

MASFAA Conference  
Northport, ME  
November 7, 2016



**Top Ten Compliance Concerns**

Zack Goodwin  
US Department of Education



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**Agenda**

- Top ten compliance concerns
- Details of common findings and areas of concern



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**Top Ten  
Compliance Concerns  
FY 2015  
(by occurrence)**



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### Top Ten Program Review Findings

1. Crime awareness requirements not met
2. Verification violations
3. Return of Title IV (R2T4) calculation errors
4. Student credit balance deficiencies
5. Drug abuse prevention program criteria not met
6. NSLDS enrollment reporting inaccurate or untimely
7. Entrance/Exit counseling deficiencies
8. Consumer information requirements not met
9. Satisfactory Academic Progress (SAP) policy not developed or monitored
10. Inaccurate recordkeeping

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### Top Ten Audit Findings

1. Repeat findings/Failure to correct
2. NSLDS enrollment reporting inaccurate or untimely
3. Return of Title IV (R2T4) calculation errors
4. Return of Title IV (R2T4) calculations made late
5. Verification violations
6. Pell overpayment/underpayment
7. Qualified auditor's opinion
8. Entrance/Exit counseling deficiencies
9. Student credit balance deficiencies
10. Improper origination of Direct Loans (NEW)

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### Findings in Common

- R2T4 calculation errors
- Verification violations
- NSLDS enrollment reporting inaccurate or untimely
- Student credit balance deficiencies
- Entrance/Exit counseling deficiencies

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### Finding Details

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### Repeat Finding / No Corrective Action

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

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### NSLDS Enrollment Reporting

- Enrollment reporting 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

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### R2T4 Calculation Errors

- Incorrect number of days/clock hours
- Ineligible funds as 'aid that could have been disbursed'
- Improper treatment of overpayments
- Incorrect withdrawal date
- Mathematical and/or rounding errors

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### Return of Title IV Funds Made Late

- Returns not made within 45-day allowable timeframe
  - 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

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### Verification Violations

- Verification documentation missing or incomplete
- Income tax returns/transcripts missing
- Conflicting data not resolved
- Untaxed income not verified
- Corrections that exceed tolerance not submitted
- Interim disbursement rules not followed

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**Pell Grant Overpayment/Underpayment**

- Incorrect Pell Grant formula
- Inaccurate calculations
  - Incorrect EFC
  - Incorrect number of weeks/hours
  - Incorrect payment periods
  - Incorrect program academic year definition
  - Incorrect transfer student calculation
- Incorrect Pell recalculation (enrollment status change)

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**Qualified Auditor's Opinion**

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

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**Entrance/Exit Counseling Deficiencies**

- Entrance counseling not conducted or documented for first-time borrowers
- Exit counseling not conducted or documented for withdrawn students or graduates
- Exit counseling materials not sent to students who failed to complete counseling
- Exit counseling completed late

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**Student Credit Balance Deficiencies**

- Credit balance not released to student within 14 days
- No process in place to determine when a 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

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**Improper Origination of Direct Loans**

- Incorrect academic year dates or loan period dates
- Annual/aggregate loan limits exceeded
- Improper proration (program less than an AY or remaining period of study)
- Incorrect abbreviated loan period
- SULA reporting errors (subsidized loan limits)

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**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 a system to track and/or log all required categories of crimes for all campus locations

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### Drug and Alcohol Abuse Prevention

- 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 and alcohol counseling and treatment programs

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### Consumer Information

Failure to provide consumer information:

- |                                         |                        |
|-----------------------------------------|------------------------|
| ✓ Financial assistance                  | ✓ FERPA disclosures    |
| ✓ Programs, costs, facilities, policies | ✓ Textbook information |
| ✓ Retention & placement rates           | ✓ Private loans        |
|                                         | ✓ GE disclosures       |

Failure to provide written policies to students for:

- Verification
- Disbursement process
- Credit balance procedures

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### SAP Policy Inadequate or Unmonitored

- Missing required components
- Improper use of financial aid warning, appeals, probation and academic plans in SAP policy
- Failure to consistently or adequately apply SAP policy
- Insufficient or missing documentation to support SAP

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### Inaccurate Recordkeeping

