



Student Financial Aid – Insights on Recent Program Review Findings and Audit Issues

CACUBO Annual meeting - 2012



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Introductions

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Agenda

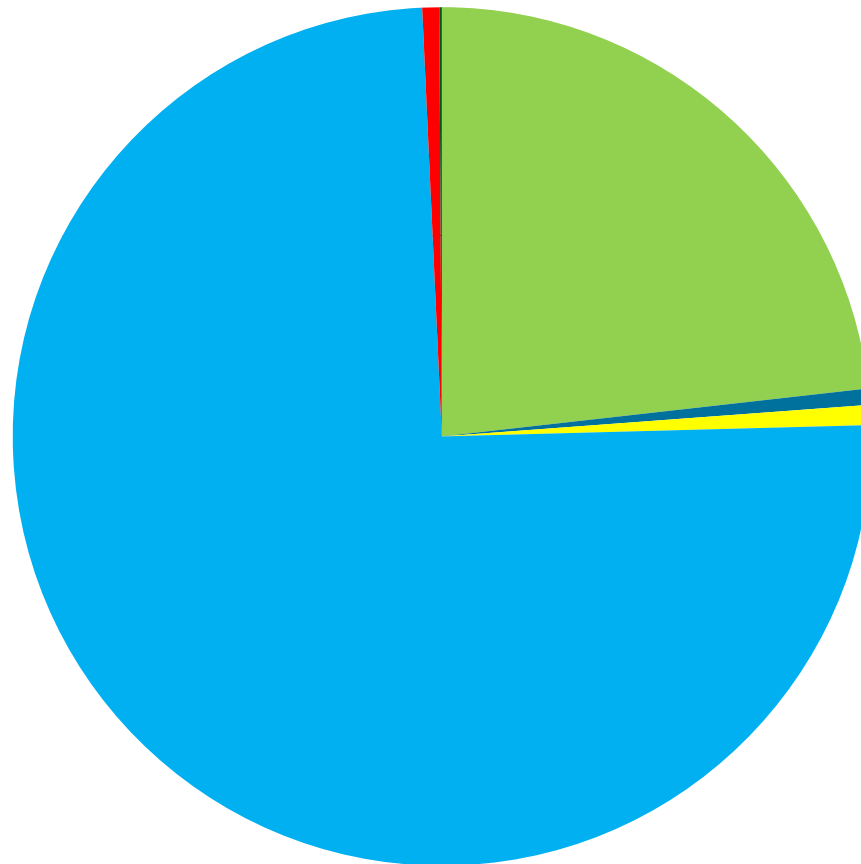
- Introduction
- The Big Picture
- Recent/common ED program review findings
- Common findings/audit issues identified during Single Audit
- Mount Mercy University's story
- Questions

Objectives

- Discuss recent program review findings from the Department of Education and the impact to not only your financial aid program but the financial condition of your institution
- Develop an understanding of common findings/audit issues in higher education institution compliance audits

