



MCCLINTOCK
& ASSOCIATES

A HIGHER GRADE OF ACCOUNTANTS

How To Survive An Audit

Before, During and After a Pandemic

Disclaimer



- ▶ This presentation and the accompanying discussion are provided for informational purposes only.
- ▶ The contents of this presentation do not constitute legal, regulatory or accounting advice. No party should act or refrain from acting on the basis of this presentation without seeking individualized legal counsel or accounting advice, as appropriate.
- ▶ Content in this presentation should not be redistributed or republished without consent.

Agenda

- ▶ Audits - Why Do We Need Them?
- ▶ Audit Preparation
- ▶ Expectations During the Audit
- ▶ Audit Completion
- ▶ Pandemic Timeline
- ▶ What Do You Need To Do Now?

Audits - Why Do We Need Them?

- ▶ Required by the Department of Education for all Institutions
- ▶ Ensure Institutions are compliant
- ▶ Determine any liabilities or risks (protect students as well as protect taxpayers' dollars)
- ▶ Assist Institutions in enhancing administrative capabilities
- ▶ Determine any necessary corrective action(s)

Audit Preparation

- ▶ Prepare
 - ▶ All year, not just during the audit
- ▶ Document
 - ▶ Document, document, document . . .
- ▶ Organize
 - ▶ Retain relevant documents in an audit file

Audit Preparation

- ▶ Self-Audit
 - ▶ Perform internal file reviews
 - ▶ Especially when changes are made such as new policies, programs, personnel, software, etc.
- ▶ Awareness
 - ▶ Attendee training
 - ▶ In-office, through local, regional and national originations/agencies, and other sources
- ▶ Reflect
 - ▶ Look back to prior year's audit report
 - ▶ To avoid repeat filings

Audit Preparation

- ▶ Ensure Catalog/Brochure/website is current, accurate, and that all staff is following protocols
- ▶ Ensure Policy & Procedure manual is current, accurate, and that all staff is following protocols
- ▶ Review FSA Audit Guide and Program Review Audit Guide -remain current on any updates/policy changes
- ▶ Remember, your auditor is available for any new changes that you may need assistance with—don't wait for a finding!

Don't wait for a finding!

Expectations During Audit

- ▶ Participants
 - ▶ All necessary staff
 - ▶ Title IV compliance is not solely the Financial Aid Office's responsibility!
- ▶ Availability
 - ▶ Ensure staff is available during
 - ▶ Site visit
 - ▶ File testing
 - ▶ To answer questions
 - ▶ Provide documentation

Expectations During Audit

- ▶ Student Files
 - ▶ Complete
 - ▶ Reduce the risk for additional documentation needs
- ▶ Other Documents
 - ▶ Complete and accurate
 - ▶ Award roster
 - ▶ G5 drawdowns
 - ▶ Enrollment statuses

Expectations During Audit

- ▶ Review Of Institutional Documents:
 - ▶ Catalog/Brochure/Handbook
 - ▶ Policies and Procedures
 - ▶ Published Campus Security Information
 - ▶ Student Consumer Publications
 - ▶ Online Student Consumer Information
 - ▶ Institutional Forms, Applications, and Worksheets
- ▶ Interviews Staff members

Expectations During Audit

- ▶ Review Key Institutional Elements:
 - ▶ Institutional Eligibility
 - ▶ Administrative Capability
 - ▶ Program Eligibility
 - ▶ Consumer Information
 - ▶ Campus Security
 - ▶ Financial Responsibility
 - ▶ NSLDS/COD
 - ▶ FISAP

Expectations During Audit

- ▶ Review Key Student Eligibility Elements:
 - ▶ Attendance
 - ▶ Cost of Attendance
 - ▶ Credit Balances
 - ▶ Enrollment Status
 - ▶ Dependency Overrides/Professional Judgment
 - ▶ Return of Title IV Funds
 - ▶ Satisfactory Academic Progress
 - ▶ Verification
 - ▶ Calculations/Disbursements
 - ▶ Entrance and Exit Counseling

Expectations During Audit

- ▶ Additional records reviewed in Student files:
 - ▶ Admissions
 - ▶ Academic
 - ▶ Student Account Ledger

