

Effie:

We're going to look at first the top audit findings for the fiscal year of 2011, and then we're going to look at the top program review findings. If you look at these, these are the top five of the audit findings. There's no real surprise. Repeat finding, which we'll talk about each finding in detail, return of R2T4 errors, return of R2T4 made late, student status or the roster files either inaccurate or untimely, and Pell overpayment or under payment. Verification violations, a common finding.

Student credit balance deficiencies. This next one surprises me a little bit that it made it in the top ten, and these are top ten by number of deficiencies found in the total number of audits and total number of program reviews conducted for that year. Entrance and exit, counseling deficiencies, and over award or financial aid exceeded. Those are the top ten audit.

Program review findings are very similar. Program review actually has 12 findings because two tied for fourth place, and two tied for tenth place. So very similar, R2T4 calc errors, verification violations, entrance exit counseling, and then crime awareness requirements not met. That's serious. Jim Rinse, he mentioned that today we're cracking down more on that – those type of findings. Again, student credit balance deficiencies, satisfactory academic progress. Either the policy wasn't accurate, adequate, or it wasn't monitored.

And then the next six, R2T4 funds made late, Pell Grant overpayments, underpayments, account records inadequate or not reconciled, inaccurate record keeping, lack of administrative capability. That's the program review version of auditor's qualified opinion, and then information in the student files missing or inconsistent, and those two tied for tenth place.

There are six findings on both lists. I'm not going to say them again. They're there. They're probably what you would have guessed, too, would be the top ones. We're going to address them once under audit so you don't have to hear them twice, although we probably all deserve to hear them twice since they show up over and over, but we'll just do it just once. And how we're going to do this presentation is we're going to introduce each finding, and different reasons why schools may have gotten the finding.

Then we're going to focus on one example of the finding and a solution or solutions to address the finding, and then we're going to give you additional compliance solutions. I'm going to do audit findings. Jan is going to do program review findings. Most

schools have to have an annual audit, compliance audit, conducted by an independent auditor. And the type of audit depends on the school's type of control. So for-profit institutions have to have an audit that's under the inspector general's audit guide. We call that an FSA audit, and private non-profit and public institutions have to have an audit conducted under the OMB circular A133, and if it makes you all feel better, we're audited, too, every year, and it's not pretty. It's not fun.

So we feel your pain. We're there with you. Finding number one, and this is the top finding for number of deficiencies in audit. Repeat finding, failure to take corrective action. You can have, you know, auditors sample every year. They sample about 20, 15, 20 files, sometimes more, sometimes less in the audit, and if you have one finding that comes up every year, let's say late R2T4, and there's just one student every year, doesn't have to be the same student, comes up, comes up, it's a repeat finding.

And some of the reasons why schools get the repeat finding is they fail to implement their corrective action plan. And I'd like to talk about the corrective action plan for a moment in case there are people new or have never had to do one. The corrective action plan is something that's included in the audit report, and it addresses every finding that's in the audit report. Schools can disagree with the finding, and in that corrective action plan, they can put why they disagree, and they have to provide documentation why they disagree that the finding is a valid finding.

But if the school agrees with the finding, then they have to have three things in their correction plan. One is who is going to correct the issue. The second thing is what are you going to do, what are your actions to correct the issue, and the third thing is by when are you going to have this completed. So for example, and I'm going to be a little ridiculous here, but let's take late R2T4 because that's a common repeat finding, and your corrective action plan says okay, this time, we're going to buy the registrar a cow bell. And her name is Jane, and Jane is going to ring the cowbell when a student withdraws, and then Joe in financial aid is going to hear that, and he's going to start doing the R2T4 calculation.

He's going to set his kitchen timer, and then he's going to let whoever, and it depends on the school. Your student accounts, your bursar, whoever let them know that the disbursement has to be pulled back, and the funds now that we have all direct funds,

direct loans and everything, the money has to be pulled back and put back into your funds in G5.

So then you know, the person at student accounts, let's call him Bob, starts his timer up. So everybody make sure that this is all done within 45 days of the date of determination. If the school failed to implement their correction to action plan, it probably means that the school never bought those cowbells and kitchen timers. Right? You never implemented or you never told Janey, Joe, and Bob that they were going to do this. Another reason is the school didn't – that this corrective action plan didn't remedy the instance of non-compliance.

Like maybe Janie, the registrar, was ringing the cowbell, but Joe had his headset on with music and didn't hear it. So you had the procedure in place, but it didn't correct the issue. And then another reason is the school's internal controls, and you're going to hear her saying internal controls over and over, wasn't sufficient enough to correct the problem. You know, you have to have tight policies and procedures, and you have to make sure they're being followed through, and you're going to hear us repeat many things over and over as far as solutions go because it's all very similar.

We give you regulations at each of the bottom of the findings in the regulations cited for repeat findings are 668.16. Those are your standards of administrative capability. This is a section that really should be read by everybody. It says a lot, and for repeat findings, things that can be pulled out of there would be that the school is supposed to administer the Title IV programs in accordance with all laws and regulations.

It says that the school has to designate a capable individual responsible for administering those Title IV programs. It also says that you're supposed to not quite employ, but you're supposed to have an adequate number of people to administer those programs. We see a lot at schools that have a few thousand students and three people working like crazy in the financial aid office. That's not an adequate number of individuals. You know, some mistakes are going to happen because you just can't keep up with everything.

