


# Common Audit Findings and Solutions

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## Top Audit Findings

- Inaccurate/Untimely Reporting
- Return of the Title IV (R2T4) Calculation Errors
- Return of the Title IV (R2T4) Made Late
- Verification Violations
- Pell – Overpayment/Underpayment
- Student Credit Balance Deficiencies



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## Top Audit Findings

- Entrance/Exit Counseling Deficiencies
- **Qualified Auditor's Opinion Cited in Audit**
- Untimely/Incorrectly NSLDS Reporting
- Crime awareness requirements not met
- Satisfactory Academic Progress policy not adequately developed/monitored



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**Findings Found in Both Program Reviews and Compliance Audits**

- Return to Title IV (R2T4) Calculation Errors
- NSLDS Reporting – Inaccurate/Untimely Reporting
- Return to Title IV (R2T4) Made Late



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**Findings Found in Both Program Reviews and Compliance Audits**

- Verification Violations
- Student Credit Balance Deficiencies
- Entrance/Exit Counseling Deficiencies



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**How can you avoid being out of compliance?**



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### How can you avoid being out of compliance?

- “How can you avoid being out of compliance?” Not... “How can you avoid audit findings?”
- Attitude/ Environment- create a culture and an environment that promotes compliance within the financial aid office and across the entire institution



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### How can you avoid being out of compliance?

- Failure happens when institutions use a minimalistic approach to compliance
- My mantra: We are entrusted with the proper distribution of billions of dollars of taxpayers dollars each year



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### How can you avoid being out of compliance?

- Create a team of compliance
  - Leaders should recognize they may not know every aspect of compliance
  - It is difficult for one person to know everything
  - They should identify key areas of compliance opportunity and recognize they cannot ensure compliance alone
  - Have each team member be an expert in key compliance areas



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**How can you avoid being out of compliance?**

- Well written Policies and Procedures
- Create a compliance matrix identifying each department in the intuitional response for compliance and the expectations
- Consider holding an annual institutional compliance workshop
- Training **TRAINING TRAINING**



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**How can you avoid being out of compliance?**

- **Be Proactive not Reactive**
- Consider performing regular internal audits
- Document any majors changes in:
  - > In your software
  - > Institutional Policy and Procedures
  - > New regulations that will or have impacted compliance and the actions you took to correct them



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**How can you avoid being out of compliance?**

- Automate processes with your software system
- Count on automation?
- Do not count on automation?



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## Top 6 Audit Findings and Solutions




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### Inaccurate/Untimely Reporting?

- NSLDS Roster file (formerly called Student Status Confirmation Report [SSCR]) 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)*




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### Inaccurate/Untimely Reporting NSLDS

**Example:** Failure to submit the Roster File timely; no policies and procedures for updating and submitting the Roster File

**Solution:** Develop policies and procedures for processing and submitting the Roster File; train staff on reporting requirements and procedures




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### Additional Compliance Solutions

- Automate enrollment reporting
  - Batch uploads or individual online updates
  - Update frequently
- Designate responsibility for monitoring the reporting deadlines, updating and submitting the Roster File




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### Additional Compliance Solutions

- Review, update, and verify student enrollment statuses, effective dates of enrollment, and completion dates
- Maintain accurate enrollment records
- Monitor the NSLDS reporting website for updates
  - [https://www.nslsdfap.ed.gov/nsls\\_FAP/default.jsp](https://www.nslsdfap.ed.gov/nsls_FAP/default.jsp)
- Disbursement dates reported to COD do not match date of actual disbursements to student account




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### R2T4 Calculation Errors

- Incorrect number of days used in term/payment period
- Actual clock-hours used instead of scheduled hours (and document it)
- Incorrect aid used as “could have been disbursed”
- Incorrect withdrawal date
- Mathematical and/or rounding errors