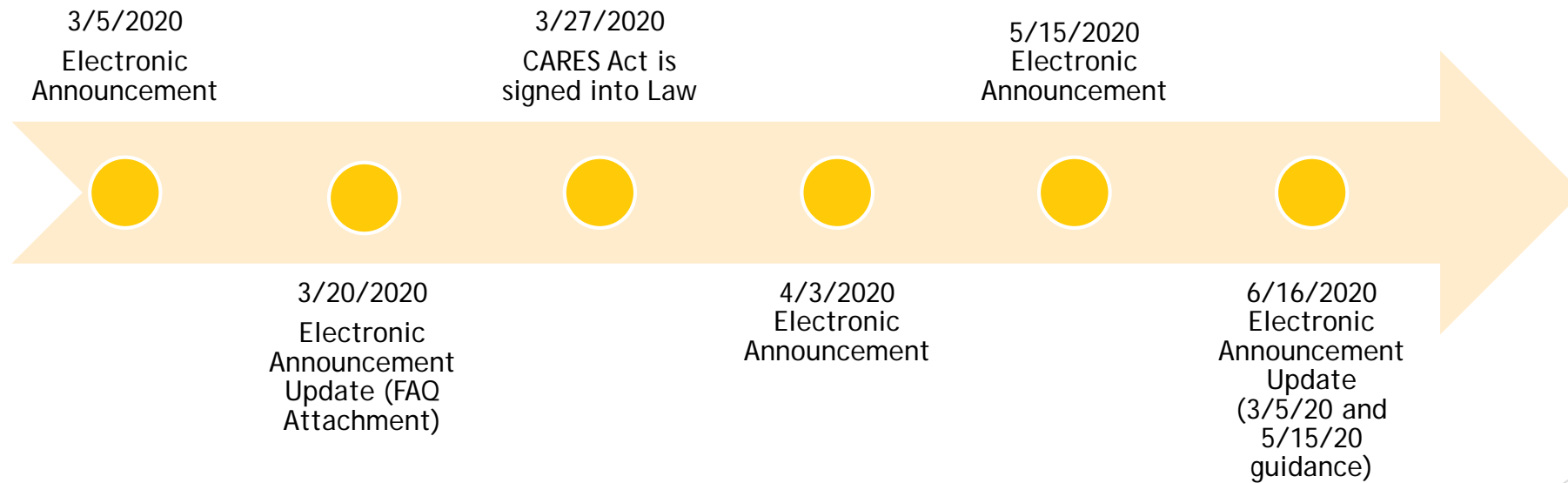
Expectations During Audit

- ▶ Opportunity
 - ▶ Audits are opportunities to learn and improve, be sure to ask questions and get clarification
- ▶ Minimize time and costs
 - ▶ Unorganized and/or untimely audit processes create,
 - ▶ schedule conflicts and/or increased audit fees

Audit Completion

- ▶ Ensure you understand all findings/issues
- ▶ Submit any outstanding documents and/or corrective action pieces in a timely manner
- ▶ Use the Exit Summary to begin corrective action—recommended that it is included in report
- ▶ Your auditor remains available after completion of the audit for any questions/concerns you may have

Pandemic Timeline



March 5, 2020 Electronic Announcement

Only changes that were within ED's statutory authority

- ▶ Broad approval for distance ed
- ▶ Allow students to go on LOA and provide written request to school after LOA has begun
 - ▶ Exception for term-based programs still in effect (student must be permitted to complete the coursework he/she began prior to the LOA)
- ▶ Permit standard-term schools to adjust term dates, even if it would otherwise result in a non-term or non-standard term calendar
- ▶ Academic year may consist of less than the federal minimum weeks - 30 (credit-hour programs) or 26 (clock-hour programs) - **Note:** special request would have to be made to SPD

March 5, 2020 EA (*cont.*)

- ▶ FWS: School can continue to award student FWS if the school or student's employer closes due to COVID-19.
 - ▶ If closure occurred after the beginning of the term;
 - ▶ The institution continues to pay its other employees (including faculty/staff);
 - ▶ The institution continues to meet its institutional wage share requirement;
 - ▶ Student began their FWS job prior to the declaration of the national emergency and may not exceed one academic year (final bullet point is from 4/3/20 EA)

Note: This will look odd because student will have no hours worked on time sheets but will continue to receive FWS payments. FAQ in the 3/20/20 update states that school must document the number of scheduled hours a student was expected to be paid for, and should pay the student based on the wage rate they would have been using otherwise.

March 5, 2020 EA (*cont.*)

- ▶ Enrollment Reporting: For school that ceases operations during a payment period and fails to reopen during that payment period, the school may defer reporting students as “withdrawn” and continue to report them based on their most recent enrollment status.
 - ▶ If school will reopen at the start of a payment period that begins no later than 90 days following the closure; and
 - ▶ The student will resume attendance when the institution reopens.

Note: Schools in this scenario would still be required to perform R2T4 calculation for all students.

March 5, 2020 EA (*cont.*)

- ▶ Reminders about existing flexibilities:
 - ▶ Professional Judgment - COVID related issue may form the basis for a PJ, but still must be made on a case-by-case basis.
 - ▶ SAP appeals - COVID related issue may form the basis for an appeal, but the “SAP waiver” was not introduced until CARES Act was signed into law.
 - ▶ Enrollment status changes - for Direct Loans, schools must only confirm at least half-time enrollment as of the time of disbursement. It is not necessary to recalculate a student’s Direct Loan eligibility based on changes in enrollment status that occur after the school originates a Direct Loan.