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

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### Issues to Consider

- Lack of communication
  - Within the office and between different offices
  - All key personnel not aware of past problems
- Lack of knowledge/training
  - External and internal training
- No back-up or succession planning
- *Lack of written policies and procedures*

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### Potential Problems

- *No internal review process*
- Lack of checks and balances
- Lack of resources
  - Equipment, *staff*, supplies, software
- System problems
  - Outdated software, limited flexibility, manual work-arounds

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**Thank you!**

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**Department of Education Contacts**

*Region I Training Officers (New England)*

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**Department of Education Contacts**

*Region I School Participation Division*

617.289.0133

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## Department of Education Contacts

[Research and Customer Care Center](#)  
800.433.7327  
fsa.customer.support@ed.gov



### Reach FSA

855.FSA.4FAA -- 1 number to reach 10 contact centers!

- |                                 |                                                     |
|---------------------------------|-----------------------------------------------------|
| <i>Campus Based Call Center</i> | <i>eZ-Audit</i>                                     |
| <i>COD</i>                      | <i>School Eligibility Service Group</i>             |
| <i>CPS/SAIG</i>                 | <i>Foreign Schools Participation Division</i>       |
| <i>NSLDS</i>                    | <i>Research and Customer Care Center</i>            |
| <i>G5</i>                       | <i>Netnet Total &amp; Permanent Disability Team</i> |



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## We Appreciate Your Feedback

To ensure quality training we ask all participants to please fill out an online session evaluation:

<https://www.surveymonkey.com/r/ZacharyGoodwin>

This evaluation tool provides a means to inform us of areas for improvement, and to support an effective process for listening to our customers.

Additional feedback about training can be directed to [joann.borel@ed.gov](mailto:joann.borel@ed.gov).



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## Resources

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### Repeat Finding (Audit)

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

### 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 Assessment: Schools - R2T4 assessment
- R2T4 Worksheets
  - Electronic Web Application (<https://faaaccess.ed.gov>)
  - Paper (FSA Handbook, Volume 5, Chapter 1)

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### NSLDS Reporting – Inaccurate/Untimely Reporting

- Regulation: 34 C.F.R. § 685.309(b)
- Dear Colleague Letter: GEN-12-06
- NSLDSFAP website - newsletter updates
  - [https://www.nslsdfap.ed.gov/nsls\\_FAP/default.jsp](https://www.nslsdfap.ed.gov/nsls_FAP/default.jsp)
  - "News & Events," top of home page

### Verification Violations

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

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Pell Overpayment/Underpayment

- Regulations: 34 C.F.R. §§ 690.62, .63, .75, .79 & .80
- FSA Handbook, Volume 4, Chapter 3

Qualified Auditor's Opinion Cited in Audit

- Regulation: 34 C.F.R. § 668.171(d)(1)
- FSA Coach
- FSA Assessments
- FSA Handbook, Volume 4, Chapters 5 & 6; Appendix A

Student Credit Balance Deficiencies

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




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Entrance/Exit Counseling Deficiencies

- Regulation: 34 C.F.R. § 685.304
- FSA Coach, Module B401: Direct Loan Counseling
- FSA Handbook, Volume 2, Chapter 6

Improper Origination of Direct Loans

- GEN-13-13
- Regulation: 34 C.F.R. § 685.301
- COD Technical Reference Guide
- FSA Handbook, Volume 3, Chapter 3




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Crime Awareness Requirements Not Met and  
Consumer Information Requirements Not Met

- Regulations: 34 C.F.R. Parts 86 and 99
- Regulations: 34 C.F.R. 668.6, 668.41 - 668.49 (Subpart D)
- Higher Education Act of 1965, as amended, Sec. 485
- FSA Handbook, Volume 2, Chapter 6 and 7; Appendix F
- <http://fsatraining.info> (Consumer Information Training)
- FSA Assessments: Schools - 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>




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Satisfactory Academic Progress Policy Not Adequately  
Developed/Monitored

- Regulations: 34 C.F.R. §§ 668.16(e), 668.32(f) & 668.34
- FSA Assessments: Students - Satisfactory Academic Progress (SAP)
- FSA Handbook, Volume 1, Chapter 1
- Satisfactory Academic Progress Training
  - <http://fsatraining.info> (Training by Topics)

Inaccurate Recordkeeping

- Regulations: 34 C.F.R. §§ 668.16(f) and 668.24(a),(c)

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