

# Session #21

## Program Review Essentials and the Top 10 Compliance Findings

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# Program Review Essentials

# What is a Program Review

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- Method of oversight
- Evaluates compliance with *Title IV, Higher Education Act of 1965 (HEA)* statute and regulations
- Examination of financial aid, fiscal, and academic records
- Interviews with institutional staff and students
- Review of consumer information requirements
- Identifies errors in compliance and liabilities owed
- Provides tools to improve future institutional capabilities

# Why are Program Reviews Conducted

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Secretary of Education mandated by law under Section 498A of the *Higher Education Act of 1965*, as amended (HEA), 20 U.S.C. § 1099c, to conduct program reviews at institutions of higher education participating in the *Title IV*, HEA programs:

*(a) GENERAL AUTHORITY - In order to strengthen the administrative capability and financial responsibility provisions of this title, the Secretary -*

*(1) shall provide for the conduct of program reviews on a systematic basis designed to include all institutions of higher education participating in programs authorized by this title...*

# Who Conducts Program Reviews

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- Federal Student Aid
  - Program Compliance
    - School Eligibility Service Group
      - School Participation Division
        - Program Review Team

Secretary of Education has delegated responsibility for conducting program reviews

# How are Institutions Selected

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**20 U.S.C. 1099c-1 (a)(2):** *(The Secretary) shall give priority for program review to institutions of higher education that are institutions with:*

- High cohort default rate or dollar volume of default (25%+)
- Significant fluctuations in Federal Pell Grant or Federal Direct Loan volume
- Reported deficiencies or financial aid problems by state or accrediting agency
- High annual dropout rates, or
- Any other institution the Department determines may pose significant risk of failure to comply with administrative capability or financial responsibility requirements

# Preparation for Program Review

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- Receiving Notification of Program Review
- Advance Notice Review
- Short Notice Review
- Third-Party Servicer Notification
- Responding to Announcement Letter

# Entrance Conference

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- On-Site Program Review
  - Introductions
  - Reason for Program Review and Scope
  - Overview of Program Review Process
  - *Title IV* Processing/Staff Responsibilities
  - Required Documents and Time Frames
  - Schedule Exit Conference
  - Getting Started
- Off-Site Program Review
  - Conference Call
  - Usually Limited Scope
  - Program Review Process

# Review of Institutional Processes and Data

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

# Review of Institutional Processes and Data

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- Review of Institutional Critical Elements
  - Institutional Eligibility
  - Administrative Capability
  - Program Eligibility
  - Consumer Information
  - Campus Security
  - Financial Responsibility
  - Fiscal Review
  - FISAP

# Review of Student Level Information

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- Review of Student Critical Elements
  - Student Eligibility
  - 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

# Review of Student Level Information

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- Records Reviewed in Student Files
  - Admissions
  - Academic
  - Financial Aid
  - Student Account Ledger
- Student Records Compared to Department Data
  - National Student Loan Data System (NSLDS®)
  - Common Origination & Disbursement (COD)
  - Central Processing System (CPS)
- Student Interviews

# Exit Conference

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- On-Site Program Review
  - Field Work Substantially Completed
  - Required Actions
  - Outstanding Items
  - Preliminary Findings
  - Next Steps

# On-Site Program Review Completed

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- Possible Outcomes
  - Additional Information Requested
  - Expedited Determination Letter (EDL) Issued
  - Program Review Report (PRR) Issued

# Request For Additional Information

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- Institution requested to send documentation
- Short time frame to provide information
- Possible outcomes if information not provided
  - Visit scheduled to review documents on-site
  - PRR includes findings otherwise omitted
  - PRR includes Lack of Administrative Capability finding

# Expedited Determination Letter

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- EDL issued
  - No instances of non-compliance (findings)
  - Minor (non-systemic) findings identified
  - Any findings corrected prior to issuance of EDL
  - Any liabilities paid/collected prior to issuance of EDL
- Three standard sections
  - Scope of Review and Disclaimer
  - Findings, if applicable
  - Recommendations, if applicable
- Sample template in Program Review Guide

# Program Review Report

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- Identifies findings with regulatory citations
- Actions required by institution
- Standard sections
  - Cover page
  - Table of Contents
  - Institutional Information
  - Scope of Review and Disclaimer
  - Preliminary Findings and Required Actions
  - Recommendations, if applicable
  - Appendices and Enclosures
- Sample template in Program Review Guide

