

Title IV Compliance

Strategies for Success

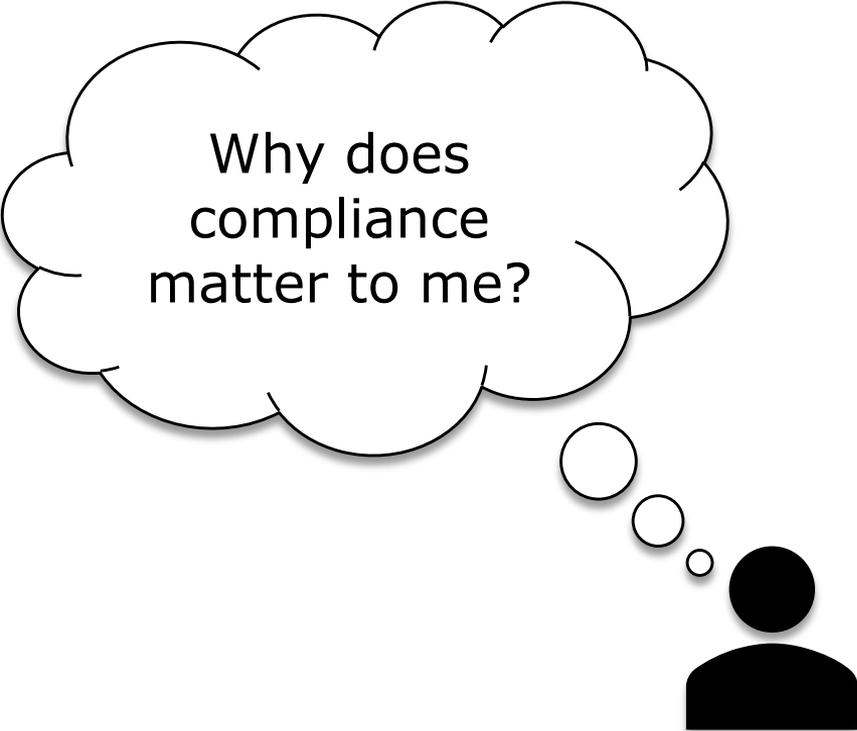
Ingrid Valentine, Marcia Boyd, and Raul Galvan
U.S. Department of Education
FSA 2019 Presidential Leadership Summit

Introduction

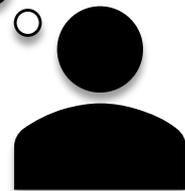
- Why *Title IV* Compliance Matters
- The Successful Compliance Program
- Program Reviews
- How Prepared Are You?

Take a Moment and Ask

Think about this for a minute and discuss within your groups.



Why does compliance matter to me?



Remember...

"You have your way. I have my way. As for the right way, the correct way, and the only way, it does not exist."

- Friedrich Nietzsche

Benefits of Compliance

- 1 Your institution retains its eligibility to participate in the *Title IV* programs
- 2 You avoid actions requiring monetary resolutions that could impact the financial health of the institution, such as repayment of liabilities and fines
- 3 You maintain access to funds without additional requirements imposed that result in a delay in your receipt

Benefits of Compliance Continued

- 4 You avoid additional financial requirements in order to continue to participate, such as Letters of Credits
- 5 You avoid restrictions placed on your institution's participation, such as the ability to add new programs and locations that are *Title IV* eligible
- 6 You avoid the administrative burden associated with having to conduct files reviews and respond to deficient audits and program reviews

Apple Blossom College Case Study: Part 1

You are the college Provost and have been selected to lead the institution as interim President, based on experience and knowledge of the university. In your new position, you are concerned the school might have some issues with *Title IV* Compliance.

Apple Blossom College Case Study: Facts

- Apple Blossom is a rural college that has 700 students. The school experienced an enrollment decline the past five years and went from 1,100 students to the current 700. The ideal enrollment is 1,200.
- The President you replaced retired after twenty years, and at the same time, the CFO and entire IT staff also resigned to pursue other professional opportunities.

Apple Blossom College Case Study: Facts

- The former Financial Aid Director and half the staff members were dismissed as a result of numerous audit findings. Most of these were repeat findings with substantial monetary fines assessed.
- The recent audit cited Apple Blossom College's lack of administrative capabilities. The initial finding indicates the school will need to return \$1.5 million to the U.S. Department of Education.

