Top Ten Compliance Concerns

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1. NSLDS Enrollment Report – inaccurate/untimely reporting
2. Repeat Findings/Failure to Correct
3. Return of Title IV (R2T4) Calculation Errors
4. Return of Title IV (R2T4) Made Late
5. Verification Violations
6. Student Credit Balance Deficiencies
7. Qualified Auditor’s Opinion
8. Pell - Overpayment/Underpayment
9. Entrance/Exit Counseling Deficiencies
10. G5 Expenditures - Untimely/Incorrectly Reported

Top 10 Audit Findings - by occurrences: FY2017

1. NSLDS Enrollment Report – inaccurate/untimely reporting
2. Crime Awareness Requirements not met
3. Return of Title IV (R2T4) Calculation Errors
4. Drug Abuse Prevention Program Criteria Not Met
5. Student Credit Balance Deficiencies
6. Consumer Information Requirements Not Met
7. Verification Violations
8. Pell - Overpayment/Underpayment
9. Entrance/Exit Counseling Deficiencies
10. G5 Expenditures - Untimely/Incorrectly Reported

Top 10 Program Review Findings – by occurrences: FY2017

1. NSLDS Enrollment Report – inaccurate/untimely reporting
2. Crime Awareness Requirements not met
3. Return of Title IV (R2T4) Calculation Errors
4. Drug Abuse Prevention Program Criteria Not Met
5. Student Credit Balance Deficiencies
6. Consumer Information Requirements Not Met
7. Verification Violations
8. Entrance/Exit Counseling Deficiencies
9. Inaccurate Recordkeeping
10. Satisfactory Academic Progress - Not Developed/Monitored

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Top Ten Compliance Concerns

Findings on Both Lists

Audit and Review Findings:
- NSLDS enrollment reporting – Inaccurate/Untimely Reporting
- R2T4 calculation errors
- Verification violations
- Entrance/Exit counseling deficiencies
- Student credit balance deficiencies

Compliance Issues

Over the last 5 years about 90% of top ten audit and program review findings stay the same (just move around in rankings)
- In fact, the FY16 audit/program review top ten findings are exactly the same in FY17 except the order in frequency slightly changed

Fundamental question to ask yourself if these concerns are occurring on your campus is...WHY!

You cannot fully resolve the problems if you don’t address the underlying issues.

Audit/Program Review Specific Findings

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Top Ten Compliance Concerns

**NSLDS Enrollment Report—Inaccurate/Untimely Reported**
- Enrollment Reporting Report not submitted timely to NSLDS
- Untimely reporting of specific student information
- Failure to provide notification of last date of attendance/changes in student enrollment status
- Failure to report accurate enrollment types and effective dates

*Regulation: 34 C.F.R. § 685.309(b)*

**Repeat Finding – Failure To Take Corrective Action**
- Failure to implement Corrective Action Plan (CAP)
- Ineffective CAP used from previous year(s)
- CAP did not remedy the instances of noncompliance
- Internal controls not sufficient to ensure compliance with FSA guidelines

*Regulations: 34 C.F.R. §§ 668.16 and 668.174(a)*

**R2T4 Calculation Errors**
- Incorrect number of days/clock hours
- Incorrect scheduled breaks
- Ineligible funds as aid that ‘could have been disbursed’
- Improper treatment of overpayments
- Incorrect withdrawal date
- Mathematical and/or rounding errors

*Regulation: 34 C.F.R. § 668.22*

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**Return of Title IV Funds Made Late**

• Returns not made within 45-day allowable timeframe
• School's policy and procedures not followed
• Inadequate system in place to identify/track official and unofficial withdrawals
• No system in place to track number of days remaining to return funds

*Regulations: 34 C.F.R. §§ 668.22(j) and 668.173(b)*

**Verification Violations**

• Verification documentation missing/incomplete
• Income tax returns/transcripts missing
• Conflicting data not resolved
• Untaxed income not verified
• Corrections that exceed tolerance not submitted
• Interim disbursement rules not followed