# Program Review Report Findings

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- Student-Specific
  - No potential or actual liability
  - Potential or actual liability
    - Small error rate
    - High error rate – may require file review
- School Finding
  - Incomplete or unacceptable policies or procedures
  - Problems related to institutional eligibility, program eligibility, location eligibility, financial responsibility, financial reporting, other actions
    - No potential or actual liability
    - Potential or actual liability

# Institution Responds to PRR

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- Written response
- Submitted by due date
- Concerns with any PRR conclusions
- Document required actions from PRR
  - Correct policy or procedure
  - Correct student-specific error
  - File review conducted
  - Provide information to quantify liability
- Request extension of time for good cause

# Department Follow Up to Response

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- Institutional response not received by due date
- Missing information or requires clarification
- Response rejected
  - Problems with documents for several file reviews
  - Typically given another 30 days to correct and respond

# Final Program Review Determination Letter (FPRD)

- Department's final determination for each finding
- Two types of FPRDs:
  - No further action required
  - Further action required for payment of liabilities
- Identifies liabilities and provides payment instructions
- Closes program review, if appropriate
- State authorizing and accrediting agencies receive copies
- Subject to Freedom of Information Act (FOIA)
- Sample template in Program Review Guide

# FPRD Closeout Letter or Appeal of Monetary Liabilities

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- FPRD Closeout Letter
  - Issued after satisfactory response to FPRD
  - Not issued if institution files appeal
- Appeal of Monetary Liabilities
  - Filed within 45 days
  - Collection efforts deferred on appealed liability amount
  - Non-appealed liabilities must be paid
  - Billing resumes if decision in Department's favor

# Top 10 Audit and Program Review Findings

# Top 10 Audit Findings

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1. Student Status – Inaccurate/Untimely Reporting
2. Repeat Finding – Failure to Take Corrective Action
3. Return of *Title IV* (R2T4) Calculation Errors
4. Return of *Title IV* (R2T4) Funds Made Late
5. Verification Violations

# Top 10 Audit Findings

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6. Qualified Auditor's Opinion Cited in Audit
7. Student Credit Balance Deficiencies
8. Entrance/Exit Counseling Deficiencies
9. Pell Grants – Overpayment/Underpayment
10. G5 Expenditures Untimely/Incorrectly Reported

# Top 10 Program Review Findings

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1. Student Status – Inaccurate/Untimely Reporting
2. Verification Violations
3. Entrance/Exit Counseling Deficiencies
4. Return to *Title IV* (R2T4) Calculation Errors
5. Student Credit Balance Deficiencies

# Top 10 Program Review Findings

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6. Crime Awareness Requirements Not Met
7. Consumer Information Requirements Not Met
8. Drug Abuse Prevention Requirements Not Met
9. Inaccurate Recordkeeping
10. Lack of Administrative Capability

# Common Findings Across Both

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- Student Status – Inaccurate/Untimely Reporting
- Return to *Title IV* (R2T4) Calculation Errors
- Verification Violations
- Student Credit Balance Deficiencies
- Entrance/Exit Counseling Deficiencies

# Student Status – 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)*

# Repeat Finding – Failure to Take Corrective Action

- Failure to implement Corrective Action Plan (CAP)
- CAP did not remedy the instances of noncompliance
- Ineffective CAP used from previous year(s)
- Internal controls inadequate to ensure compliance with FSA guidelines

*Regulations: 34 C.F.R. §§ 668.16 and 668.174(a)*

# R2T4 Calculation Errors

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- Incorrect number of days used in term/payment period
- Actual clock-hours used instead of scheduled hours
- 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)*

# R2T4 Funds Made Late

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- Returns not made within 45-day allowable time frame
  - 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)*

# Verification Violations

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- 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)*

# Qualified Auditor's Opinion Cited in Audit

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- Anything other than unqualified opinion
- Serious deficiencies/areas of concern in compliance audit/financial statements
  - R2T4 violations
  - Inadequate accounting systems and/or procedures
  - Lack of internal controls

*Regulation: 34 C.F.R. § 668.171(j)*

# Student Credit Balance Deficiencies

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

# Entrance/Exit Counseling Deficiencies

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- Exit counseling not conducted/documentated 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*

# Pell Grant Overpayment/Underpayment

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- Incorrect Pell Grant formula
- Inaccurate calculations
  - Proration
  - Incorrect EFC
  - Incorrect number of weeks/hours
- Change in enrollment status