Discuss With Your Group

Based on what you know about Apple Blossom College, what are some potential *Title IV* compliance issues? After you have talked with your group and identified these, you will review them together.

Apple Blossom College Case Study: Part 2

In addition to the previous issues you noted, you're concerned about other potential violations. Review the following facts and then discuss with your group to identify potential *Title IV* issues.

Apple Blossom College Case Study: Facts

- You are now serving as the interim President and the Financial Aid Director is a new hire with two years of *Title IV* experience, but no managerial experience.
- The new Director is unable to attend any Financial Aid conferences because you need him/her on campus with you at all times.

Apple Blossom College Case Study: Facts

- The new Director and two remaining staff members struggle to keep up with the demands of the job.
- The staff is not trained on new rules and regulations that govern *Title IV*, resulting in more audit findings.

Discuss With Your Group

Based on what you know about Apple Blossom College, what are some potential *Title IV* compliance issues? After you have talked with your group and identified these, you will review them together.

Some Elements to Consider

- ➔ Organizational Structure
- ➔ Staffing
- ➔ Policies and Procedures
- ➔ Budget/Finance
- ➔ Customer Service
- ➔ Succession/Strategic Plans
- ➔ Reports from Admissions, Financial Aid, Registrar, Business Office, IT, Campus Security, Academics, Student Success, Counseling and Special Services for Students with Disabilities

Apple Blossom College Case Study: Part 3

Although you have made good progress identifying potential issues, there are still a few things you need to look at. Review the following facts, then discuss with your group to identify potential *Title IV* issues.

Apple Blossom College Case Study: Facts

- Implementation of a new student information system has started, but it's not complete. Additionally, very few staff members have been trained on how to operate the system.
- The faculty is inconsistent about submitting attendance sheets. Also, credit balances are disseminated late, and in some cases, not at all.

Apple Blossom College Case Study: Facts

- The Cohort Default Rate was issued in September and the college is now over 30% for the second year in a row.
- The new Financial Aid Director just quit with no notice.

Discuss With Your Group

Based on these additional facts, and what you know about Apple Blossom College, identify other potential compliance issues.

Program Review Findings

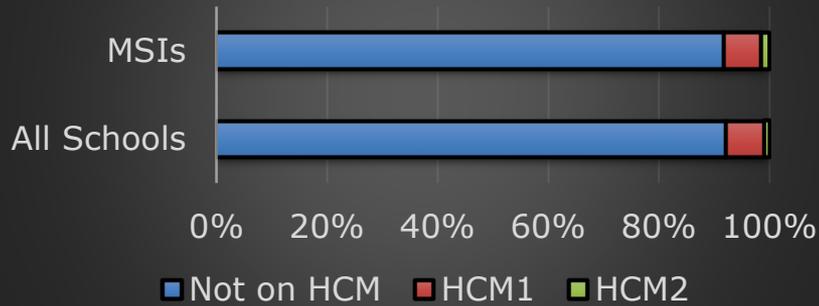
Top Ten Domestic School Program Review Findings by Number of Findings for Fiscal Year 2018		
Finding Code Description	Number of Findings	Percent
STUDENT STATUS - INACCURATE/UNTIMELY REPORTING	176	7.4%
VERIFICATION VIOLATIONS	128	5.3%
ENTRANCE/EXIT COUNSELING DEFICIENCIES	125	5.2%
RETURN TO TITLE IV (R2T4) CALCULATION ERRORS	105	4.4%
STUDENT CREDIT BALANCE DEFICIENCIES	100	4.2%
CRIME AWARENESS REQUIREMENTS NOT MET	95	4.0%
CONSUMER INFORMATION REQUIREMENTS NOT MET	94	3.9%
DRUG ABUSE PREVENTION PROGRAM REQUIREMENTS NOT MET	88	3.7%
INACCURATE RECORDKEEPING	71	3.0%
LACK OF ADMINISTRATIVE CAPABILITY	67	2.8%
Total Top Ten Deficiencies	1,049	43.8%
Total 2018 Deficiencies	2,394	100.0%

