Session #21

Program Review Essentials and the Top 10 Compliance Findings

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U.S. Department of Education
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Program Review Essentials
What is a Program Review

- 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

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

- 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

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

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

• 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

- 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

- 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

- 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

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

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

- 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

- 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

- 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

• 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

- 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

- 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

- 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

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

6. Qualified Auditor’s Opinion Cited in Audit
7. Student Credit Balance Deficiencies
8. Entrance/Exit Counseling Deficiencies
10. G5 Expenditures Untimely/Incorrectly Reported
Top 10 Program Review Findings

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

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

- 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

- 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

- 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

• 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

- 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

- 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

• 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

• 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

- 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

\textit{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

- 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

• 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

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
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

We appreciate your feedback and comments.

Jim Wyant

• Phone: 816-268-0431
• Email: jim.wyant@ed.gov

Effie Barnett

• Phone: 312-730-1587
• Email: effie.barnett@ed.gov
Questions and Answers
Resources by Top 10 Findings
Resources by Top 10 Findings

• **Student Status – Inaccurate/Untimely Reporting**
  
  • Regulation: 34 C.F.R. § 685.309(b)
  
  • NSLDS Enrollment Reporting Guide
    
  
  • NSLDSFAP website - newsletter updates
    
    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

• 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

• 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

• **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

• **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

- 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

• 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

• 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

• 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

- **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

- **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

- **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

- **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

• 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