*Regulations: 34 C.F.R. §§ 668.51–668.61 (Subpart E) and 668.16(f)*

**Student Credit Balance Deficiencies**

• Credit balance not released to student within 14 days
• No process in place to determine when a credit balance has been created
• Non-compliant authorization to hold Title IV credit balances
• Credit balances not released by end of loan period or award year

*Regulations: 34 C.F.R. §§ 668.164(h) and 668.165(b)*

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### Qualified Auditor’s Opinion Cited in Audit

- Anything other than an unqualified opinion
- Serious deficiencies/areas of concern in the compliance audit/financial statements
  - R2T4 violations
  - Inadequate accounting systems and/or procedures
  - Lack of internal controls

*Regulation: 34 C.F.R. § 668.171(d)(1)*

### Pell Grant Overpayment/Underpayment

- Incorrect Pell Grant formula
- Inaccurate calculations
  - Incorrect EFC
  - Incorrect number of weeks/hours
  - Incorrect payment periods
  - Incorrect program academic year definition
  - Incorrect transfer student calculation

- Incorrect Pell recalculation (enrollment status change)
  - Student must start all credit hours in a term-based program for which their Pell was based on

*Regulations 34 C.F.R. §§ 690.62, 690.63, 690.75, 690.79 & 690.80*

### Entrance/Exit Counseling Deficiencies

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

*Regulation: 34 C.F.R. § 685.304*

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G5 Expenditures – Untimely/Incorrectly Reported

- COD/G5/school records not reconciled/reconciled late
- COD disbursements not reported
- COD disbursement records reported untimely
- COD actual disbursement dates do not correspond to actual disbursement dates recorded in student account record/ledger
  - Possible exception if disburse own funds more than 10 days prior to start of payment period or term

Regulation: 34 C.F.R. § 668.164(a)

Crime Awareness Requirements Not Met

- Campus security policies and procedures not adequately developed
- Annual report not published and/or distributed
- Annual report missing required components
- Failure to develop a system to track and/or log all required categories of crimes for all campus locations

Regulations: 34 C.F.R. §§ 668.41, 668.46, 668.49

Drug and Alcohol Abuse Prevention Program Requirements Not Met

- Failure to document drug prevention program policies
- Failure to distribute annual written information about drug prevention to students and employees
- Missing written statement about standards of conduct prohibiting unlawful possession
- Missing description of legal sanctions imposed under local, State or Federal law
- Failure to provide description of drug/alcohol counseling/treatment programs

Regulation: 34 C.F.R. § 86.100

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**Consumer Information Requirements Not Met**

- Financial assistance
- Programs, costs, facilities, policies
- Retention & placement rates
- FERPA disclosures
- Textbook information
- Private loans
- GE disclosures

Failure to provide written policies to students for:
- Verification
- Satisfactory Academic Progress
- Credit balance procedures, etc.

*Regulations: 34 C.F.R. §§ 668.41, 668.42, 668.43*

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**Inaccurate Recordkeeping**

- Failure to document enrollment status before disbursement
- Failure to determine unofficial withdrawals
- Conflicting Last Dates of Attendance (LDA)
- Inadequate or mismatched attendance records for schools that are required to take attendance
- Failure to maintain consistent disbursement records
- Inaccurate/missing Federal Work-Study timesheets
- Failure to follow policies and procedures

*Regulations: 34 C.F.R. §§ 668.24 and 668.161-668.167*

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**SAP Policy – Not Adequately Developed/Monitored**

- Missing required components
  - Qualitative, quantitative, maximum timeframe, repeat or incomplete coursework, etc.
- Improper use of financial aid warning, appeals, probation and academic plans in SAP policy
- Failure to consistently or adequately apply SAP policy
  - Aid disbursed to students not meeting the standards
- Insufficient or missing documentation to support SAP
  - Especially as it relates to student appeals

*Regulations: 34 C.F.R. §§ 668.32(f), 668.34*

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Common Causes of Findings

Potential Problems

- Lack of communication
  - Within the office and between different offices
  - All key personnel not aware of past problems
- Lack of knowledge/training
  - External and internal training
- No functional back-ups; no succession planning
- Lack of written policies and procedures

Potential Problems

- No internal review process; no checks and balances
- Lack of resources
  - Equipment, staff, supplies, software, etc.
- System problems
  - Outdated, limited flexibility, expensive upgrades, manual work-arounds, etc.