*Regulations 34 C.F.R. §§ 690.62, 690.63, 690.75, 690.79 & 690.80*

# G5 Expenditures Untimely/Incorrectly Reported

- Failure to submit Federal Pell Grant, Teach Grant, and Direct Loan disbursements to COD within 15 days after making such disbursements
- Date *Title IV* funds credited to student's account does not match disbursement date reported by school in COD
  - COD disbursement date reported to Loan Servicers, and
  - Interest begins to accrue on loan funds

*Regulation: 34 C.F.R. § 668.164(a)*

# Crime Awareness Requirements Not Met

- Campus security policies and procedures not adequately developed
- Annual report not published and/or distributed
- Annual report missing required components
- Failure to develop system to track and/or log all required categories of crimes for all campus locations

*Regulations: 34 C.F.R. §§ 668.41, 668.46 & 668.49*

# Consumer Information Requirements Not Met

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- Missing elements:
  - Institutional financial assistance information
  - Institutional information
  - Health and safety information
  - Disclosures of institutional outcomes
  - FERPA disclosure information
  - NSLDS disclosure information
  - Equity in Athletics information

*Regulations: 34 C.F.R. §§ 99.7, 668.41 and 668.42 and 668.43*

# Drug Abuse Prevention Program Requirements Not Met

- Failure to document drug prevention program policies
- Failure to distribute annual written information about drug prevention to students and employees
- Missing written statement about standards of conduct prohibiting unlawful possession
- Missing description of legal sanctions imposed under local, State, or Federal law
- Failure to provide description of drug/alcohol counseling/treatment programs

*Regulation: 34 C.F.R. § 86.100*

# Inaccurate Recordkeeping

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- Failure to document enrollment status before disbursement
- Inadequate or mismatched attendance records for schools required to take attendance
- Failure to maintain consistent disbursement records
- Inaccurate/missing Federal Work-Study timesheets
- Failure to determine unofficial withdrawals
- Conflicting Last Dates of Attendance (LDA)
- Failure to follow policies and procedures

*Regulations: 34 C.F.R. §§ 668.24 and 668.161-668.167*

# Lack of Administrative Capability

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- Capable individual not designated to coordinate *Title IV* administration and inadequate staffing
- Inadequate use of electronic processes
- Breach in security of student records
- High default rates
- Inadequate fund reconciliation procedures and processes
- Inadequate checks and balances in school's system of internal controls

*Regulations: 34 C.F.R. § 668.16*

# SCHOOL ELIGIBILITY SERVICE GROUP (SESG)

**Martina Fernandez-Rosario – Acting Director, School Eligibility Service Group**

415-486-5605

School Eligibility Service Group General Number: 202-377-3173 or email: [CaseTeams@ed.gov](mailto:CaseTeams@ed.gov)

Or call the appropriate School Participation Division manager below for information and guidance on audit resolution, financial analysis, program reviews, school and program eligibility/recertification, and school closure information.

## **New York/Boston School Participation Division**

*Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New Jersey, New York, Puerto Rico, Virgin Islands*

**Betty Coughlin, Director 646-428-3737**

**Chris Curry – New York 646-428-3738**

**Tracy Nave – Boston 617-289-0145**

## **Philadelphia School Participation Division**

*District of Columbia, Delaware, Maryland, Pennsylvania, Virginia, West Virginia*

**Nancy Gifford, Director 215-656-6436**

**Steven Marcucio – Philadelphia 215-656-5554**

**Sherrie Bell – Washington, DC 202-377-3349**

## **Multi-Regional and Foreign Schools Participation Division**

**Michael Frola, Director 202-377-3364**

**Mark Busskohl – Washington, DC 202-377-4572**

**Michelle Allred – Dallas 214-661-9466**

**Julie Arthur – Seattle 206-615-2232**

## **Atlanta School Participation Division**

*Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina*

**Christopher Miller, Director 404-974-9297**

**Vanessa Dillard – Atlanta 404-974-9418**

**Vinita Simpson – Atlanta 404-974-9260**

## **Dallas School Participation Division**

*Arkansas, Louisiana, New Mexico, Oklahoma, Texas*

**Cynthia Thornton, Director 214-661-9457**

**Jesus Moya – Dallas 214-661-9472**

**Kim Peeler – Dallas 214-661-9471**

## **Kansas City School Participation Division**

*Iowa, Kansas, Kentucky, Missouri, Nebraska, Tennessee*

**Dvak Corwin – Director 816-268-0420**

**Angie Beam – Kansas City 816-268-0534**

**Jeremy Early – Kansas City 816-268-0446**

**Jan Brandow – Washington, DC 202-377-3189**

## **Chicago/Denver School Participation Division**

*Illinois, Minnesota, Ohio, Wisconsin, Indiana, Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, Wyoming*

