it's a really good idea to go through the assessments and at least start getting a handle on what we're going to be looking at and see if you can get some of those things fixed.

We have the Website up here for FSA assessments and then we've provided just a screen shot of the main page. How many of you – I'll ask this opposite. How many of you do not have a thorough Policies and Procedures Manual that outlines all the different steps of processing Title IV aid. It's okay. Fess up if you don't. Raise your hand. I know that there's more of you out there that don't have one. We're not going to report you.

If you don't have one or you're afraid that yours is terrible out of date and you need to develop a new one we actually have a template on the FSA Assessments that the people that have used it have really raved about it. It brings up all the different areas that a Policies and Procedures Manual should cover. It tells you what the requirements are and then you just plug in your information about how you do it at your school. Then when you're all done you print it out and you've got a nice 8 ½ x 11 inch, nice, big, thick Policies and Procedures Manual that covers everything that you should be covering.

Okay, before we open it up for questions we said that we were going to give you some contact information. So that's Lisa and I'm Laura and there's our information here. Please feel free to contact us after the conference if you have any questions. Then if you're not sure which regional office you belong in then this last slide gives all of our different regional offices and the states that are associated with that regional office. In each one of our regional offices there are people like Lisa and I, the Institutional Improvement Specialists and we're the generalists that will take questions from any school about any question that you might have and if we don't know the answer we'll certainly direct you to the person that can get you that answer. So don't hesitate to call your regional office if you have any questions or concerns.

Now if we have any questions for the rest of you if you're going to leave if you could keep the talking down please. If you need to slip out that's fine but any questions about the content here if you'd come on up to the microphone please and speak right into it so we can hear you and we'll try to answer those for you. Yes ma'am.

*Female:* Hello.

*Laura:* Hi.

*Female:* I just have one quick question. When you say first time borrowers is that a student who's never borrowed money from another institution that we don't have to do interest counseling on or is that the first time borrower that's first time coming into your institution?

*Laura:* No. It's not just at your institution. It's if this is the first time they've ever gotten a Stafford Loan.

*Lisa:* Anywhere.

*Laura:* Then they're required to go through entrance counseling and not just at your school.

*Female:* If they have we don't have to do it?

*Laura:* That's correct.

*Female:* Okay, thank you.

*Laura:* Now one little caveat to that is for those of you that have grad programs and you have the Grad Plus Loan – does anybody have the Grad Plus Program here? Okay. Keep in mind that there's a little extra requirement there that you have to do Grad Plus Entrance Counseling even if the student did have previous Stafford Loans and received Stafford Loan counseling. The requirements are a little bit different. If they've never had any type of federal loan before then there's more information that you have to give them. If they've had Stafford Loans before but this is their very first Grad Plus Loan you still have to do the entrance counseling but there's not quite as much information that you're required to give them because they already went through some other type of counseling before. Other questions? Did you have one?

*Female:* Yeah. I'm going to come over here to the mic. Since you brought up the new satisfactory academic progress rules that go into effect in July if your annual check is usually at the end of the spring term – we would usually do that in May – that would still be under the current rules. Is that correct? You could implement the new rules beginning the next academic year?

*Laura:* The new SAP requirements will go into effect on July 1<sup>st</sup> of next year. So you can basically keep your current policy right up to June 30<sup>th</sup> and switch over on July 1<sup>st</sup> if you wanted to wait that long.

*Female:* Because I think it's going to require some notification to the students too that things are changing.

*Laura:* Right. Oh yeah, definitely. Anytime you change your policy you need to let your students know about that. Other questions? Did you have one? Okay.

*Female:* Yes. You brought up about the dates in – for the Direct Loans, the dispersment date needing to agree to COD. That's also in Pell, correct?

*Laura:* It – yes.

*[Crosstalk]*

*Female:* Even though that's a grant.

*Laura:* The requirement is the same. Yeah.

*Female:* It's a little different because there's no interest.