Section 668.174 is your pass performance regulations, and A, and I think it's A with a little letter four, number four, talks about past performance of an institution, and specifically about schools failing to correct prior audit review and – excuse me, program review and audit findings. So in this example – there's a surprise. Late R2T4 and/or calculation errors. A lot of times, they go hand-

in-hand. R2T4 calculation errors and late R2T4. So that's the finding that keeps showing up every year within institution, and the solution is to develop a corrective action plan that works.

You can monitor this. It's all about monitoring. Have two people check. Did this go out? Was this money returned within 45 days? For the R2T4 errors, have two people look at the worksheet if you're not doing it online to make sure it's done right. That's all it's about. It's all about double-checking, and I know everybody has all the time in the world to do a lot of double-checking. I know, I've been there.

Additional compliance solutions ensure everyone is trained. Make sure everyone knows that things have to get done by a certain time, and there's a reason for that. Perform, once again, quality assurance checks, review your corrective action plan if you keep getting repeat findings. Is it working? If it's not working, how do we adjust it? What can we do to proof it, and assign somebody to kind of monitor that for you if you can't do it yourself.

Finding number two on the audit findings is R2T4 calculation errors, and there's a whole bunch of reasons why that happens. Incorrect number of days in the term or payment period. That's a big one. Ineligible funds were entered in funds that could have been disbursed. Grant overpayments were calculated incorrectly. The school may have used an incorrect withdrawal rate. Many times, the school takes attendance but thinks it's okay to use the midpoint, the 50 percent mark as an unofficial withdraw. And then there's always mathematical or rounding errors, too.

And the regulations are 668.22 are all of your return of Title IV regulations, and E talks about the calculation of how much a student earned. And also, if you're taking notes, please put and little F as well because that is the percentage of the payment period, how to calculate the percentage of payment period or period of enrollment, which shows up in these errors. A common R2T4 calculation error we see is the incorrect number of days are used for the term or payment period.

A lot of times, schools don't get the number of days in a break right, and here, we just had the Thanksgiving break, so here is a perfect example. If the students were off all of last week, that's more than five days. That's seven days with the weekend. So those number of days shouldn't be included in the number of days in the payment period.

The solution is work with a registrar or work with an academic dean or whoever you have that knows when the term actually starts, when the term ends, the number of days in the breaks to make sure that everything is done and that you have the number of days correct. Because even if you use an automated R2T4 calculation worksheet, if you enter the number of days in wrong, then it's wrong for every single student that you do, and then we have a systemic issue, and that ends up being a big problem.

Additional compliance solutions, I'm going to be saying the same thing over and over, and I apologize. Pay attention to when new regulations come in. Randomly review some R2T4 calculations to make sure they're done correctly. Complete the school's FSA assessment for R2T4, and there's actually a session here at the conference. I think it's session number 21 that walks you through the FSA assessments. If you're not sure if you've never been there, it'll walk you through and make you more comfortable with that. And use our R2T4 worksheets, we have the electronic ones, and I think it's FAA access to CPS online, and we also have the paper ones, which you could pull right out of the FSA handbook.

I was at a new school recently, and the school was using the servicer's R2T4 calculation, and it was fine, except somehow, the back where you designate where the funds go back to is missing, and the school kind of forgot and returned money to the sub program first instead of the end sub. So if you're using somebody else's worksheet, make sure everything is there, too.

Top audit finding number three, return of Title IV funds made late. Is anyone surprised that R2T4 – I mean mine – repeat finding aside, that the top two are R2T4. Is anyone really surprised? No. Okay. I didn't think so. How come nobody is laughing? Am I not funny? I'm sorry. So why did the school have R2T4 late, late funds not returned within 45 days? Well, the second one on this sheet is actually why you get the finding because the funds weren't returned within the 45-day timeframe.

A lot of it is the school's policies and procedures weren't followed. A lot of it is lack of communication. I worked at a school, a large school. I know that financial aid and student accounts don't always like each other. But you have to communicate. We would do the calculations, and then it would go into some abyss in student accounts, and sometimes they would forget to return the funds within 45 days, and that was back in the days when they were cutting checks back to the FFEL program. There isn't a system in place to identify withdrawals.

And remember, it's 45 days from the date of determination, not withdraw date. So if you don't find out for two months that the student is no longer there, you're still okay. It's 45 days from the date of determination, and then there's no system in place to track the remaining days to return the funds. That's where the kitchen timers come in.

The regulations, again, we're back to 668.22J, which talks about the timely return, the timeframe for returning R2T4, and then 668.173. It's under subpart F, the financial responsibility regulations, and that talks about returning the money back, that the money has to be returned back within the 45 days. I don't know what more to say about this example or this finding since I've talked about it, but the calculations were made, but the money wasn't returned.

You have to have a process in place, whether the person who does the R2T4 calculation keeps a tally, or you have some type of automated system where it can track when an R2T4 was done, but someone needs to be checking by let's say Day 35 to make sure that the money is going to go back by the 45th day.

And then provide training. Have your staff do R2T4 training. We have webinars and things like that. There are many people at these sessions, too. So training is really important. The same additional compliance solutions. Just keep track, monitor your deadlines, make sure the offices talk to each other, have a little lunch together, financial aid and student account something. Perform R2T4 on the web if possible, and then once again, complete your FSA assessments for R2T4.

This is finding number four, the student's status is either inaccurate or not timely reported. And what we used to call SSCR back in the old days is now called a roster file. So the roster files aren't being submitted timely to NSLDS or the school fails to provide the correct last day of attendance or any other changes in the student's enrollment status, or there's conflicting information between what type – is the student a withdrawal, or did the student graduate, and the dates that that actually happened.