**Brenda Yette, Acting Director 312-730-1522**

**Tammi Sawyer – 312-730-1531**

**Vacant – Chicago**

## **San Francisco/Seattle School Participation Division**

*American Samoa, Arizona, California, Guam, Hawaii, Nevada, Palau, Marshall Islands, North Marianas, State of Micronesia, Alaska, Idaho, Oregon, Washington*

**Martina Fernandez-Rosario, Director 415-486-5605**

**Erik Fosker – San Francisco 415-486-5606**

**Gayle Palumbo – San Francisco 415-486-5614 or Seattle 206-615-3699**

**Dyon Toney – Washington, DC 202-377-3639**

# Contact Information

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We appreciate your feedback and comments.

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# Questions and Answers

# Resources by Top 10 Findings

# Resources by Top 10 Findings

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- **Student Status – Inaccurate/Untimely Reporting**

- Regulation: 34 C.F.R. § 685.309(b)
- NSLDS Enrollment Reporting Guide  
<https://ifap.ed.gov/nsldsmaterials/attachments/NewNSLDSEnrollmentReportingGuide.pdf>
- NSLDSFAP website - newsletter updates  
[https://nsldsfap.ed.gov/nslds\\_FAP/](https://nsldsfap.ed.gov/nslds_FAP/)
- “News & Events” along top of home page

- **Repeat Finding (Audit)**

- Regulations: 34 C.F.R. §§ 668.16 and 668.174(a)

# Resources by Top 10 Findings

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- **R2T4 Calculation Errors and R2T4 Made Late**

- Regulations: 34 C.F.R. §§ 668.22(e) and (f); 668.22(j) and 668.173(b)
- FSA Assessments: School Topics – R2T4
- R2T4 Worksheets
  - Electronic Web Application (<https://cod.ed.gov>)
  - Paper (*FSA Handbook*, Appendix to Volume 5)

- **Verification Violations**

- Regulations: 34 C.F.R. §§ 668.51 – 668.61 (Subpart E) and 668.16(f)
- FSA Assessments: Student Topics - Verification
- *FSA Handbook*, Application & Verification Guide, Chapters 4 and 5

# Resources by Top 10 Findings

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- **Qualified Auditor's Opinion Cited in Audit**

- Regulation: 34 C.F.R. § 668.171(d)(1)
- FSA Coach Fundamentals
- FSA Assessments
- *FSA Handbook*, Volume 4, Chapters 5 and 6; Appendices A and B

- **Student Credit Balance Deficiencies**

- Regulations: 34 C.F.R. §§ 668.164(h) and 668.165(b)
- *FSA Handbook*, Volume 4, Chapter 2

# Resources by Top 10 Findings

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- **Entrance/Exit Counseling Deficiencies**

- Regulation: 34 C.F.R. § 685.304
- FSA Coach Fundamentals (<https://fsatraining.ed.gov>)
  - Packaging – Direct Loan Entrance Counseling
  - Departures – Exit Loan Counseling
- *FSA Handbook*, Volume 2, Chapter 6

- **Pell Grants Overpayment/Underpayment**

- Regulations: 34 C.F.R. §§ 690.62, 690.63, 690.75, 690.79 & 690.80
- *FSA Handbook*, Volume 4, Chapter 3
- FSA Coach Fundamentals
  - Disbursement – Overawards and Overpayments

# Resources by Top 10 Findings

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- **G5 Expenditures Untimely/Incorrectly Reported**
  - Federal Register requirements for timely reporting
    - Regulation: 34 C.F.R. § 690.83(a)(2)
  - Regulation: 34 C.F.R. § 668.164(a)
  - *FSA Handbook*, Volume 4, Chapter 2
  - FSA Coach Fundamentals
    - Disbursement – Cash Management and Disbursements