- Laura:* That's right.
- Female:* To me it's kind of like Jimmy Crack Corn and I don't care. Right? I mean it's – as long as you're G5 you're not drawing down the money too early or dispersing within your three days why does COD really care the date that a grant –
- Laura:* Well we're not going to say that up here officially.
- Female:* Okay, sorry.
- Laura:* But it is true. We say that you're supposed to be reporting accurate information.
- Female:* Fair enough.
- Laura:* The difference is that loans there's interest. In Pell there isn't.
- Female:* Okay. So the requirement's still there but –
- [Crosstalk]
- Laura:* The requirement is still there. Correct.
- Female:* - we get less crazy with grant money maybe than loan money officially?
- Laura:* It's more of an impact with the loan money than it would be with the grant because of the interest.
- Female:* Okay, thank you.
- Laura:* Yes ma'am.
- Female:* Hi. My question's about the verification and resolving that conflicting information. I don't know about other schools but at our school we really struggle with getting the correct tax returns. We have a lot of people that report married and give us two Head of Households or we'll have where – do other schools struggle with that?
- All:* Yes.

- Female:* So what are we supposed to do? You try to make these people under – the students and their families understand that and it's a battle between us the IRS. Yeah, I know.
- Laura:* Well this is what you do. We know that this is a real issue and students are coming in, families are coming in and saying, "What are you doing telling me we couldn't do this? I went to X, Y, Z tax preparation service and they told me I can do this."
- [Crosstalk]
- Female:* That's right. Exactly. "We have a tax preparer" –
- Laura:* Well because it gives them a bigger refund. That's the reason that people do it.
- Female:* Correct. Yeah, I know that.
- Laura:* So your responsibility to resolve it and you have to resolve it before you can disperse aid.
- [Crosstalk]
- Female:* So they have to –
- Laura:* What we would expect you is just to inform the family or the student that, "Here's the IRS rule." Pull out a 1040 tax return and say, "Look, it says right here who can use this status. Do you meet this requirement?" If they say, "No," then say, "I cannot complete your application file until I have received from you a correctly completed tax return." End of story.
- Female:* So you just refer them back to the IRS.
- Laura:* If they want to go off and do an amended tax form and bring it back to you that's great. If they say, "No, no, no; I'm not going to do that," then say, "Well thank you very much but you can't get aid."
- Female:* Does the same thing apply when you get tax returns where the student and the parent claim both the student? Everybody makes them resolve that?
- Laura:* Yeah, any issue like that.
- Female:* Right. Yes.

*Laura:* So that's just – unfortunately IRS doesn't –

[Crosstalk]

*Female:* That's basic – yeah.

*Laura:* IRS doesn't know when they use the wrong status unless they audit you. So there's probably all kinds – we know that there's all kinds of things you can say on your tax return.

*Female:* But the number of – the exemption thing where the student claims themselves and then the parent claims them you all make them turn in a corrected tax return showing?

*All:* Yeah.

*Male:* You can even go one step further and **report on that** \_\_\_\_\_.

*Female:* Yeah. The other 1040 X. I know.

*Laura:* See, everybody's in the same boat.

*Female:* Yeah. We really – I don't know – maybe we just don't have enough of people looking at verifications at our school but it's a struggle. It's a real struggle for us.

*Laura:* Hopefully this whole new process that they're going about going forward –

*Female:* Will resolve that. Yeah.

*Laura:* - and we hope it's going to work better. I guess we'll have to see but if – maybe you won't have to be verifying that tax return stuff so often and if we could get the people to use that IRS data retrieval business that would really help. So maybe you can push that to your students to go ahead and use that.

*Female:* What did you get – okay now there's a good example. What if you get bad verification information that was obtained through data retrieval? Then what is our obligation as the school? What are we to do?

*Laura:* Well **Jeff** said this morning that if the student did that data retrieval and they didn't change the information from what their tax return said and so that code comes back an **O2**, isn't it?

*Female:* Yeah.

*Laura:* Then that's the documentation that you can use for just the tax return information. That does raise the –

*[Crosstalk]*

*Male:* But that's not going to show the Head of Household.

*Laura:* That's not going to show the tax – that's true. So that's an interesting point. I would say – I'm not Jeff Baker but I would say that even if you get that and a student is selected for verification if – remember it's when you become aware of conflicting information. We don't want you to put your head in the sand but at the same time if in some other way you realize that they did this you're still going to have to follow up on it anyway, I would say.

*Female:* Well I'm glad to hear other schools are struggling with that because that's a big battle for me. Then my pending file just – I mean we have a whole drawer sometimes.