The regulation 685.309B. 685 are your direct loan under direct loans, and 309B specifically addresses your student's status confirmation reports, which is what they're still called in the regulations. I did say one example. Right? But each finding has multiple examples, so I'm sorry. The school isn't submitting it

timely, and they're not submitting the correct enrollment status, graduated versus withdrawal. There are no policies and procedures, like who is to do it. Should it be the registrar who does it? Should it be financial aid? Should it be if you have a third party servicer in many cases you can contract with your third party servicer to do it as well?

And I have to go on a personal soapbox here with this. I have two Master's degrees, and if I look myself up in NSLDS, both schools show that I withdrew and not graduated. Yeah. I should call them, but I never have time. So hey, yeah, it's me. Fix it. The dates are correct, but it's wrong. My status is wrong. So it's important to get the correct status. I don't know who does like the department does degree verification when they employ people. So I don't know if somebody would go to NSLDS and say, "Well, she didn't graduate," and you don't want that.

You want your students to have the correct status on the system, too. So your solution is, again, policies and procedures. We like policies and procedures, and we like especially when those policies and procedures are followed. You train staff. You let them know, and if it's an automated thing, it shouldn't say withdrawn if they graduated. You know, I'm sure all automated systems correctly say whether the student withdrew or graduated, and that should be uploaded to NSLDS or wherever else you first send your information to.

More compliance solutions maintain accurate records. You can automate. If you're at a bigger school, you can automate your enrollment. If you're a smaller school and you're making these individual reporting requirements on NSLDS yourselves, just make sure the data is accurate. You designate responsibility, and large schools, it's the registrar's office that uploads the information wherever. Or again, your third party servicer could do it, too.

There is an NSLDS newsletter. I don't know the website. If you just Google NSLDS newsletter, it will pop up, and you can see any updates to requirements. And then for me, use the correct status codes. Number five, Pell Grant overpayment or underpayment. It's a common finding, and it's easy to make mistakes. We use the incorrect Pell formula. It could be formula three, but the school used formula one. Most often, it's incorrect calculations. The school should have prorated but didn't prorate. The incorrect DFC is used.

If you're using the paper Pell formula chart, you need three magnifying glasses to take a look. I know, I can't see it. There's adjustments between terms. The student went full time originally, so you gave them a full time Pell Grant, and then for the spring or semester winter quarter, they go to three-quarter or half time, and then you don't go back and adjust the Pell. So they get a full time Pell, and then there's your overpayment right there. And then with schools that do the calculation, have to do the clock hour calculation, they use the incorrect number of weeks or hours in the calculation.

We've given you five regulations there, and those are all under the Pell Grant. Regulations, different ones to look at when it talks about how to determine a Pell Grant and calculation and everything. And the example, sorry, I just said it, the student was full time, and then they start the next term, and they're half time. So your solution would be to whether it's automated or if you're a smaller school to do it manually is it to check after the add drop period, check everybody's enrollment to make sure that their Pell award equals the correct enrollment status.

Then you can conduct random file reviews and everything like that. But the thing is to catch it upfront to have your procedures in place to check the awards before you disburse it for the following term. Additional compliance solutions, prorate. Use the correct enrollment status. Use the correct formula or the correct Pell payment schedule, and assign responsibilities. A lot of large institutions have one person doing just Pell, or more than one person, but you could do that as well.

Assign one person to do that. Number six, and this is kind of surprises me that this is number six under audit, but it's not number six under program review. Verification violations. Now these reasons are becoming a little bit outdated now that things have changed, but this is how it was in 2011. The verification worksheet was either missing or it was incomplete. Tax returns were either missing or not signed. Not signed tax returns were huge. That's why I'm glad people don't have to sign text transcripts, and why we have the IRS import now.

Conflicting data wasn't resolved. You have to resolve data, conflicting data. So for example, if the student gives you a text transcript but they're not selected for verification, you still have to look at that because there could possibly be conflicting information between the **Icer** and the text transcript. So you have to always resolve conflicting information whether or not the student is

selected for verification. And then personally, I'm very happy the tolerance went away, but in this case, it was there were corrections above the \$400.00 tolerance, and the school didn't recalculate.

34CFR sub-part E are all of your verification regulations, so we included them all. In this example, it was in complete verification, or I would call it incorrect verification. There was no tax returns submitted for the parent of a dependent student, so now it would be tax transcript. There's an incorrect number in the household size. Now I know there's a certain number of days. Is it 90 days? Someone help me here where you don't have to verify household size if you receive everything within a certain period.

But if you do get a verification worksheet that says household size of three and Icer says household size of five, again, that's conflicting information. So you have to resolve that. And then the verification worksheet wasn't signed. So the solution is to revise your procedures to make sure that everybody submits the required documents. Have a checklist. If you're a small school, you could have a real nice checklist. You could have a verification checklist that shows the income on the Icer, the income on the text transcript if you're not doing the IRS import, and just make sure it's all done and resolved.

And then remember to resolve conflicting information. Another thing that I see is many times, parents will sign the students' name on the verification worksheet or vice versa. So kind of look at that, too, because you can tell when the signatures look exactly the same, just with a different name. So be aware of that, too. Additional solutions, monitor your verification process. Do some internal file reviews. I worked at a school. Many, many years ago, we had a high error rate. So what we did was we had daily peer review where we traded files with each other to review our files to make sure things were done correctly, and then if something was wrong, we would bring them back to that person and say, "Yeah, it looks like this is missing," or, "This looks like it wasn't done correct."

