



Title IV Audit Appeals and Program Reviews

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Today's Agenda

- Title IV Audits & Appeals
 - Requirements
 - Processes
 - Findings
 - Resolutions
- FSA Program Reviews
 - Requirements
 - Processes
 - Findings
 - Resolutions

Title IV Audit Requirements



- Schools must have two types of independent audits annually (limited waivers may be requested):
 - Compliance audit – Type of audit depends on school type of control
 - Public and private non-profit schools: OMB A-133
 - For-profit schools: IG Audit Guide
 - Financial statement audit - Same requirement for all schools

Title IV Audit Requirements (cont'd)



- Office of Inspector General (OIG) also may conduct audits in cases where FSA has concerns about a school's administration of Title IV programs.
- OIG or other federal audit does not satisfy requirement for annual compliance and financial statement audits performed by an independent public accountant.

Title IV Audit Processes



- Audit (both compliance and financial statement) must be submitted within six months of the end of the school's fiscal year or as specified in OMB Circular A-133.
- In cases where the school's fiscal year is not the same as FSA award year, compliance audit will cover parts of two award years.

Title IV Audit Processes (cont'd)



- School is responsible for selecting and contracting directly with a federally qualified auditor at the school's expense.
- Timing of audit is negotiated between school and auditor (within federal requirements).
- School may use the same independent auditor or auditing firm for its required federal audit as the one that usually audits its total fiscal transactions.

Title IV Audit Processes (cont'd)



- For-profit schools must also disclose the percentage of revenues derived from the FSA programs that the school received during the fiscal year covered by the audit as a footnote to its audited financial statements (90/10 rule).
- Schools must make their program and fiscal records, as well as individual student records (including those maintained by a third-party servicer) available to auditor.

Title IV Audit Processes (cont'd)



- Auditor typically conducts exit interview with financial aid and other school personnel at the end of on-site review
 - Discuss the draft findings and review any discrepancies
 - Resolve any disagreements before the final report is prepared
- Final report is prepared by the auditor and submitted to the school

Title IV Audit Processes (cont'd)



- Schools:
 - Must use eZ-Audit to submit financial statements and compliance audits.
- ED:
 - Reviews the audit report for format, completeness, and compliance with the government's auditing standards.
 - Makes preliminary determination about whether school is meeting the financial responsibility standards.
 - Reviews subsequent submissions to determine whether school must provide additional information or take further action.

Title IV Audit Resolutions



- Based on audit findings and the school's written response, ED will make final determination and notify the school accordingly.
- School may dispute ED's findings in writing (any disagreements with the independent auditor's findings should have already been resolved), and potentially request a hearing.
- Unless appeal is granted, school is expected to repay any improperly spent funds and/or associated fines within 45 days.
- **Discussion: What are the typical issues and outcomes for schools in the resolution process?**

Top 10 Title IV Audit Findings



- Repeat Finding-Failure to Take Corrective Action
- Return of Title IV Calculation Errors
- Return of Title IV Funds Made Late
- Student Status – Inaccurate/Untimely Reporting
- Pell Grant Over/Under Payment
- Student Credit Balance Deficiencies
- Entrance/Exit Counseling Not Conducted
- Verification Violations
- Qualified Auditor's Opinion Cited in Audit
- Improper Certification of Stafford Loan

Items in **red** are common findings for both audits and program reviews.

Source: U.S. Department of Education, as presented at the 2011 Association of Private Sector Colleges and Universities (APSCU) Annual Convention.

Top 10 Program Review Findings



- Crime Awareness Requirements Not Met
 - Verification Violations
 - Return of Title IV Calculation Errors
 - Entrance/Exit Counseling Deficiencies
 - Student Credit Balance Deficiencies
 - Satisfactory Academic Progress Policy Not Adequately Developed/Monitored
 - Return of Title IV Funds Made Late
 - Lack of Administrative Capability
- } 2-Way Tie

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Items in **red** are common findings for both audits and program reviews.

Source: U.S. Department of Education, as presented at the 2011 Association of Private Sector Colleges and Universities (APSCU) Annual Convention.