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Questions?

Resources for Top 10 Findings

Repeat Finding (Audit)
- Regulations: 34 C.F.R. §§ 668.16 and 668.174(a)
- Need to adequately address underlying findings

R2T4 Calculation Errors and R2T4 Made Late
- Regulations: 34 C.F.R. §§ 668.22 and 668.173(b)
- FSA Assessment: Schools - R2T4 assessment
- Electronic Web Application (https://faaaccess.ed.gov)
- FSA Handbook, Volume 5

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Resources for Top 10 Findings

**NSLDS Reporting – Inaccurate/Untimely Reporting**
- Regulation: 34 C.F.R. § 685.309(b)
- Dear Colleague Letter: GEN-12-06
- NSLDSFAP website - newsletter updates
  - [https://www.nsldsfa.gov/nslds_FAP/default.jsp](https://www.nsldsfa.gov/nslds_FAP/default.jsp)
  - “News & Events” along top of home page

**Verification Violations**
- Regulations: 34 C.F.R. §§ 668.51 – 668.61 (Subpart E) and 668.16(f)
- FSA Assessments: Students - Verification

**Pell Overpayment/Underpayment**
- Regulations: 34 C.F.R. §§ 690.62, .63, .75, .79 & .80
- FSA Handbook, Vol. 3, Chapter 3 and Vol. 4, Chapter 3

**Qualified Auditor’s Opinion Cited in Audit**
- Regulation: 34 C.F.R. § 668.171(d)(1)
- FSA Handbook, Volume 2, Chapter 4
- FSA Handbook, Volume 4, Chapters 5 & 6; Appendix A
- Address underlying findings/concerns

**Student Credit Balance Deficiencies**
- Regulations: 34 C.F.R. §§ 668.164(h) and 668.165(b)
- FSA Handbook, Volume 4, Chapter 2

**Entrance/Exit Counseling Deficiencies**
- Regulation: 34 C.F.R. § 685.304
- FSA Handbook, Volume 2, Chapter 6

**G5 Expenditures Untimely/Incorrectly Reported**
- Federal Register Volume 78, Number 40 (February 28, 2013)
- Regulation: 34 C.F.R. § 668.164(a)
- FSA Handbook, Volume 4, Chapter 2

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Resources for Top 10 Findings

Crime Awareness Requirements Not Met and Consumer Information Requirements Not Met
- Regulations: 34 C.F.R. Parts 86 and 99
- Regulations: 34 C.F.R. 668.6, 668.41 - 668.49 (Subpart D)
- Higher Education Act of 1965, as amended, Sec. 485
- FSA Handbook, Volume 2, Chapter 6 and 7
- FSA Handbook, Appendix F
- FSA Assessments: Schools - Consumer Information
  - Consumer Information Disclosures At-A-Glance
  - The Handbook for Campus Safety and Security Reporting
    - http://www2.ed.gov/admins/lead/safety/campus.html

Satisfactory Academic Progress Policy Not Adequately Developed/Monitored
- Regulations: 34 C.F.R. §§ 668.16(e), 668.32(f), 668.34
- FSA Assessments: Students - Satisfactory Academic Progress (SAP)
- FSA Handbook, Volume 1, Chapter 1
- FSATraining.info
- Learning Tracks: General Student Eligibility

Inaccurate Recordkeeping
- Regulations: 34 C.F.R. §§ 668.16(f) and 668.24

Contact Information

Contact us with follow-up questions about this session:

FAA policy questions: AskAFed@ed.gov
FAA operational questions: CODSupport@ed.gov

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