Look at your FSA assessments. We have one for verification review, the handbook, the verification guide is Chapter 4 of the application of verification guide. That's one of my favorite chapters because I think it's well written. And then as you know, the regulations changed as of July 1st, so if everything is in the handbook, so you could just go ahead and read that. Number seven, student credit balance deficiencies, the credit balance isn't released to the student within 14 days. Many times, schools don't

have a process in place to know that the credit balance is there, and there's no authorization to hold the credit balance funds.

And we've – we're also finding that the credit balance or the student authorization to hold the credit balance is inaccurate or insufficient, too. It's out of compliance. The regulations 668164E talks about the 14 day requirement, and then 668165B discusses parent and student authorizations, and specifically that you cannot require or coerce a parent or student to sign the form to hold their credit balance funds, and also, that there has to be a statement in there that says the student may rescind this at any time.

Well, here's the example. It was held 14 days beyond when the credit balance was issued. So just somehow monitor this if you're – again, if you're a smaller school, it's easier to see. If you're a larger school, there should be some automated process where either the funds are automatically released to the student, either by direct deposit or whatever your method is, and let your staff know that these funds have to be released in 14 days, and also make sure that your authorization statement is correct.

I just kind of said all this, didn't I? I'm sorry. So here it is. Increase your internal controls. If you're going to have an authorization statement, make sure it's in compliance. We have a nice part in our financial aid handbook, in our FSA handbook about credit balance authorizations, examples on how to do it, and then just make sure that you're releasing the funds.

We get a lot of student complaints in our offices every day. You know, the one or two students that are always calling you, all those students around the country are calling us every day, and a big complaint is always they're not giving me my money. The money came in. They're not giving it to me. And sometimes, they don't understand like first disbursements, second disbursements. So we explain that to them.

But many times, they do have a legitimate credit balance on their account, but the student or the school just isn't issuing it to the student. Okay, number eight. Qualified auditor's opinion cited in the audit. I'm surprised this made the top ten. I am because when I resolved audits, I used to be an institutional review specialist, and I did program reviews, and I resolved audits. I didn't see this too often, so I was like, "Really? Wow, this made the top ten." A qualified opinion is anything other than an unqualified opinion, and to me, that's counter intuitive. Right?

To me, qualified means good, so if you saw qualified opinion, you'd go, "Woo-hoo, we're qualified." But that's not the case. If you get an unqualified opinion, that means you had – it's a clean opinion. That's a good thing. A qualified opinion typically means there's one or two things that isn't in compliant with **Gagis**. There's also adverse opinion, which is even worse. There's a disclaimed opinion where the auditor basically no comment.

There is a worry about the institution being a going concern. There, too, for me is another counter intuitive term. A going concern is a good thing. That means you're going to stay in business. So if an auditor worries that you're not going to be a going concern, that means they're worried you're going to go out of business.

So we see these qualified opinions when there are some serious deficiencies, and a lot of times, there are systematic errors. We see a lot of R2T4 violations. A lot of it is in the financial statements. There aren't really good controls with the school's accounting system, and that's when the auditor will make anything other than an unqualified opinion. And the regulation that talks about this is in your financial responsibility regulations.

It's 668.171, and that's specifically D1, specifically talks about auditors' opinions. There's no specific example for this. We just talked about it, but how to resolve this. Well, you have to look at what's wrong. Why did you have a non unqualified opinion? Why did you have a qualified opinion or another opinion that isn't too good? Do you have enough people working for you? Are they trained? Are they qualified to work for you? Do you have your internal controls?

Are you going to training? Are you training your staff? So that's what you need to look at to make sure you don't get this come up as a repeat finding because that – that just isn't a good thing. Number nine. Entrance and exit counseling deficiencies. Different reasons for that, either new borrowers aren't getting their entrance interviews, students who have graduated or withdrawn aren't getting their exit interviews conducted, students that withdrew and didn't tell you, unofficial withdraws, aren't having their materials mailed to them.

And the regulation is 685304. That has to do with counseling borrowers. So here is another example that's both. This school didn't do entrance counseling and didn't do exit counseling for its unofficially withdrawn students. So you have to develop

something, and for entrance counseling, I think it's easier because you just have to check before a loan gets disbursed. Is there an entrance counseling completed for this student? If yes, good. Go ahead and disburse assuming they met all other requirements. If no, then stop and notify the student, "We can't disburse your loans until you do an entrance counseling session."

For unofficially withdrawn students, you have to mail the material to them, and a question I've gotten before is can we send them an e-mail that shows the NSLDS website to do the exits, and the answer to that is yes. However, if you don't get some kind of a reply within a certain number of time that doesn't – a confirmation that a student completed the exit, then you have to send all those materials to them.

More compliance solutions? I don't know. I just keep jumping ahead. Don't I? Just make sure everything is in place to do it. That's all. Just double check your information, double check before you disburse, and develop procedures and communicate between the offices. The registrar or whoever is in place that knows enrollment should tell financial aid whenever a student leaves, even if that's between terms because you don't have to do an R2T4 calculation if the student leaves between terms because they have finished their payment period or term, but you need to know that because you need to send them exit counseling information.

And then we have an FSA coach module, and then we also have an FSA assessment module. Number ten. Financial need exceeded. Outside scholarships were received by the student, but the student's package wasn't reworked. The student may receive a tuition or fee waiver, either from your own institution or from an employer. The student's enrollment status changes, and that wasn't checked, and that's very similar to the Pell over award situation we talked about.