Student Aid

FY 2012 - In millions of \$

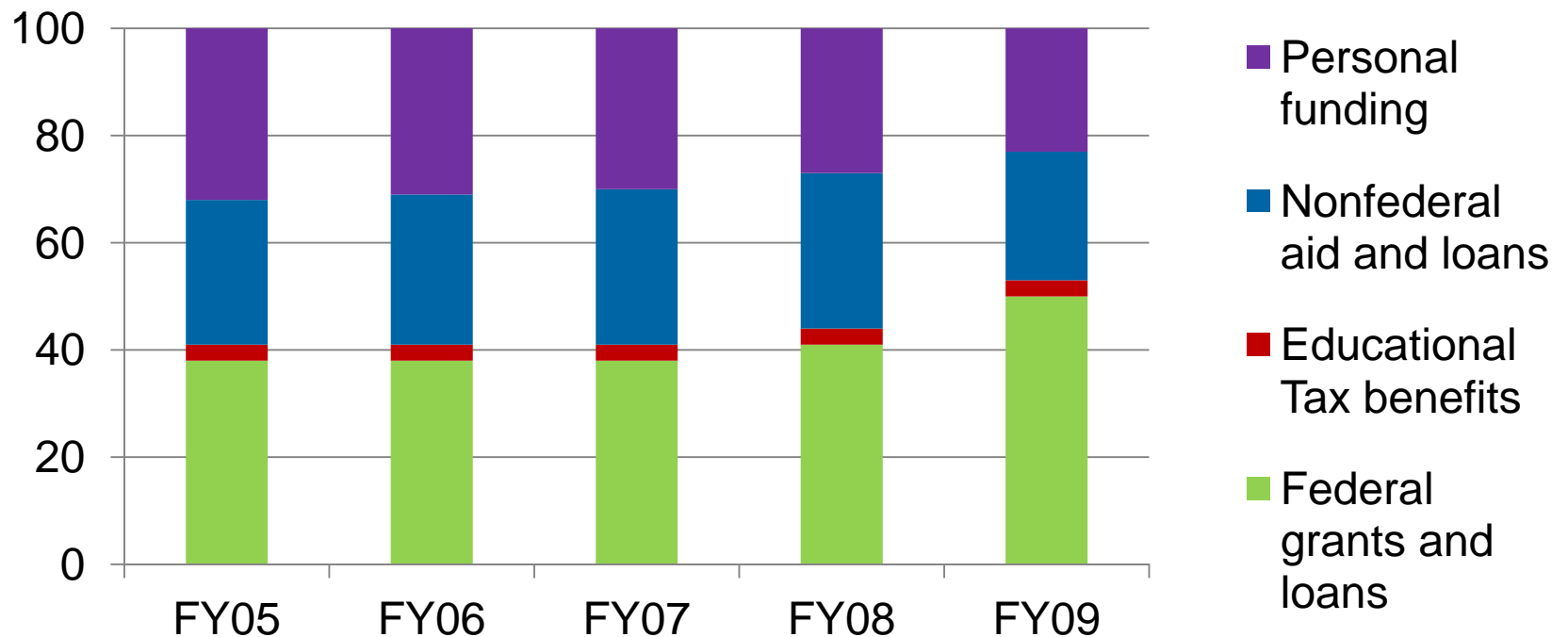


- Pell - \$35,649
- SEOG - \$930
- FWS - \$1,161
- FDL - \$114,671
- Perkins - \$971
- TEACH - \$154

