

# 10 Most Common Audit Findings

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financial  
aid



loan  
processing

professional  
development



financial  
literacy



# Top 10 Common Audit Findings 2006

- Repeat Finding – Failure to take corrective action= 616
- Return of Title IV Funds Made Late= 412
- Auditor's Opinion Cited in Audit= 222
- Verification Violations= 180
- Entrance/Exit Counseling Deficiencies= 174

# Top 10 Common Audit Findings 2006

- R2T4 Calculation Errors = 158
- Student Status – inaccurate / untimely reporting = 142
- SCR late/not filed/not retained for 5 years/inaccurate = 138
- Student Credit Balance Deficiencies = 125
- Pell-Overpayment/Underpayment = 122



# **Incorrect Pell Payments**

# Incorrect Pell Payments

## ■ Overpayment/Underpayment

- Always use Pell Grant payment schedule
- Ensure correct student status: full-time,  $\frac{3}{4}$  time, half time
- Monitor total award - cannot exceed maximum allowable

# Incorrect Pell Payments (cont.)

- **Annual award is calculated incorrectly**
  - Amount in a full academic year is based on
    - EFC
    - Change in enrollment status
    - COA
- A full-time student's annual award is the same as the scheduled award in a term-based program

# Incorrect Pell Payments (cont.)

## ■ Recalculation not performed

### ■ Changes in EFC due to

- *Corrections*

- *Updating*

- *Adjustments*

### ■ If any change, Pell award must be recalculated

### ■ Overpayments can be repaid by

- *Adjusting future disbursements*

- *Repayment*

# Incorrect Pell Payments (cont.)

- **Change in enrollment status between terms**
  - Term-based, credit-hour programs must calculate a student's payment for each term
  - Enrollment status may be different in each term
  - Must recalculate if different

# Incorrect Pell Payments (cont.)

## TRUE OR FALSE

T

A student is considered to have begun attendance in all classes if student attends at least one day of class for each course?

# Incorrect Pell Payments (cont.)

## TRUE OR FALSE

T

A school must have a procedure in place to know whether a student has begun attendance in all classes?

# Incorrect Pell Payments (cont.)

## ■ Interim disbursement not recovered

- Can make an interim disbursement while verification is completed

  - For first payment period

- School is liable for interim disbursement if student

  - Received an overpayment

  - Fails to complete verification



# Credit Balance Deficiencies

# Credit Balance Deficiencies

## Definition:

- “An FSA credit balance occurs whenever a school credits FSA program funds to a student’s account and total amount of those funds exceeds the student’s allowable charges”

# Credit Balance Deficiencies

(cont.)

## ■ Must pay

- A. Date balance occurred, if balance occurred after first day of class of a payment period
- B. First day of classes of payment period if credit balance occurred on or before first day of class



# Credit Balance Deficiencies

(cont.)

## ■ Law requires



- Excess PLUS loan funds
- Parent authorization
- School determines

*2006-07 FSA Handbook  
Volume 4, Chapter 2, Page 4-24*

# Credit Balance Deficiencies

(cont.)

## ■ **Must obtain authorization to**

- Disburse FSA funds
- Pay allowable charges
- Hold an FSA credit balance
- Apply FSA funds to minor prior-year charges

# Credit Balance Deficiencies

(Cont.)

## ■ Schools May

- Hold credit balances

## ■ School Must

- Take all reasonable measures
- Process to identify a credit balance
- Return funds
- Identify amount held

# Credit Balance Deficiencies

(Cont.)

- Maintain cash
- Pay remaining balance
- Pay any other funds

## ■ Schools may NOT

- Require or coerce
- Explain how to cancel or modify
- Changes are not retroactive
- Authorization may cover



# Student Status Confirmation Reports

# Student Status Confirmation Reports

## ■ Top 3 findings

### ■ Filed late

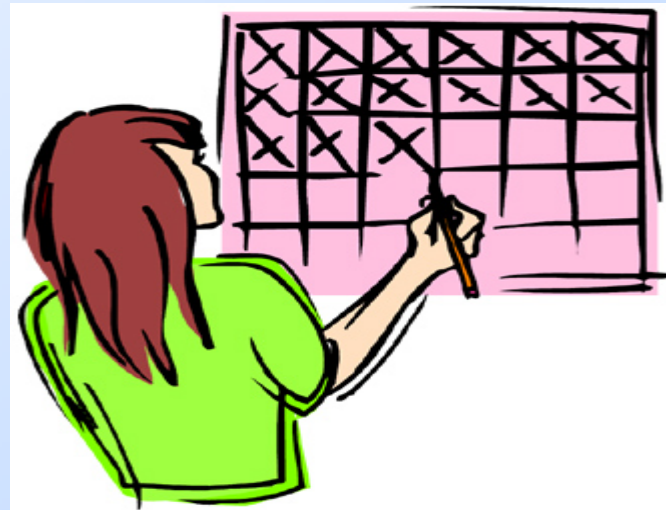
- Last day of term vs. last day of attendance
- Withdrawal

### ■ Not filed

- Reporting

### ■ Not retained

- 5 years





# **Student Status vs. Common Mistakes**

# Student Status vs. Common Mistakes

## ■ Problem Questions

- When did the student withdraw?
- Did s/he graduate?
- Is the student on a LOA?
- Who determined dependency status (FAFSA or PJ)?