And then an incorrect DFC, you could be awarding the student Pell and loans from an EFC from an older Icer, and you're just not aware, or you miss that a newer Icer came through with a different DFC. So in our example, the student receives an outside scholarship before all of their direct loans are fully disbursed, and the school doesn't repackage to see if the student is still eligible for those loans. So the solution is to communicate. Once again, communicate between the offices. Typically, checks go to the bursar's office and student account's office, and somehow they

have to let the financial aid office know that a scholarship or a fee waiver or something has come in for that student.

Because you need to go back and repackage the student. And then that's all about training, letting everybody know that this has to occur. And then more compliance solutions. Make sure all outside scholarships and everything are handled consistently, and that again has to do with communicating between the offices. And determine does the student have additional costs. Maybe they're paying for dependent care that you didn't know about. Could you possibly use professional judgment and increase their cost of attendance so that they are eligible for everything.

They're eligible for the scholarship and their subsidized loan money. Monitor federal work study earnings so it doesn't go above the \$300.00 tolerance, and then determine if any aid can replace the EFC, like the teach grant, a plus loan, or an unsubsidized direct loan. That was a lot. Oh, stop. Jan now is going to discuss – is it four? Six. Oh, that's right because there was two ties. Six program review findings that weren't included in the audit.

Jan Brando:

Again, my name is – I'm Jan Brando. I'm an institutional improvement specialist out of Kansas City, and I am going to talk about the – some program review findings in the top ten list, and actually there are 12 program review findings in the top ten list, and Effie covered six of those, and I have six remaining to talk about. And actually, I am going to begin with number four. We're going to talk about crime awareness requirements not completed, and satisfactory academic progress policies not adequately developed or monitored. We're going to look at account records that are inadequate or not have been reconciled adequately, inaccurate record keeping, and lack of administrative capability in information that is missing in student files or is inconsistent.

The first one we're going to talk about is number four. Campus crime awareness. And I – if you were in the general session this morning, you actually heard Jim Rinse talk about how the department is really beginning to concentrate on this one, and I know that probably some of you out in the audience when you hear campus crime awareness requirements, you said, "Man, I am so glad I have a police department or a security department or administration that handles that, and I'm not having to worry about it," and then the other part of the audience was thinking, "I wish I had a police department or a security office that handled this so we didn't have to worry about it."

But we are seeing more and more, and probably the key thing with this is it is number four in program review findings. It's part of the program review general review that goes with a program review, and if there are significant findings, there will be a focused clear review that happens. So even if you don't directly deal with creating the report and making sure all the requirements are met, your administration needs to know this is a top finding. And so when you go back to your schools, I would sit down. If it's not you that has to make this happen, but sit down with your administration and remind them that this is part of the program review procedures, and it is being concentrated on, and it is a top one.

Most of the – a lot of the issues that are born out of a program review are around the policies and procedures are not adequately developed. Not all of the statistics that are required to be audited are included. Everybody is not looking at those completely. The annual report that is required each year on October 1st is not published or distributed, and basically, every enrolled student or current employee must receive a copy of this report. And that has to happen in basically three ways. Either you're handing that report directly to students and employees or you are providing that report through campus e-mail or actually through the postal service.

You're putting a report in the mail to them, or electronic mail, campus mail, or through if you do e-mail and send the link to the student where the report resides. There has to be the exact link of where that student can find or the employee can find that information for your annual report. And it also needs, as part of consumer information, it needs to be easily accessible. It cannot be buried down. A lot of times, that's what we find that when the program review team goes in, they can't even find the report because it's ten links deep into the website, and it needs to be very obvious and a couple of clicks away.

So anyone, including perspective students because that should be available upon request, perspective students and perspective employees ought to be able to find that report very easily. And another one is just failure to track and log all the categories of crime that is required in 66.46 that talk specifically about crime statistics in the security policies that you must be following. It's very detailed.

And also on 66.41, it has the specific reporting and disclosure information that you have to have. And if you will note, the very last part of that third bullet says all campus locations. One of the things that we have found is that everyone is following through for the main campus, but they're forgetting that oh yeah, we offer a program at the shopping center that's five miles away, or we offer a program on another college's campus.

So of course they're covering it, so we don't have to, but that's not the case. If you have a program, even on another college's campus, you need to also be reporting campus crime statistics for that location as well. And so here is an example of a particular school that failed to issue timely warning to response of a campus incident. And it is required that every institution has to be able to alert their campus community so they can make good decisions, informed decisions, about their own health and their own safety.

And so in this case, if they weren't providing a warning, let's say there was a rash of thefts at the library, that institution needs to be aware of that and be able to provide timely warnings to their campus so those students understand hey, there's an issue at the library that I need to be aware of. And in addition to this, and I think we're very well of this type of situation that the institution also needs to have and be able to have an emergency system that can provide immediate information of any type of significant emergency or dangerous situation involving any kind of threat to a student's safety.

And so in this particular case, this institution would have to go back in, revise their policies and procedures to have a timely warning system, and also an alert system. I know that a program reviewer came back, and they were talking about a finding, and they were at a school that only had one building, and they asked about what kind of alert system did the school have in place to be able to warn students if there was something significant. They said there was just a big, blank look. They said, "We ran up and down the halls if there's anything that is a problem."

And so they thought that might need to be shored up with a lot of policy and procedures, to have something very formal so students also understand what kind of system is available and how they're going to get alerts, whether it is something that is ongoing that has happened or there is an immediate emergency that's happened on campus. And that all plays into the annual report as well because all of those incidents should be reported on that annual report and then readily available to students and employees.