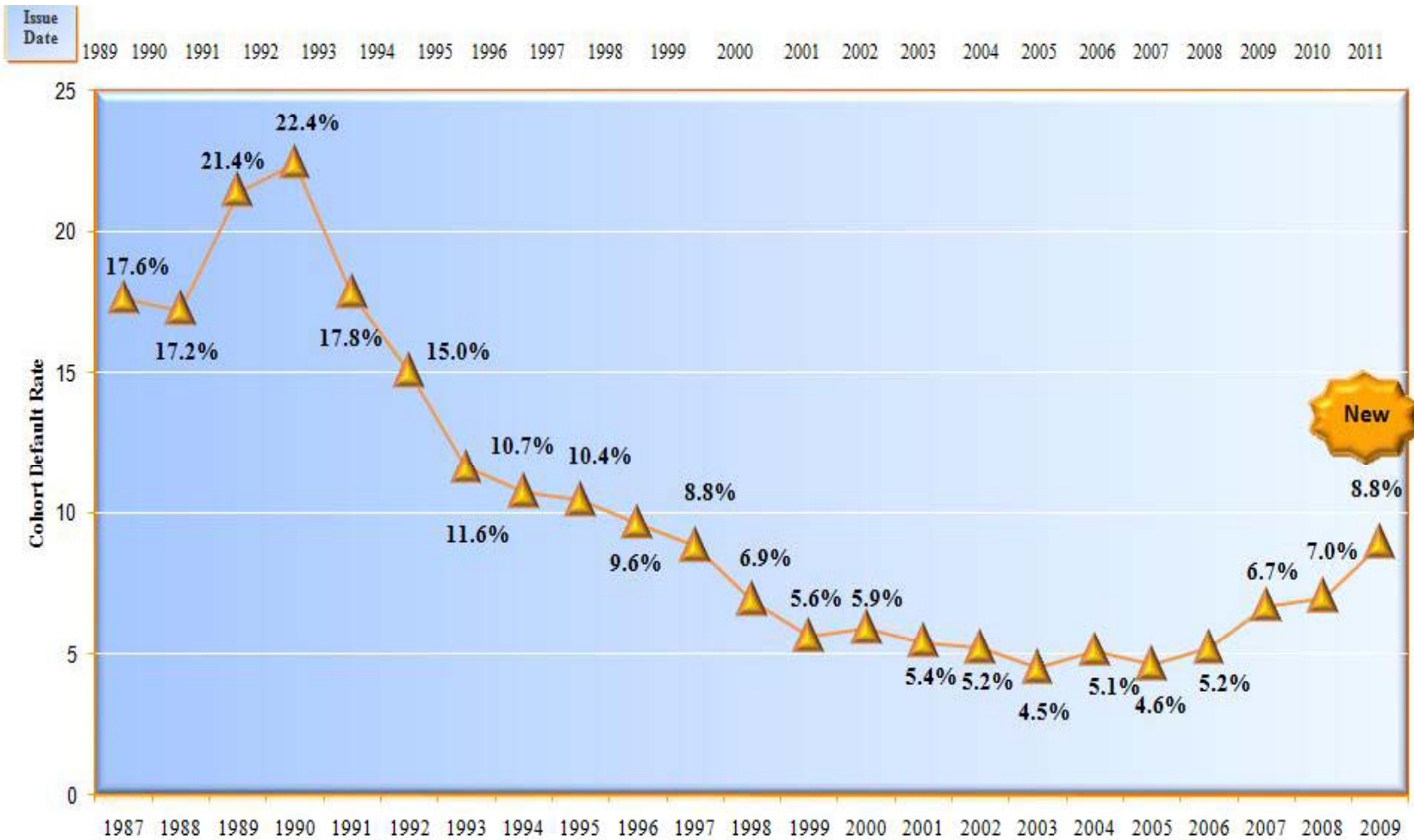
Total spending by funding source

In FY09, 50% of funding for education comes from federal grants and loans

- 23% personal funding, 24% nonfederal aid and loans, 3% education tax benefits



National Student Loan Cohort Default Rates



Other Big Picture items

- Program integrity rules
- Gainful employment
- Student loans under fire (and educational system in general)
- US government budget woes and upcoming elections

Program review findings – non-term

- Department of Education has started issuing findings in program reviews concerning term versus non-term programs
 - Issue surrounds programs where students are not required to start and complete program within stated lengths of time
 - Programs are considered self-paced which makes them a non-term program (students could start at any module)
 - Impacts when a student enters a new payment period and can receive their loan and aid disbursements
 - Students were not making progress according to Dept of Ed guidelines
 - Start/end dates of semester not clearly reported

Mount Mercy's program was...

- Adult Accelerated Program
 - Nine 5 week modules
 - Some courses run 10 weeks
 - Modules 1-3 = Fall Semester
 - Module 4 = Winter Term (intercession)
 - Modules 5-7 = Spring Term
 - Modules 8-9 = Summer Term
- Students could start in any given module
- Students typically only take one module per semester
- Students could earn up to 27 credits over the 9 modules

SAY vs. BBAY

- Scheduled Academic Year (SAY) may be used for credit-hour programs with standard terms and certain nonstandard term programs
- Borrower-Based Academic Year (BBAY) may be used as an alternative to a SAY for programs also offered in a SAY
- BBAY must be used for clock-hour, nonterm, and nonstandard-term programs, and for standard-term credit-hour programs without a SAY
- An SAY generally begins/ends at the same time each year; a BBAY “floats” with the student’s enrollment

Program review findings - FERPA

- Family Educational Rights and Privacy Act (20 U.S.C. § 1232g; 34 CFR Part 99) is a Federal law that protects the privacy of student education records. The law applies to all schools that receive funds from ED.
- Department is also looking more closely at how personal information of students is being handled by the colleges
 - Information collected on the student by the student financial aid office is considered private and should only be shared on a need to know basis
 - Should not be disseminated to athletics and other offices when determining student aid packages
 - Schools concerned with serving the student if changes are made