March 20, 2020 Electronic Announcement Update

- ▶ Do not have to recompute COA for changes to tuition, fees, or room and board
- ▶ Do not have to update loan period or academic year dates in COD if school extended or shortened terms
- ▶ Do not have to go back and update an R2T4 if school extended spring break or created some other scheduled break > 5 days because of COVID-19.
 - ▶ This is based on timing of when student withdraws. School should use the number of days the student was scheduled to attend at the time of the withdrawal (unclear whether this is LDA or DOD so either should be fine).

March 27, 2020 - CARES Act

- ▶ R2T4 waiver - school/student not required to return T4 funds if student's withdrawal was due to COVID-19
 - ▶ Any loans that student borrowed during the payment period are to be forgiven
 - ▶ If student received Sub and/or Pell, the disbursements would not count against their SULA or LEU limits
 - ▶ School will need to report to ED the amount that a student received and the amount that otherwise would have been refunded
- ▶ Implementation was ED's responsibility

March 27, 2020 - CARES Act (*cont.*)

- ▶ *LOA Waiver*: Institutions may, as a result of COVID-19, provide a student with an approved leave of absence that does not require the student to return at the same point in the academic program that the student began the leave of absence if the student returns within the same semester (or equivalent).
 - ▶ This last part was not addressed in the 5/15/20, the guidance that was provided seems to imply the opposite (that it would be okay to return in a subsequent term).
- ▶ *SAP Waiver*: Institutions may exclude any attempted credits not completed as a result of COVID-19 from the quantitative component of the satisfactory academic progress calculation without requiring an appeal by the student.
 - ▶ Not necessary for student to file an appeal, but school must have reasonably determined that student's failure was the result of COVID-19 related circumstance.

CARES Act (3/27/20) - *cont.*

- ▶ *Campus Aid Waivers:* For award years 2019-2020 and 2020-2021, the institutional matching requirement for FWS and FSEOG programs is waived.
 - ▶ FSEOG - Institutions can transfer any unexpended FWS to the Institution's SEOG fund. SEOG allocations can be used to award emergency financial aid grants to students
 - ▶ Can be awarded to undergraduate and graduate students
 - ▶ Normal awarding rules (making grants first to Pell eligible students with the lowest EFC's, limiting award to \$4,000/year) are waived
 - ▶ SEOG **emergency grants** are not considered EFA (so not included in packaging box)
 - ▶ FWS - An institution may reimburse itself from the FWS allocation for the nonfederal portion of wages paid to students on or after 3/13/20.
 - ▶ 5/15/20 EA confirmed that school can transfer up to 100% of its unexpended FWS allocation to FSEOG.

April 3, 2020 Electronic Announcement

- ▶ Fairly lengthy announcement but not a lot of updates that will be relevant to us (reiterates a lot of the 3/5/20 guidance, did not address implementation of CARES Act changes, and mostly covered topics like rules specific to foreign schools and loan repayment terms)
- ▶ Reminder to schools that existing cash management regulations still apply (unless school is unable to do so due to COVID-19 disruptions). Institution should have documentation to support why it was unable to comply.
- ▶ Notification regarding an immediate threat to health or safety (§668.46).
 - ▶ School not required to give regular, ongoing updates on COVID-19 or proactively identify positive cases within campus community
 - ▶ School may satisfy emergency notification requirements by either
 - ▶ Providing students/employees a single notification (general info on health and safety precautions); or
 - ▶ Creating a banner at the top of the school's homepage (also with general info on health and safety precautions and a link to the CDC's website)

April 3, 2020 EA (*cont.*)

Verification updates

- ▶ Suspended the V4/V5 verification requirement to have student provide documents (ID/SoEP) in person (at school or with a notary)
 - ▶ Student can submit documentation electronically by taking picture with their phone, creating a PDF or other similar document.
 - ▶ Okay for school to accept expired drivers license if it expired after 3/1/20.
- ▶ Parent of dependent student not required to sign verification worksheet.
 - ▶ Institution must note and retain an explanation of why student's parents were unable to sign.
- ▶ Flexibilities in the 4/3/20 EA remain effective until 6/30/20, unless payment period crosses over 7/1/20 and is attached to the 19-20 award year (in that case it would be through the end of the crossover period).
 - ▶ It is believed that this flexibility can be applied to both 19-20 and 20-21 verification.
 - ▶ ED has not specified whether deadline is based on receipt of documents or completion of verification.