Domestic School Audit Findings

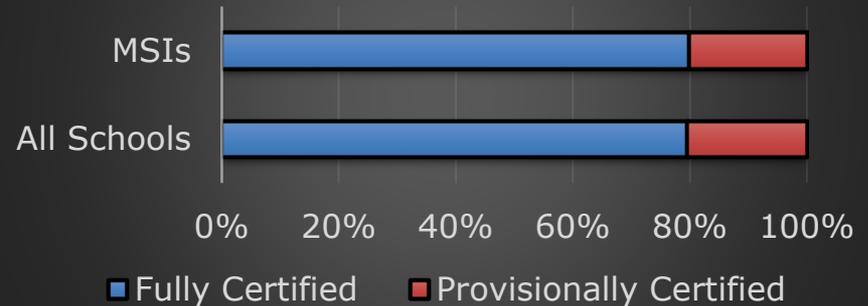
Top Ten Domestic School Audit Findings by Number of Findings for Fiscal Year 2018		
Finding Code Description	Number of Findings	Percent
STUDENT STATUS - INACCURATE/UNTIMELY REPORTING	831	14.6%
REPEAT FINDING - FAILURE TO TAKE CORRECTIVE ACTION	668	11.8%
RETURN TO TITLE IV (R2T4) CALCULATION ERRORS	491	8.6%
RETURN OF TITLE IV FUNDS MADE LATE	356	6.3%
VERIFICATION VIOLATIONS	271	4.8%
QUALIFIED AUDITOR'S OPINION CITED IN AUDIT	261	4.6%
STUDENT CREDIT BALANCE DEFICIENCIES	245	4.3%
ENTRANCE/EXIT COUNSELING DEFICIENCIES	222	3.9%
PELL--OVERPAYMENT/UNDERPAYMENT	179	3.1%
G5 EXPENDITURES - UNTIMELY/INCORRECTLY REPORTED	174	3.1%
Total Top Ten Deficiencies	3,698	65.1%
Total 2018 Deficiencies	5,684	100.0%

Title IV Compliance Data

Schools on Heightened Cash Monitoring



TIV Program Participation Certification Status

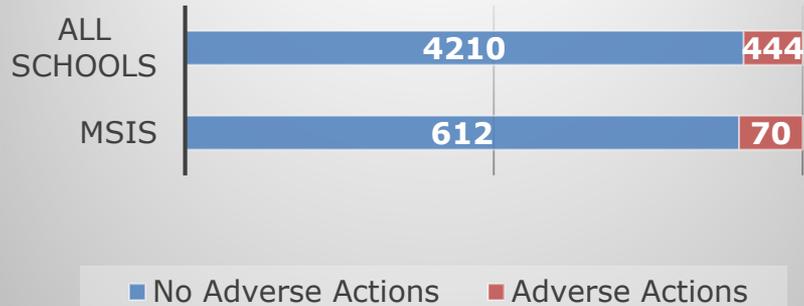


- 8.4% of all participating *Title IV* institutions were on restrictive cash monitoring
- 8.9% of all MSIs were on HCM1 or HCM2
- 1.6% of MSIs were participating via HCM2 vs. 1.1% of all *Title IV* institutions

- 20.4% of all eligible institutions are provisionally certified to participate in *Title IV* programs
- 20.1% of MSIs are provisionally certified to participate in *Title IV* programs

Title IV Compliance Data Dashboard

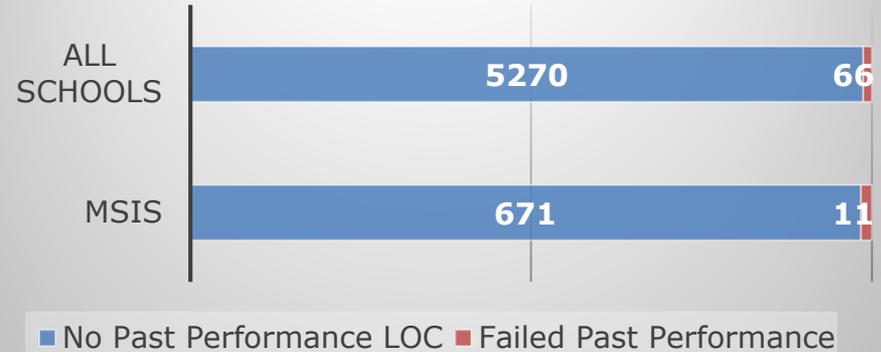
Adverse Accreditor Actions



January 2017 to June 2019

- 9.5% of all participating TIV institutions were placed on probation, show cause or an equivalent by an accreditor
- 10.3% of MSIs were sanctioned by accreditors during this time frame