FERPA requirements

- Schools must have written permission to release any information from a student's education record, except:
 - School officials with legitimate educational interest (*definition of this is part of the issue*);
 - Other schools to which a student is transferring;
 - Specified officials for audit or evaluation purposes;
 - Appropriate parties in connection with financial aid to a student;
 - Organizations conducting certain studies for or on behalf of the school;
 - Accrediting organizations;
 - To comply with a judicial order or lawfully issued subpoena;

FERPA requirements (continued)

- Appropriate officials in cases of health and safety emergencies; and
 - State and local authorities, within a juvenile justice system, pursuant to specific State law
- Schools may disclose, without consent, "directory" information such as a student's name, address, telephone number, date and place of birth, honors and awards, and dates of attendance. However, schools must tell students about directory information and allow them a reasonable amount of time to opt out.

Distance education

- Education that uses certain technologies to deliver instruction to students who are separated from the instructor, and to support regular and substantive interaction between the students and the instructor. The interaction may be synchronous (student and instructor are in communication at the same time) or asynchronous. The technologies may include:
 - the Internet,
 - audio conferencing, or
 - one-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices.

Distance Education vs. Correspondence

- If a school offers more than 50% of its courses by correspondence or if 50% or more of its students are enrolled in its correspondence courses, the school loses its eligibility to participate in the FSA programs

SEOG

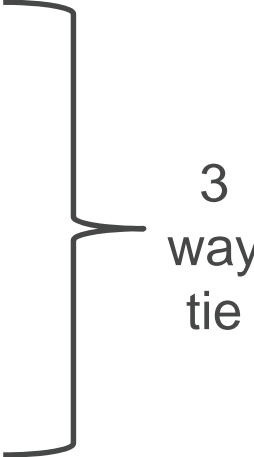
- This is getting harder as more students are eligible and there is less funding each year
- Schools that enroll students throughout the year must set aside SEOG funding so that there is “reasonable consistency” over the entire award year
- ED’s “reasonable consistency” guidelines are vague and categorization is allowed as long as certain categories are not excluded
- Can not be on a first-come, first-serve basis

Common Program Review Findings

1. Crime Awareness Requirements not met
 2. Verification violations
 2. R2T4 calculation errors
 3. Entrance/Exit counseling deficiencies
 4. Student credit balance deficiencies
 5. Satisfactory academic progress policy not adequately developed/monitored
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Source: NASFAA 2011 conference presentation titled "Top 10 Findings in Audits and Program Reviews" presented by Lisa Huynh and Renee Gulloto, U.S. Department of Education

Common Program Review Findings (cont.)

6. R2T4 return of funds made late
 7. Lack of administrative capability
 8. Verification policy not developed/adequate
 9. R2T4 return of funds not made
 10. Information in student files missing/inconsistent
 10. Pell Grant over/underpayment
 10. Consumer information requirements not met
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Crime Awareness Requirements not met

- Policies and procedures regarding campus security not in accordance with requirements
- Annual report not published and/or not distributed annually to current students/employees by deadline of Oct 1
- Failure to develop a system to log all required categories of crimes

Regulations: 34 CFR 668.41 and 668.46

Crime awareness suggestions

- Review *Handbook for Campus Safety and Security Reporting* -
<http://www.ed.gov/admins/lead/safety/handbook.pdf>
- Review *Information Required to be Disclosed Under the Higher Education Act: Suggestions for Dissemination*
<http://nces.ed.gov/pubs2010/2010831rev.pdf>
- FSA Assessments: Schools – Consumer Information – Activity 5: Clery/Campus Security Act
- Review HEOA additional requirements- Emergency response, timely warnings, fire safety, missing persons

Why is accurate crime reporting important?

- A university in Michigan fined \$357,500, paid \$350,000
- A school in Virginia fined \$55,000 and appealed
- A university in Washington fined \$82,500
- A university in Texas fined \$137,500
- A university in Iowa fined \$27,500 per infraction for underreporting
- Penn State is getting looked at too now

SAP policy not adequately developed and/or monitored

- Missing required components
 - Qualitative component
 - Quantitative component
 - Specific procedures for appeals process
- Policy not at least as strict as for non-Title IV recipients
- SAP standards inconsistently applied
- Aid disbursed to students not meeting the standards

Regulation: 34 CFR 668.16(e)