*Regulation: 34 C.F.R. § 668.22(e) and (f)*




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## R2T4 Calculation Errors

**Example:** Incorrect calculation due to using the wrong number of days for the term/payment period

**Solution:** Work with registrar to receive accurate information regarding enrollment periods, including weekends; be sure to exclude all class breaks of five days or more




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## Additional Compliance Solutions

- Monitor changes in regulation; revise procedures as needed
- Perform self-assessment by reviewing a random sample of student files
- FSA Assessment: Schools
  - > R2T4 module
- Use R2T4 Worksheets
  - > Electronic Web Application
  - > (<https://faaaccess.ed.gov/>) Paper (FSAH)
  - > Paper (FSA Handbook, Vol 5, Chapter 1)




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## Return of Title IV Funds Made Late

- Returns not made within 45-days 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)*




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## Return of Title IV Funds Made Late

**Example:** Returns not made within the required timeframe (45 days)

**Solution:** Develop and implement procedures to ensure that R2T4 calculations are completed and funds returned to the appropriate Title IV program within the regulatory timeframe of 45 days




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## Additional Compliance Solutions

- Periodically review processes and procedures to ensure compliance
  - Tracking/monitoring deadlines
  - Ensuring timely communication between offices and/or systems
- Perform monthly self-assessment
- R2T4 on the Web
- FSA Assessments: Schools
  - R2T4 module




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## Verification Violations

- Verification documentation missing/incomplete
- Income tax transcripts missing
- Untaxed income not verified
- Interim disbursement rules not followed
- Conflicting data not resolved

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




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## Verification Violations

**Example:** Conflicting information reported on the verification worksheet and on the Institutional Student Information Record (ISIR), not resolved

**Solution:** Develop and implement procedures for resolving conflicting data, and submitting ISIR corrections following completion of verification




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## Additional Compliance Solutions

- Develop appropriate verification procedures to ensure timely submission of all required documents
- Monitor verification process
- Create a verification checklist
- Perform monthly file reviews and/or develop quality control review process
- Review *Federal Student Aid Handbook, Application & Verification Guide, Chapter 4*




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## Student Credit Balance Deficiencies

- Credit balance not released to student within 14 days
- No process in place to determine when 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(e) and 668.165(b)*




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### Student Credit Balance Deficiencies

**Example:** Credit balances were not paid timely; credit balance authorization incorrect or inadequate

**Solution:** Develop and implement procedures and internal controls so that credit balances can be identified and released timely; correct credit balance authorization; provide training for staff




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### Additional Compliance Solutions

- Establish internal controls to track dates associated with credit balance payments
- Periodically review processes and procedures to ensure compliance
  - > Tracking/monitoring deadlines
  - > Ensuring timely communication between offices and/or systems
- Conduct a self-audit of credit balance disbursements
- Ensure credit balance authorization is compliant with Title IV requirements
- FSA Handbook, Volume 4, Chapter 2




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### Entrance/Exit Counseling Deficiencies

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

*Regulation: 34 C.F.R. § 685.304*




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**Entrance/Exit Counseling Deficiencies**

**Example:** Exit counseling not completed for unofficial or mid-year withdrawals

**Solution:** Develop and implement procedures to ensure accurate tracking of withdrawals so that exit counseling is completed for all students as needed; post links to entrance/exit counseling on schools web page




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**Additional Compliance Solutions**

- Assign responsibility for monitoring the entrance/exit interview process
- Develop and implement procedures to ensure entrance/exit counseling is completed; automate tracking, monitoring; post links on school's web page: [www.studentloans.gov](http://www.studentloans.gov) for entrance, [www.nsls.ed.gov](http://www.nsls.ed.gov) for exit




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**Additional Compliance Solutions**

- Develop procedures for ensuring communication among registrar, business, and financial aid offices
- Provide staff training
  - FSA Coach: Module: Loan Counseling Requirements
  - FSA Assessments: Schools
  - Default Prevention & Management
- FSA Handbook, Volume 2, Chapter 6




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