LOC for Past Performance



June 2019

- 1.2% of all participating *Title IV* institutions remitted Letters of Credit due to failure of the past performance standard
- 1.6% of MSIs had remitted Letters of Credit to ED for this reason

Activity

Think about the following questions and take 10 - 15 minutes to discuss them in your groups. Write any answers you come up with on a flip chart, then decide on a spokesperson to share your answers with the room.

Activity

- 1 What are some components of the compliance program at your institution?
- 2 What components work well?
- 3 What are some areas that you want to change?
- 4 How would you describe a successful compliance program?

Some Common Themes to Keep in Mind

- ➔ Audit Requirements
- ➔ Financial Standards
- ➔ Limitations
- ➔ Cohort Default Rates
- ➔ Reporting and Disclosure Requirements

Attention to Details: Audit Requirements

Audit	Purpose
Compliance Audit	Covers the school's administration of the FSA programs
Financial Statement Audit	Provides the Department with information necessary to evaluate a school's status in relation to the standards of financial responsibility

Attention to Details: Financial Standards

Financial Responsibility Standards

General Standards

Used to evaluate a school's financial health

Performance and Affiliation Standards

Used to evaluate a school's past performance and to evaluate individuals affiliated with the school

Attention to Details: Limitations

Thresholds	
Students Without a High School Diploma or Equivalent	Ineligible if > 50%
Incarcerated Student Limitation	Ineligible if > 25%
Correspondence Course Limitation	Ineligible if > 50%
Correspondence Student Limitation	Ineligible if > 50%

Attention to Detail: Cohort Default Rates

- 1 For a cohort default rate of greater than 40 percent for any year, schools lose eligibility to participate in the Direct Loan Program.
- 2 For a default rate of 30 percent or more for any year, they must create a default prevention taskforce that will develop and implement a plan to address the high default rate. That plan must be submitted to the Department for review.
- 3 For a default rate of 30 percent or more for a second consecutive year, they must submit to the Department a revised default prevention plan and may be placed on provisional certification.
- 4 For a cohort default rate of 30 percent or more for three consecutive years, schools lose eligibility to participate in both the Direct Loan Program and the Federal Pell Grant Program.

Attention to Details: Consequences of High CDR

Consequences of High CDR	
CDR > 40%	Loss of student loan eligibility
CDR > 30%	Must create default prevention taskforce
CDR > 30%; 2 nd Year	Must submit a revised plan to the Department; may be placed on provisional certification
CDR > 30%; 3 rd Year	Loss of eligibility

The Benefits of a Low 3-Year Cohort Default Rate

Eligible School	Benefits
<p>A school whose most recent official cohort default rate is less than 5.0% and is an eligible home institution that is originating loans to cover the cost of attendance in a study abroad program.</p>	<ul style="list-style-type: none">• May disburse loan proceeds in a single installment to a student studying abroad regardless of the length of the student's loan period.• May choose not to delay the disbursement of the first installment of loan proceeds for first-year, first-time borrowers studying abroad.
<p>A school with a cohort default rate of less than 15.0% for each of the three most recent fiscal years for which data are available, including eligible home institutions and foreign institutions.</p>	<ul style="list-style-type: none">• May disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period.• May choose not to delay the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

Where are you starting from?

- CDR > 15% - Lose Benefits
- CDR > 18% - Urgent
- CDR > 30% - Critical



3-Year Cohort Default Rate **SANCTIONS**



*A school's **three** most recent official cohort default rates are **30.0** percent or greater for the three year calculation

- A school will lose **Direct Loan** eligibility
- A school will lose **Federal Pell Grant** eligibility



*A school's **current** official cohort default rate is greater than **40.0** percent, for the three year CDR calculation

- A school will lose **Direct Loan** program eligibility

*Except in the event of a successful adjustment or appeal a school will lose eligibility as indicated above for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years