In terms of compliance solutions, once again, we talked about the report being published on the webpage being very easy for students to find, students' parents', perspective employees. The handbook for campus crime and safety and security reporting. How many of you have seen that book, have looked at it? Not very many. How many of you know that it's out there?

This book is – this is what can make campus crime awareness because you don't think about it being part of financial aid and being overwhelming. The book itself with its appendices is about 400 pages long. It's very – it's pretty straightforward. It's easy to read, but it's a wealth of information. The link that is on the slide, links to the page where you can find that handbook, but also along with that page is great information around security training, data that you might need, the laws themselves, and the requirements for what you need to put in place. So a great site. The handbook also, in volume two, discusses what you need to have in place for meeting the compliance requirements on this, and also the assessments.

We're going to talk a little bit more about the assessments. Activity five in the assessments also leads you to the minimum requirements that you need to have in place for the policies and procedures around campus crime. We have now number five. SAP policy. It's not adequately developed or monitored. This one has been on program review findings for a while. It's one of those repeat things that tends – doesn't tend to go away, and we handed the new program integrity regulations that went into effect July 1st of 2011 that have left some schools a little bit confused.

We have clarified the language around warning as well as probation and appeals, and I tend to find that schools still are confused about those terms and how to use them because they get mixed up even with their own academics, the terms that academics use on their side. But it's very important to have clarity around that there might be a difference between academic satisfactory progress for financial aid versus what happens on the academic side, and you need to be very clear with the regulations.

And 668.16 – or I'm sorry, 668.34 does a great job. Everything is consolidated now and outlines very clearly what all the components are, defines them, and tells you what you need to do. And specific components include the qualitative, quantitative completion rate, maximum timeframe, what to do with remedial or repeat course work, and then the three. Warning, probation, and

appeals. A lot of schools are having difficulty with consistently applying their policy. Found in many schools that they are perhaps doing the qualitative piece at the end of a payment period because it's pretty straightforward. They're getting grades in, but calculating the quantitative piece may be between the fall term and the spring term.

There's only a couple of weeks, and that's tough, and so they kind of leave that part out. So they are just doing that once a year, but they still want to have the warning and the probation period. And those don't – you can't do that. You're going to have to do all of the components each time if you want to have both the warning and the probation period, and understanding that, you know, what does probation mean? It means to be on probation.

That student had to appeal, had to appeal because they failed the warning or they failed progress. So now, they have to appeal to be placed on probation to be able to continue aid. And what happens a lot of times is aid is disbursed to students who are not eligible. And so it's not an incorrect calculation. It's the entire award that the student is not eligible for. So like in this specific example, the school didn't include all the required components. And they disbursed aid to the student.

So let's say this was they left out maximum timeframe. The requirement that the department's maximum says you – if a student exceeds 150 percent of the published length of the program, the student is no longer eligible for aid, unless they appeal and that appeal is approved. So in this case, school didn't have maximum timeframe. So part of that. So they had to go back, and they had to relook at their policies and procedures. They had to return all ineligible calculations, and they need to establish what Effie talked about so much. Internal controls to make sure that they're monitoring everything, and you know that this many times includes more than just the financial aid office.

Other offices have to be included. I mean academic affairs needs to understand what this means and the importance of timeliness to get information to the financial aid office so they can make this calculation. Maybe that's coming from the registrar's office. And going and getting those offices together and creating policy together and procedures together and reviewing them at least once a year. Make sure everybody is clearly on the same page about the importance of this because you don't want to be returning entire disbursements on students who have been ineligible for these.

Pulling a sample file – and when I was on the school side, an auditor once said to me, “You should pull sample files and go through those files for SAP and return to Title IV.” And my immediate thought is we have enough to do the first time. But it’s such good advice because you begin to look for errors. You know, you find one error, and it might be a staff member made a mistake.

If you find that error twice, I always said in my mind, “Ah, I think I’ve uncovered something.” Well before a program review team comes to your office, you want to have those internal controls in place so that when you begin to find errors, you can write reports so you can find all of those errors, that you have your policy in place that you don’t let those things happen, and you have adequate training lined up as well.

And in terms of training, if you haven’t looked at the – we will talk about the FSA assessments, but it has a great module that talks about the minimum standards that you need to have a compliant SAP policy in place. And the handbook. It’s a great, great chapter, and volume one on SAP. And then there’s always ongoing training, and for the new regulations, it doesn’t hurt to review what those minimum requirements are for the regulations that did go into place on July 1st.

Account records. Not reconciled or they’re inadequate. When we talk about account records, we’re talking about money and how the school is handling those funds. And it is often that when a program review team goes into a school, a school cannot provide the basic documentation that shows a clear audit trail. COD, G5, student accounts, and the school’s own program accounts. They don’t match up. Looking at a student account card instead of each of the programs being listed, unsub, sub with the exact amount that came in.

They’re all lumped together. Federal aid. It is very difficult then for a program review team to be able to trace back to COD and G5 and understand if the school knows when those funds were placed on the student’s account. And it is critical that the school is able to balance their accounts between G5 and COD. Especially now with the new lifetime eligibility requirements for Pell. You do not want to have disbursements that are listed in COD that you have not drawn down the money for, and a student leaves your school to go to another school. That can have negative consequences.

And so before, you know, now even greater than ever before, we need to be very careful and make sure that every 30 days, bottom

line, everything balances to zero. And the other thing that I am surprised about is the failure to have institutional accounts noted that there are federal funds in those bank accounts, that there is not a designation for that. And some big schools clearly have that, and it's required, but it still seems to be a common problem.