# Student Status vs. Common Mistakes

Does this impact my students and my school?





# **R2T4 – Calculation Errors**

# R2T4 – Calculation Not Performed

## ■ When to Calculate R2T4

- Title IV recipient
- No return from LOA
- Withdraws from program

# R2T4–Calculation Not Performed (Cont.)

- **What and how much to consider**
  - Pell Grant
  - Campus based aid (Except FWS)
  - FFEL or DL
  - ACG/SMART



# R2T4–Calculation Not Performed (Cont.)

- **Up through the 60% point**

- Pro rata schedule is used

- **After the 60% point**

- Student has earned 100%

- School must still complete a return calculation to determine eligibility for post-withdrawal disbursement



# Entrance Counseling

## Entrance Counseling

A. First-time borrowers must complete loan counseling before first disbursement is made

B. May be conducted individually, in groups, or online



# **Entrance and Exit Counseling Deficiencies**

# Entrance Counseling

## Entrance Counseling (cont.)

**C. Materials not received online must be mailed to borrower**

**D. Must document that student participated in and completed counseling**

# Exit Counseling

- Must ensure students graduating or withdrawing  
receive loan counseling
- May be conducted individually,  
in groups, or online
- Must document that student participated  
in and completed counseling



# Exit Counseling

## ■ What's required for exit counseling

- Review information
- Monthly repayment
- Repayment options
- Debt management strategies
- Forbearance and Cancellation Options
- NSLDS and FSA Ombudsman Office
- Rights and responsibilities
- Personal contact information

# Entrance and Exit Counseling Deficiencies

What can you do?

- Without notification

  - Online

  - Mail sent to last known address

- Materials must be mailed

  - Within 30 days

# Entrance and Exit Counseling Deficiencies

## ■ For your information

- Not required to use certified mail with a return receipt requested
- Must document that material was sent in student's file
- School must send personal and contact information within 60 days to
  - Guaranty agency
  - Direct Loan Servicing Center



# Verification Violations

# Verification Violations

## ■ School must

- Deadlines and consequences
- Method of notifying of students
- Correction procedures
- Procedures for overpayment cases

# Verification Violations (Cont.)

## ■ A school must provide

- Documents required for verification
- Student's responsibility throughout the process
- How school will notify a student if award changes

# Verification Violations (Cont.)

**Applications verified may include**

1. School selected
2. CPS selected

# Verification Violations (Cont.)

- **School selected**

- Verify

- Counted

- **In these cases school may decide which items to verify**

# Verification Violations (Cont.)

**What are the 8  
verification exclusions**



# Verification Violations (Cont.)

## ■ Verification exclusions

- Incarceration

- Recent immigrant

  - *If arrived during calendar years 2006-2007*

## ■ Spouse unavailable if

- Deceased or mentally or physically incapacitated

- Residing outside the United States and can't be contacted by normal means

- Can't be located because address is unknown

# Verification Violations (Cont.)

- **Parents unavailable if**
  - *Deceased or mentally or physically incapacitated*
  - *Residing outside United States and can't be contacted by normal means*
  - *Can't be located because address is unknown*
- **Death of student**
- **Applicant verified by another school**
- **Pacific Island resident**
- **Not an aid recipient**

# Verification Violations (Cont.)

## ■ Required verification items

- Household size
- Number in college
- Adjusted gross income
- U.S taxes paid
- Certain types of untaxed & benefits

# Verification Violations (Cont.)



## ■ Verification of untaxed Income

- Social security benefits
- Child support
- IRA/Keogh deductions
- Foreign income exclusion
- Earned income credit
- Interest on tax-free bonds

# Verification Violations (Cont.)

## ■ Documentation may be

- U.S Department of Education form
- Institutional form
- Signed statements

## ■ Tax information

- Federal 1040 (schedules optional)
- W-2 (optional)

## ■ Other documentation

# Verification Violations (Cont.)

- **Selected after disbursement**

- Verify application

- Must repay all aid

- *Except Stafford loan funds and FWS wages earned*

- *Cancel any further disbursements*



# **Auditor's Opinion Cited in Audit**

# Auditors Opinion Cited in Audit

## ■ Independent Auditor's Opinion

- ED will rely upon the opinion of the independent auditor in determining whether a school has substantive process problems or meets the mitigating circumstance criteria

## ■ US Schools

- Cohort Default Rate
- Economically Disadvantage
- 60 Day Rule



# **R2T4 – Returns Made Late**

# R2T4 - Returns Made Late

## ■ Beginning July 1, 2006

- An institution must return funds as soon as possible, no later than 45 days, from the determination from the students withdrawal

## ■ Considered timely if school

- Deposits funds into bank account it maintains
- Initiates EFT to lender to adjust a borrower's account
- Issues a check

# R2T4 - Returns Made Late (Cont.)

- **An institution does not satisfy the requirements if**
  - Institution's records show check was issued no more than 45 days or later or
  - Date on cancelled check shows bank endorsed check no more than 60 days later

*Interim Final Regulations*

*Federal Register, Vol 71, No 152, Page 45672*



# **Repeated Findings – Failure to take Corrective Action**

# Repeated Findings–Failure to take Corrective Action

**INSANITY** III

Doing the same thing over and

over again, expecting

different results





# Thank you for attending

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