Attention to Details: Reporting

Report/Disclosure	When Due
Audits	Six months after end of institution's fiscal year
FISAP (Fiscal Operations Report and Application to Participate)	Oct. 1
Foreign contracts and gifts	Jan. 31 or July 31 (most recent date from event triggering report; if a substantially similar report has been submitted to the state, may send that report to satisfy requirement)

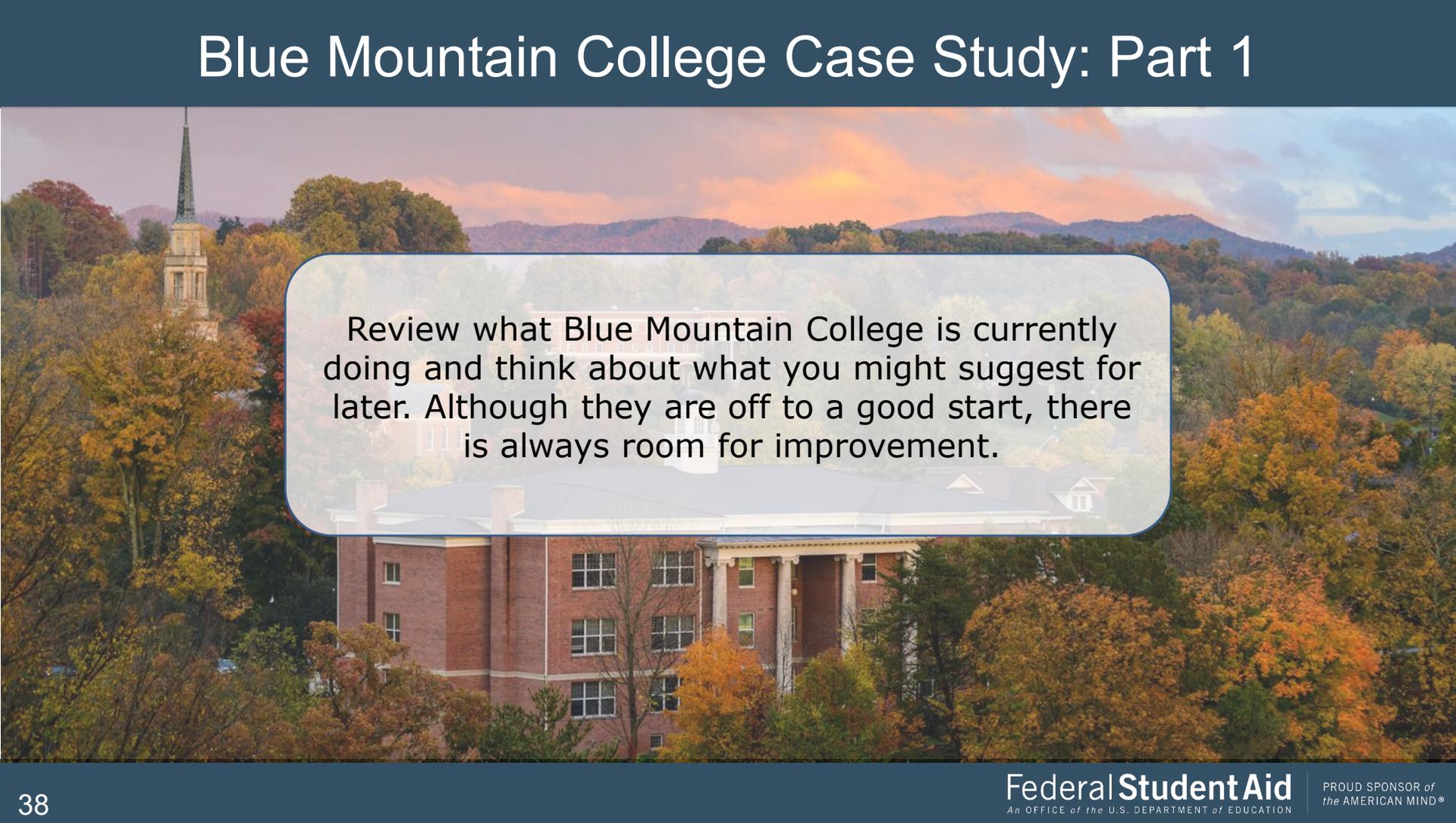
Blue Mountain College Case Study

Blue Mountain College is a small, rural, private college with an enrollment of 1,000. Recently, enrollment has been increasing and you expect it to exceed 1,200 students.