And we had talked about the importance of having direct loan and Pell on a monthly – or reconciled on a monthly basis, and ensuring that it's all timely every 30 days. If you do it regularly and you work well with the other offices to make sure all of those accounts balance to zero, when you get to the end of the year, you're not going to have any issues. It will be a breeze.

Additional compliance solutions, it's just making sure that you have procedures in place that we talked about for balancing between COD G5 student accounts. Still finding that a lot of student accounts do not have all the components that they need in terms of aid that was disbursed, and also the credit balances that were given to students. So the clearly defined. So that can be traced.

The assessments has a fiscal management section in it off of IFAP. FSA coach also has school responsibilities. That is great for somebody who is new just coming into the programs to understand the fiscal requirements that are – need to be in place. And even though the blue book has 2005 on it, it's still the fiscal part of the blue book is still very valid in a great place and for a resource.

And the direct loan guide, it has a direct – it has reconciliation sheets for every type of program for Title IV aid in it. So a great resource as well. Inaccurate record keeping, and we probably think of all kinds of the – it's just endless in terms of that, but this is where looking at internal controls again and conflicting information, and that's one of the program review findings also that we'll look at. But inaccurate record keeping can – is just an indication that school is not paying attention to individual student files data that's coming in from other offices.

It could mean that, you know, simply you have if you're taking attendance, that inadequate or mismatched attendance records, if you're required to take attendance and then once again failing to maintain clear disbursement records for that audit trail that a program reviewer won't be looking for when they come in. Here's an example of inaccurate record keeping. Like I said, there could be so many things that could come into this, and so you need to

look at your individual school to see where the weaknesses could be.

Here we have a federal work-study timesheet that looks like a student worked 15 hours instead of three just because of AM/PM errors, and so a student was paid incorrectly because of it. So here you are. You could be working with an outside office, trying to convince that supervisors or payroll processors they need to be very careful with those timesheets because those records are so important, and it may cause you to have to return funds. And communicating with all staff, this is a possible _____ solutions, and looking, once again, internal processes. So you're taking a sample of files of different kinds to make sure that accuracy is at the utmost importance and continual training.

Lack of administrative capability, and Effie mentioned this before. This is one program review finding that you never want a program reviewer to say, "I believe there is lack of administrative capability." You can have errors, but lack of administrative capability says you have a systemic problem, and that there is a reason why they believe you do not have a full understanding of how to keep your programs compliant, that you're not following regulations.

Key things are part of the top ten program review and audit findings, returns not made, and calculations not made well. Honestly, we've gone into schools, and there are absolutely no policies and procedures. None written down. They're passed on from generation to generation in peoples' heads, and that says that leads to lots of problems. The other thing that we have found as schools deliver aid to unreported additional locations, and so when – this is actually part of the sample, so I'll wait just a second. And the other one is that there's not a reconciliation process that's ongoing.

And so schools have access funds, so they have drawn down more from G5 that's reported in COD, and I will tell you for sure that we look at those reports constantly, and they say, "What sets us up for a program review?" And when you continually have excess funds from prior years – so you're not balanced to zero. You have lots of students' complaints. You have issues with your audits. Those types of things can put you on the radar of the department.

So we say, "Something is not right here. Something isn't getting fixed on a regular basis." The other one, separation of duties. More of an issue with small schools where the aid director is also

drawing down funds and placing those disbursements on student accounts. And I know it's really difficult for small schools because you may be a one or two person shop, but it's still a requirement to clearly define those roles, and those rules are there for a particular reason.

So that you know, the same person doesn't have the ability to do both. And here, this school, they began delivering aid at an additional location where more than 50 percent of a program was being offered, and they did not have creditor, state, or department approval before they began dispersing that aid. And so to fix this problem, they had to go back to the state. They had to go back to their creditor, and they had to use the **ECR**, the Eligibility and Certification Report to place that location on, submit to the department, and get approval before they could deliver aid.

So all of the funds that were delivered to those students were ineligible funds, had to be returned to the department. And we are talking about a lot of students at an additional location. It can be very painful. So some folks were under the impression that once they get the PPA, that includes everything. You know, that they can add, or the – depending on what the accreditor says, you can't deliver aid unless you let us know that you have more than 50 percent of a program at that location.

And training for this, you know, fundamentals, fundamentals has changed. I don't know. You have gotten some notifications on that, I think for the better. Before you can even attend fundamentals training, which is offered in every region of the country, it's a four and a half day workshop typically geared towards that new aid administrator, a new school coming in, presidents, chancellors, owners are all required to go.

The new piece to this is that there is a pre-certification training that takes about 20 hours to complete before you can even go so that the time at the fundamentals training is more hands on to really help ground those new folks in the regulatory compliance that's needed to operate the Title IV programs. And policies and _____, always when it comes down to the funds is to ensure that you have procedures in place for reconciliation.

And we have now information in student files that is missing or inconsistent. So conflicting information. This is one where I think you realize how important it is and how reliant financial aid offices are on other offices, and the information that you get from them. And I know that it's not easy to always convince everyone that

what they do is so important to your daily work, but it is. And you know, you may find that you have information on an Icer that says a student has a Bachelor's degree, and you've delivered aid in the first part of the term for that student.

And then several weeks later, a transcript comes into the registrar's office and says this student does have a Bachelor's degree, and they record that, but you don't have a system in place to pick up that changed information. And so that's the type of thing you need to be aware of and be able to run reports on a continual basis to check for changes so that you don't have information that conflicts even with other offices because if the institution knows, the department expects you to know. A lot of times we now find that information is very incomplete when it comes to professional judgment or dependency overrides or SAP appeals. That process may have been done, but when the program reviewer goes to the file, there's no documentation to support that dependency override.