Top 10 Program Review Findings (cont'd)



- Verification Policy Not Developed/Inadequate
 - Return of Title IV Funds Not Made
 - Information in Student Files Missing/Inconsistent
 - **Pell Grant Over/Under Payment**
 - Consumer Information Requirements Not Met
- } 3-Way Tie

Items in **red** are common findings for both audits and program reviews.

Source: U.S. Department of Education, as presented at the 2011 APSCU Annual Convention.

Program Review Requirements



- Purpose - To confirm that school meets FSA requirements for institutional eligibility, financial responsibility, and administrative capability
- Not as structured as audits
- No prescribed frequency or timing; however, ED must:
 - Establish uniform guidelines/procedures and make copies available to schools
 - Permit school corrections if errors not part of a pattern or no evidence of fraud/misconduct
 - Inform state and accrediting agency if action taken against school

Program Review Requirements (cont'd)



- Typically triggered by significant adverse audit findings, accreditation issues, state agency actions, or complaints by students, parents and other concerned parties.
- Priority to schools that meet criteria specified in the law:
 - high cohort default rate or dollar volume of default;
 - significant fluctuation in Pell Grants or FSA loan volume that is not accounted for by changes in programs;
 - deficiencies or FA problems reported by state or accrediting agency;
 - high annual dropout rates; and/or
 - ED determines school may pose a significant risk of failing to comply with administrative capability or financial responsibility requirements.

Program Review Requirements (cont'd)



- With a reduced need to monitor FFEL guarantors and lenders, ED is increasing its role in monitoring institutions.
 - Historically, schools could expect several years between program reviews, and then only if issues were raised by the annual third-party audit or student/parent complaints.
 - This infrequency is probably a thing of the past
 - Most frequent program review and audit exceptions highlight areas of ED focus

Program Review Processes



- Typically conducted on site (at school)
- Reviews scheduled based on availability of ED staff
 - Schools may request alternate dates due to local conflicts (e.g., registration or beginning of term activities)
- Most reviews announced at least 30 days prior to visit, via telephone call to president and financial aid administrator
 - School also receives written notice with request to provide materials prior to the on-site review (e.g., policies and procedures, consumer publications, a list of FSA recipients, etc.)

Program Review Processes (cont'd)



- ED reviewers evaluate compliance with FSA requirements, assess liabilities for errors, and identify needed corrective actions.
 - Includes comprehensive analysis of a sample of aid recipients
 - Review of institutional policies, procedures, and general administration of the Title IV programs, including activities in the business office and other administrative units that facilitate aid delivery

Program Review Processes (cont'd)



- Schools are required to cooperate with ED's review efforts
 - Provide unrestricted access to all information requested to conduct the review
- ED review team typically holds an entrance conference at the beginning of the review
 - Provide school with information about the review and the program review process
 - Allow reviewers to learn how FSA is generally processed at the school

Program Review Processes (cont'd)



- Exit conference held to inform school officials about next steps, summarize preliminary findings, advise of any immediate changes that must be made, and discuss any outstanding items.
- ED team then prepares a preliminary written report.
 - Goal is to issue report within approximately 60 days following site visit, but this timeline is seldom achieved.
- School may respond to this report if it wishes to offer additional information to support its position, or if it disagrees with any of the report's findings.

Program Review Resolutions



- After considering school's response and any additional documentation, ED will send a Final Program Review Determination (FPRD).
 - Identifies each finding, the school's response, and ED's final determination.
- School may be required to take further action, such as:
 - Making student level adjustments and paying liabilities to ED, students, or lenders.
 - Sanctions may include fines, limitations or suspensions of eligibility, and as a last resort, termination of school participation.

Program Review Resolutions (cont'd)



- If school believes ED has not duly considered the facts of the case, it may file an appeal and request a formal hearing, usually with an administrative law judge, and if still not satisfied with the determination, the school may appeal to the U.S. Secretary of Education.
- If not involved earlier, clearly at this point legal counsel should become involved in the proceedings.
- Discussion: What are the typical issues and outcomes from these processes?

Questions & Wrap-up



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