Blue Mountain College Case Study: Background

- The President is planning to retire in three years and has begun to prepare the senior VP/Provost to replace her/him.
- The Director has trained the Associate Director in all aspects of maintaining the office during her/his absence.
- The staff is able to attend state and regional conferences.
- The Financial Aid Director has been employed by the school for 10 years and regularly attends the Federal, State, and Regional financial aid conferences.

Blue Mountain College Case Study: Part 1



Review what Blue Mountain College is currently doing and think about what you might suggest for later. Although they are off to a good start, there is always room for improvement.

Blue Mountain College Case Study: Facts

- The school has recently hired a Compliance Director to ensure all *Title IV* rules and regulations are followed.
- The College has created a Default Management Committee to address the slight increase in its Cohort Default Rate.
- The Default Management Committee has developed a default management plan and is creating a Financial Literacy Program.

Blue Mountain College Case Study: Facts

- The student information system is fully implemented, and the IT staff works regularly with the Financial Aid staff to ensure all software updates are implemented timely.
- However, the students still wait in lines to be serviced because the school only has two counselors.
- Financial aid is reviewed properly, but students complain about poor customer service and threaten to transfer daily.
- The faculty complains about submitting attendance rosters which delays the disbursement of credit balances.

Blue Mountain College Case Study: Facts

- The school is building a third residence hall to house additional students; however, it will not be ready for the fall semester.
- The President has made arrangements with a local hotel to house upperclassmen.

Wrap-Up: Maintaining a Rigorous Compliance Environment

- Be knowledgeable about compliance processes
- Adhere to strict submission timelines
- Keep audit discussion on meeting agenda
- Monitor issues through resolution
- Audit committee deeply involved in business, finance and governance

Program Review Purpose

- ➔ Evaluate compliance with the *Title IV*, HEA statute and regulations
- ➔ Identify liabilities owed to the Department for errors in compliance
- ➔ Improve future institutional capabilities

Types of Program Review



General
Assessment

Focused
Assessment

Joint
Program
Review

What Happens During a Program Review

- 1 Review of the institution's data and records
- 2 Interviews with institution staff and/or students
- 3 Determine whether institution is compliant with *Title IV*
- 4 Determine source of any identified errors for correction
- 5 Program Review Report and Expedited Determination Letter (EDL)
- 6 Written response from institution