Or it was just a letter from the student, and it wasn't backed up by official documentation, or a student was granted an SAP appeal, but you know, the note in the file says, "I messed up, and I'm going to do better." So we have very specific – because we will hold you to the policies that you have created. The department's minimums, if you create more stringent policies, then the department's minimums, a program reviewer is going to hold you to our own policy and what you have in that.

So remember that. We've had schools argue, "Yes, I know that our maximum timeframe is 130 percent, and we gave aid to people, but it was less than 150." And so but that is not going to be an argument, for we will always look at your policies and procedures to see if you're following them.

Let's see here. This one just came up recently in our office, too. There was an aid application – there was an application in the Icer, reported that the student was married, but the tax return said head of household. As a matter of fact, there were two students, and they both said they were married, and they both said they were head of household. They were married to each other. They had seven kids, three and four. And the financial aid director realized that that is not a correct filing status.

So I had to go back out and contact them, even though they argued with him, contact them and say, "I know this is not a correct filing status. You cannot both be married and both be head of household." And so in – for – and you're not have to be tax

experts, but there's certain basic things that you need to know. If somebody has said, "I'm not filing, but I have \$60,000.00 worth of income," that's probably something you need to be looking at.

Like I said, you don't have to be a tax expert, but that's fairly obvious. Understanding when somebody has to be filing, tax statuses, and what those need to be. Additional compliance solutions is just communicating with other offices on a regular basis, looking for those possibilities, and when can you run reports, when can other offices provide you with information that you can look for those common errors. Periodically review student files, just like we've said. Build those internal controls in. Pull a sample of 15 files and go through them for R2T4 SAP so you know that they are – that you have in place what you need to.

And when it's possible, automate things because we know when human folks touch things, a lot of times the possibility for error increases, so if you can automate things, that will make your life easier and reduce the number of mistakes or possibly inconsistencies. And honestly, if you're getting – if you're not able to file documents in a timely manner and they begin to stack up, the possibility of inconsistent information grows as you don't look at those files, and then you begin to not have time to look at those files, and so what happens is you file away a lot of inconsistent information, which could be found in a program review.

Okay, we have talked about, and I know that a lot of you are probably familiar with IFAP. It's such a great tool. It's such a great resource, and I don't know how many of you are signed up for the weekly notification listserv. I mean this is your source for all, and it comes right to your e-mail giving you the greatest updates on your colleague letters, any kind of electronic notifications, training that is coming out, conference information. It's all right at your disposal. Also, with this, you – and then if you're – I wish I had a pointer, but on the right hand side, you will see that the handbook is there, very easy to access.

You know, the whole thing or volume by volume, and even below that is the code of federal regulations. I know when a school – I tended to look at the handbook for all my answers, and I'm starting to get more comfortable, and the department have to with a code of federal regulations. And sometimes, the code of federal regulations has information that the handbook does not have.

And so I would highly encourage you when you have an issue that you're looking for, look at all the places possible. Start with the code of federal regulations.

Or even if you start with a handbook, a lot of times, where it is in the CFR is actually listed there, and so you can look at both together. FSA assessments we've talked about a lot. The folks that put these together do a fantastic job. It is to help you keep your policies and procedures meeting the minimum standards for the department, and they're very easy to use. They have activities built around each of those – each of the segments, and they are very easy to use and always up-to-date.

And there are three parts of the assessments. There's a student component, schools, and campus based. You can go back home and review those, look at them, but I would spend 10 or 15 minutes just to see what's available there, a great resource. We are part of the Student Eligibility Service Group, and this information gives you all the phone numbers for all the regions. It's also in your conference guide, and so if you have questions, you're looking for the answer, and it's just not clear that's what we're there for.

Out of program compliance, you can contact our regions and ask for assistance, and we'll be glad to help you. Also in the conference guide besides this is Effie and my contact information. We'll be glad to help you with any questions that you have. And that right now is the end of the top ten audit and program review findings, and we will be happy to take questions.

Audience:

I have a question on the repeat findings. When we have the audit, they're going to come in after our year is concluded and after our next year is started, and possibly after our second semester is started. So now, whatever they find from the audit year before, they probably will find this audit year because if anything, we're pretty consistent. How does the Department of Ed look upon audit findings when they are repeated because we're doing the same things that were done the year before?

Jan Brando:

Do you want me to get that?

Effie:

Well, you can't – we have to stop. We got the stop sign. But quickly, I mean if anyone has any questions, we'd be happy to like talk to you on the side here. But quickly, you're saying that within – you're within the same year, award year, but two different fiscal years, which is why the same funding is going to come up twice. Is that what I'm hearing you say?

Audience: No, if we go September to May, and then they come in in September, October, November and do the audit and find things, we're already into the next year doing the same wrong process.

Effie: Then what you should do in your corrective action plan is explain that, that you know, you found it and you fixed it, and even though it showed up again, you've fixed it for the future.

Jan Brando: And the department will look at that. I mean they will understand that.

Audience: Okay, great. Thank you. And one last thing, I know you said no more, but if it's noted on the department's end that we're stretched to our limits, it wouldn't hurt to maybe send a letter and say if you're a registration office that has automatic electronic online registration, and yet more people than the financial aid office has at their disposal, maybe that could be reviewed by the deans of those schools. Just a quick cursory and very strict letter would be very appreciated.

Effie: We'll put that – we'll provide that feedback. Thank you. Thank you all very much.

[End of Audio]