# Resources by Top 10 Findings

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- **Crime Awareness Requirements Not Met**
- **Consumer Information Requirements Not Met**
- **Drug Abuse Prevention Program Requirements**
  - Regulations: 34 C.F.R. Parts 86 and 99
  - Regulations: 34 C.F.R. §§ 668.41 - 668.49 (Subpart D)
  - Higher Education Act of 1965, as amended, Sec. 485
  - *FSA Handbook*, Volume 2, Chapters 6 and 7
  - Consumer Information Training
    - <https://fsatraining.ed.gov> (Training by Topics under search)
  - FSA Assessments: School Topics - Consumer Information
    - *Consumer Information Disclosures At-A-Glance*
  - *The Handbook for Campus Safety and Security Reporting*
    - <http://www2.ed.gov/admins/lead/safety/campus.html>

# Resources by Top 10 Findings

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- **Inaccurate Recordkeeping**

- Regulation: 34 C.F.R. § 668.24
- Regulations: 34 C.F.R. §§ 668.161-668.167
- *FSA Handbook*, Volume 2, Chapter 7
- *FSA Handbook*, Volume 4, Chapter 2
- *FSA Handbook*, Volume 5, Chapter 1
- *FSA Handbook*, Volume 6, Chapter 2
- FSA Coach Fundamentals
  - Disbursement – Cash Management and Disbursements

- **Lack of Administrative Capability**

- Regulations: 34 C.F.R. § 668.16
- *FSA Handbook*, Volume 2, Chapter 3

# Top 10 Resources for Compliance Solutions

# Top 10 Resources

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- FSA Assessments

<https://ifap.ed.gov/ifap/FSAAssessments.jsp>

- Consumer Information/Campus Security
- Return of *Title IV* Funds
- Institutional Eligibility
- Satisfactory Academic Progress
- Verification
- Fiscal Management

# Top 10 Resources

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- FSA Training

<https://fsatraining.ed.gov>

- Fundamentals of Federal Student Aid Administration
- FSA Coach Fundamentals
- Consumer Information
- Satisfactory Academic Progress
- Managing Student Withdrawals (R2T4)
- Recorded Webinars

# Top 10 Resources

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- *Federal Student Aid (FSA) Handbook*
  - Application and Verification Guide
    - Chapter 4: Verification, Updates, and Corrections
    - Chapter 5: Special Cases
  - Volume 2 (School Eligibility and Operations)
    - Chapter 3: FSA Administrative & Related Requirements
    - Chapter 6: Consumer Information and School Reporting
    - Chapter 7: Record Keeping, Privacy & Electronic Processes
    - Chapter 8: Program Reviews, Sanctions & Closeout

# Top 10 Resources

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- *FSA Handbook*

- Volume 4 (Processing Aid and Managing FSA Funds)

- Chapter 2: Disbursing FSA Funds

- Chapter 3: Overawards and Overpayments

- Chapter 5: Reconciliation in the Pell Grant and Campus-Based Programs

- Chapter 6: Reconciliation in the Direct Loan Program

- Appendix A: Accounting Systems

- Appendix B: A School's Financial Management Systems

# Top 10 Resources

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- *FSA Handbook*
  - Volume 5 (Withdrawals and the Return of *Title IV* Funds)
    - Chapter 1: Withdrawals and the Return of *Title IV* Funds
    - Appendix: Forms Associated with a Return of *Title IV* Aid Calculation
  - Volume 6 (The Campus-Based Programs)
    - Chapter 2: The Federal Work-Study Program

# Top 10 Resources

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- Code of Federal Regulations
  - Title 34, Education
    - Part 84 (Drug Free Workplace)
    - Part 86 (Drug and Alcohol Abuse Prevention)
    - Part 99 (Family Education Rights and Privacy)
    - Part 600 (Institutional Eligibility under the *Higher Education Act of 1965*, as amended)
    - Part 668 (Student Assistance General Provisions)
    - Parts 673 – 676 (Campus-Based Provisions)
    - Part 685 (William D. Ford Federal Direct Loan Program)
    - Part 686 (TEACH Grant Program)
    - Part 690 (Federal Pell Grant Program)

# Top 10 Resources

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- Campus Security

<https://www2.ed.gov/admins/lead/safety/campus.html>

<https://fsatraining.ed.gov> (selected topics)

- Entrance/Exit Counseling

<https://studentloans.gov>

- Return of *Title IV* (R2T4) on the Web

<https://cod.ed.gov> (Tools)

- School Data on StudentAid.gov

<https://studentaid.ed.gov/about/data-center/school>

- Cohort Default Rate Guide

<https://ifap.ed.gov/DefaultManagement/finalcdrg.html>