Verification policy

- Review new verification regulations
 - Published October 29, 2010, effective July 1, 2012
- Summary and Q&A at:
<http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/verification.html>
- Federal Register Notice of Information to be Verified for the 2012–2013 Award Year
- Dear Colleague Letter GEN-11-13, GEN-11-03, and GEN-12-07
- Chapter 4 of the 2012-2013 Application and Verification Guide
- Program Integrity Issues; Final Rule (Pages 66902 – 66913 and 66954 – 66958)

Common Audit Findings in SFA

1. Repeat Finding – Failure to take corrective action
2. Return to Title IV (R2T4) calculation errors
3. R2T4 returns of funds made late
4. Student status – inaccurate/untimely reporting
5. Pell-overpayment/underpayment

Source: NASFAA 2011 conference presentation titled “Top 10 Findings in Audits and Program Reviews” presented by Lisa Huynh and Renee Gulloto, U.S. Department of Education

Common Audit Findings in SFA (cont.)

6. Student Credit Balance Deficiencies
7. Entrance/Exit counseling deficiencies
8. Verification violations
9. Qualified auditor's opinion cited in audit
10. Improper Certification of Stafford Loan

The Mount Mercy Story

- Mount Mercy University –
 - Catholic based, private, not-for-profit school in Cedar Rapids, Iowa founded by the Sisters of Mercy
 - Approximately 1,800 students primarily from eastern Iowa
 - Undergraduate curriculum along with graduate programs and an adult accelerated program
- Starting in fiscal year 2006 the turmoil in financial aid started with significant employee turnover
- Financial Aid reported to VP of Enrollment initially and then started getting moved around

The Mount Mercy Story (continued)

- Significant issues identified:
 - Poor communication between departments
 - Need for training and professional development of Financial Aid personnel both on regulations and on technology
 - Poor utilization of software
 - No review process
- Process of building the Financial Aid department back up and improving processes underway when...
- April 2010 – notified of ED program review, 2-3 weeks to provide requested documentation, ED would be on campus in 4 weeks
- May 2010 – ED on campus for a week

The Mount Mercy Story (continued)

- September 2010 – Received report of initial findings
- November 2010 – Response to initial findings due
- March 2011 – received notification from the ED that they were just beginning to review our response
- May 2011 – ED requested additional information, such as academic transcripts for each student enrolled in our accelerated program and the start and end date of each course the student was enrolled in
- June 2011 – notified of additional program review findings and that ED determined our accelerated program should be considered a non-term program

The Mount Mercy Story (continued)

- November 2011 – response to the additional program review findings submitted (we requested an extension on our response due to the multitude of information they were requiring from us)
- August 2012 – ED requested additional information on students who withdrew from courses in the accelerated program. We were given 20 days to provide the information.
- Mount Mercy has changed modular programs to comply but has hurt enrollment
- Guidance is being applied inconsistently
- Still waiting for final determination letter (2 yrs later)

Consequences

- Review and recalculate aid eligibility for 3 consecutive academic years
- Learn non-term packaging procedures and withdrawal procedures
- Fix the problem immediately
 - Software Updates – 29 periods of enrollment
- Repackage over 1200 students for the 11/12 academic year

Look out for a program review if:

- High cohort default rates (over 25 percent)
- Significant fluctuation in loan volume or Pell awards between years
- Reported by state licensing agencies or accrediting agencies to have deficiencies.
- High student withdrawal rates.
- Significant risk of noncompliance with administrative capability or financial responsibility provisions of SFA programs, as determined by the Secretary
- Significant audit findings without improvement

If you are selected for a Program Review:

- Comply with all requests/requirements promptly
- Be prepared for areas where you know you have issues
- Formulate answers to questions/requests accurately
- Minor findings that are corrected immediately may not be included in the final report
- Know what to be prepared for:

<http://www.ifap.ed.gov/programrevguide/attachments/2009ProgramReviewGuide.pdf>

Conclusion

- Compliance with Title IV regulations is a School issue not a Financial Aid issue
- If you are seeing issues with Financial Aid get involved even if it is not a department you oversee
 - Help others recognize the importance of compliance
 - Create a top down message of expectation of compliance
 - Improve communication
 - Work with your auditors
 - Don't wait until major issues force your involvement

Questions??

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