*Laura:* Yes, sir?

*Male:* The new high school reporting requirement. If a student – the admission application lists one high school and on the FAFSA another is that going to be a conflicting information item?

*Laura:* Oh, good question. Nobody has addressed that at all.

*[Crosstalk]*

*Male:* Or provide a different –

*Female:* You said they said –

*[Crosstalk and background talking]*

*Laura:* I don't think so because – yeah.

*Female:* - \_\_\_\_\_ do that this year.

*Male:* They did say we don't have to do anything but –

*Laura:* Yeah. At this point it's just a self-reporting thing on the part of the student. I would say probably not but that's – I've not heard anybody address it one way or the other.

*Male:* We heard that in one of the sessions that we were not required to verify or to update that \_\_\_\_\_.

*Laura:* Okay, so it wouldn't even matter if they had put a different high school name on your application and they said something else on the FAFSA, that that's just – you don't have to do anything with that? Is that what they said?

*Male:* Second – just a second question. I picked a student for verification because there was a comment on the SAR that there was a difference in the taxes they had paid from one year to the other. It turned out that the student had listed his sister as the parent who was ten years older than him and had listed her income, had done everything correctly except where it said mother, who was divorced, he listed his sister \_\_\_\_\_ -

[Crosstalk]

*Laura:* And she hadn't adopted him or anything like that?

*Male:* No. There was no parent checking to see that it would really be impossible for a parent to be ten years older than the student. In the meantime I made him – it turns out the parent – the sister had quite an income and the student was only eligible for a loan but when I made him re-file with the mother's income who had no income he became eligible for a full Pell Grant.

*Laura:* I bet that made him happy, huh?

*Male:* It made him happy, yes. But I think that in your FAFSA processing you should probably put in some kind of edit to see that a parent's age and the student's age since you have them – at least the mother's age if you have it should be in some realistic age grouping.

*Laura:* I can see where you're going with that. It would – we would have an issue though with an adoptive parent. Of course you can't adopt somebody when you're only ten years old either, too.

*Female:* Well a stepparent or –

*Laura:* Yeah. That might be a –



*Male:* Would be too young.

*Female:* Well she could have adopted –

*[Crosstalk]*

*Laura:* Yeah. When you do your evaluation, when you go online and do your evaluation why don't you add that because we actually read all of those. So the folks that do the FAFSA might enjoy hearing that. Yes, ma'am?

*Female:* Yeah, hi. If they fill out the FAFSA with five in the household and then you collect the verification worksheet and they only have four which happens all the time because they take off their 30 old son or something is that conflicting information?

*Laura:* Yeah. Sure, because the verification information – the supporting documentation including the verification worksheet is supposed to support what they put on the FAFSA. So if there's a difference then you're going to have to find out which one was correct.

*Female:* So by a phone call? Do you collect another verification worksheet, household size?

*Laura:* How do you all do that?

*[Crosstalk]*

*Female:* - is verify that your \_\_\_\_\_.

*Female:* Right.

*Laura:* You're taking the answer on the verification worksheet and saying, "Okay, apparently the FAFSA was wrong"?

*Female:* Right. That's what we're doing. That's okay? So we don't consider that conflicting information. We adjust the FAFSA with the verification worksheet.

*Laura:* If you adjust it to what the verification worksheet said very good.

*Female:* Good question.

*Laura:* Okay, well thank you all for staying till the – you can come on up if you want to.

*Male:* You had a question about the entrance counseling. I have a question about exit counseling that came up. We have a new loan coordinator and she was bringing up potential situations that she could just think of. So let's say that you have a student who graduates from an undergraduate program at your institution. Fails to do the exit counseling. You mail the materials but they never complete them. They never send anything in. Two years later the student enrolls at your institution again for a graduate program. They've never completed the exit counseling. Would this become an audit finding because you've never had them complete the exit counseling for their initial loan?

*Laura:* No because remember at that point you have not been able to document that they did do exit counseling anywhere else. So by you sending them the materials that's the best that we can do. Whether or not they read them that's their business. But you sent the materials. So you met the requirement when you mailed out those materials. There is no issue for the future.

*Male:* Perfect. Thank you.

*Laura:* You're welcome. If anybody has more questions and they want to come up we'll be here for the next few minutes.

*[End of Audio]*