May 15, 2020 Electronic Announcement

Verification updates

- ▶ Verification of high school (or equivalent) completion status
 - ▶ School may accept a signed and dated statement from student attesting to his/her secondary school completion
 - ▶ Statement must indicate whether a high school diploma (or equivalent) was obtained and the date of completion (or approximate date)
- ▶ Institutions that require an official transcript for admissions may accept a similar alternative.
 - ▶ ED is giving permission, still must comply with state or accrediting requirements. ED has granted authority to accrediting agencies to implement temporary changes to policies regarding verification of high school completion.
- ▶ Guidance applies until 12/31/20, for both the 19-20 and 20-21 award years.

May 15, 2020 EA (R2T4 Waiver)

- ▶ Section 3508 of CARES Act directs Secretary to waive statutory requirement for institutions to return Title IV funds as result of student withdrawal due to qualifying emergency (COVID-19).
- ▶ May 15 EA provided guidance on general implementation, interaction with tuition refund requirements, reporting requirements and qualification for R2T4 relief.
- ▶ This guidance was more narrow than originally interpreted.
 - ▶ Update on June 16 extended the timeframe for R2T4 relief.

May 15, 2020 EA (June 16, 2020 update)

Current Interpretation

- ▶ Covered period is now any payment period or period of enrollment that includes March 13th or begins between March 13th and the later of December 31st or the last date the national emergency is in effect.
 - ▶ Appears to include students who dropped prior to March 13th.
 - ▶ Should still include students in future reporting even if they withdraw after 60% point.
 - ▶ May only assume that withdrawal was due to COVID-19 for payment periods in which a disruption occurred.

May 15, 2020 EA Clarifications

- ▶ For institutions that underwent changes in educational delivery or campus operations, all withdrawals are considered to be due to COVID-19.
 - ▶ Moved students from ground-based instruction to distance learning.
 - ▶ Closed campus housing or other campus facilities.
 - ▶ Experienced other interruptions:
 - ▶ Loss of clinic.
 - ▶ Loss of externship sites.

COVID-19 Resources

<https://offer.mcclintockcpa.com/covid-19>



COVID-19 Resources

Stay informed with the latest Title IV and Tax updates.

TRUSTED ADVISORS IN AN UNPREDICTABLE WORLD

After the COVID-19 pandemic affected students' education and institutions' operations alike, the past months have seen a flurry of new laws, programs and announcements by governments and regulatory bodies. These developments have a major impact on Title IV aid, financial statements and far more. Check out these resources for a primer on the most important programs and processes for institutions.

What Do You Need to Do Now?

- ▶ Review your processes
- ▶ Update your Policy & Procedures Manual
- ▶ Identifying new processes that need to be implemented
 - ▶ Do these changes make you susceptible to the Top Audit and Program Review Findings?

Top Ten Program Review Findings

1. NSLDS - Inaccurate/Untimely Reporting
2. R2T4 Calculation Errors
3. Entrance/Exit Counseling Deficiencies
4. **Verification Violations**
5. Consumer Information Requirements Not Met
6. Student Credit Balance Deficiencies
7. **Inaccurate Recordkeeping**
8. Crime Awareness Requirements Not Met
9. **SAP Policy Not Adequately Developed/Monitored**
10. **Lack of Administrative Capability**

R2T4 Process for Students Who Withdraw Due to COVID-19

- ▶ Required steps are:
 - ▶ Completely perform R2T4 calculation to determine amount of Title IV funds that would otherwise have been returned.
 - ▶ Make no adjustment to COD.
 - ▶ Make no adjustment to student's ledger card.
- ▶ If refunds have been processed for students who dropped in the covered period, institution should:
 - ▶ Re-disburse Title IV funds including crediting students' ledger cards.
 - ▶ Make adjustments to COD accordingly.
 - ▶ Request funds from G5.
- ▶ Appears flexibility exist as to how this relief is applied - all students or institution discretion
 - ▶ Cannot pick and choose based on student's account balance

Review Your Processes

- ▶ Did you cease operations?
 - ▶ Did you close on-campus housing?
- ▶ Did the you make adjustments to the academic calendar?
 - ▶ Did you adjust start/end dates of terms of scheduled breaks?
- ▶ Did students transition to distance education?
- ▶ Did FWS student continue to be paid if they were not able to work?
- ▶ Did you utilize flexibilities related to verification
- ▶ Did you utilize the SAP waiver
 - ▶ Did you modify the grading policy
- ▶ Did you utilize the R2T4 waiver

What Do You Need to Do Now?

- ▶ Make a timeline of newly implemented changes to any processes
 - ▶ Academic Year Adjustments
 - ▶ R2T4
 - ▶ FWS
 - ▶ Verification
- ▶ Provide Training
 - ▶ Understand impact
 - ▶ Impact of the timeline

Thank you!
Any Questions??



Contact Information

Cathy Demchak, M. Ed, CFAA, Supervisor
McClintock & Associates
412-257-5980
cdemchak@mcclintockcpa.com

Gregory Rinderle, Director
McClintock & Associates
412-257-5980
grinderle@mcclintockcpa.com