Preparing for the Review

Gather
required
information

Both electronic and
hard copy are
acceptable

Prepare
requested
reports

Protect sensitive and
personally identifiable
information

Send by
due date

Send reports to the
reviewers and do not
submit hard copy
originals

Winslow College Case Study

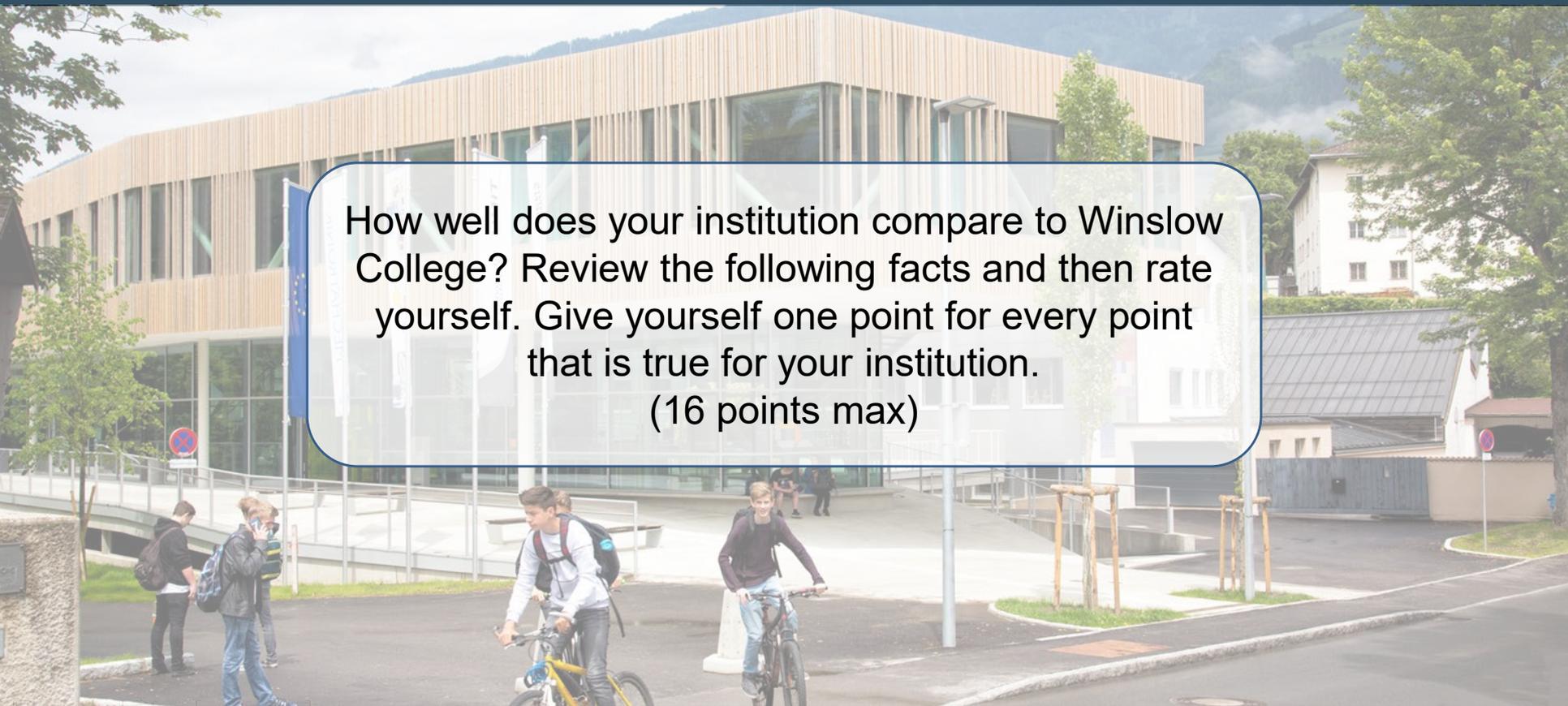
Winslow College is a midsized private college. The current enrollment is 4,000 but has been steadily increasing the past three years.

Winslow College Case Study: Background

- The school has added a new online program that leverages virtual reality to allow the students to meet, which garnered national attention.
- Because of the new program and attention, the college anticipates a boost in enrollment of 250 students by the end of the school year.
- The President has been with the college for five years and is developing a strategic plan for the next 10 years.
- Although the President has no desire to leave the college, part of the strategic plan addresses the succession of key administrators.

Winslow College Case Study

How well does your institution compare to Winslow College? Review the following facts and then rate yourself. Give yourself one point for every point that is true for your institution.
(16 points max)



Winslow College Case Study: Facts

- There is a full understanding that *Title IV* administration is a campus-wide responsibility.
- The student information system is fully functional, and the IT staff regularly trains new staff on how to operate the system properly.
- The institutional complaint system is fully functional and customer service is a top priority.
- Faculty members turn in timely attendance rosters during the census period.
- The Financial Aid Office is fully staffed.
- The Financial Aid Director and staff are provided with funding to attend the Federal, state, and regional financial aid conferences.

Winslow College Case Study: Facts

- Enrollment and Financial Aid are properly aligned.
- Credit balances are disseminated timely and on schedule.
- The disbursement schedule is posted online by the Business and Financial Aid Office.
- The institution reviews and updates all policies and procedures that govern *Title IV* programs on an annual basis.
- The IT staff works with the Financial Aid Office to ensure all software updates are implemented timely.
- The Financial Aid Office and Business Office meet on a monthly basis to reconcile *Title IV* programs.
- The President receives weekly reports of how many students have been awarded and disbursed.

Winslow College Case Study: Facts

- The last five financial audits have been clean without monetary findings.
- The College has a Default Management Committee to ensure the Cohort Default Rate remains low.
- Financial Literacy programs are developed for students.

Wrap-Up: Why Does Compliance Matter to You?

- What do you know now that you did not know before you came?
- Is there anything you heard that you might consider implementing at your institution?

Conclusion

Questions?

