

Midwest Association of Student Financial Aid Administrators

- The following is a presentation prepared for MASFAA's 2009 Conference in Minneapolis, MN October 18-21, 2009



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Preparing for an Audit or Program Review

Midwest Association of Student Financial Aid Administrators (MASFAA)

Annual Conference

Minneapolis, MN October 18-21, 2009



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Today's Topics Will Include:

- Types of Audits and Reviews
- Possible Triggers
- How To Proactively Prepare
- What To Do When You've Been Selected
- What to Expect
- Questions



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Types of Reviews and Audits



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Types of Audits

- AI33
 - Public
 - Non-profit
- SFA Audit Guide
 - All other institutions (i.e. proprietary)

34CFR 668.23



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Types of Reviews

- Guarantor
 - Loan-specific
 - Relationship
 - Presently required if default rate is 20% or higher
- Federal
 - Focused
 - Full scope



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Possible Triggers



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Possible Triggers

- High cohort default rate
- Significant changes in FFELP, Direct Loan, or Pell volume
- Deficiencies reported by state licensing or accrediting agencies
- If guarantor receives a call from Department of Education
- Late refunds



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Possible Triggers

- High withdrawal rates
- Significant audit findings
- Repeat findings or recurrent problems
- Significant risk of noncompliance with administrative capability
- Complaints from students or adverse publicity
- Haven't had a review in a number of years



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Proactively Prepare



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Do it Right the First Time

- Be aware of any new rules and/or regulations and the years those changes were made
- Be sure your P&P is updated annually
- Invest in your staff
 - Online training
 - Conferences
 - In-person workshops
 - Policies & Procedures Manual training



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Documentation

- Document, document, document!
- For paper files:
 - Put same-year items together
 - Checklist of documents often helpful
 - Notes
- For electronic files:
 - Will you provide the auditor/reviewer with access to FAMS?
 - Will you find out what screens they need and print those?



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Internal Reviews

- Review files regularly
 - Random sample
- Locate Program Participation Agreement (PPA) and Eligibility and Certification Approval Report (ECAR)
- Review prior audits
 - Administrative capability (668.16)
 - Corrective Action Plan (CAP) should have indicated corrective steps taken
 - What procedures are in place?



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Helpful Websites

- ifap.ed.gov
- ed.gov
- nasfaa.org
- finaid.org
- State and Regional Association sites



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Tools of the Trade

- Common Manual
- FSA Handbook
- ISIR Guide
- Dear Colleague Letters
- Federal Registers
- Code of Federal Regulations
- FSA Assessment Tool
- NASFAA Standards of Excellence Review
- NASFAA Self-Evaluation Guide
- The Blue Book



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You've Been Selected



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You've Received a Letter

- Don't panic
- Remember that auditors and reviewers are financial partners
- Read the letter carefully
 - Contact the reviewer
- Notify senior campus officials immediately
- Discuss with staff
 - Provide overview of what to expect



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Requested Documents Include:

- Policies and procedures manual
- Sample FSA forms
- Cost of Attendance Budgets
- Pell Electronic Statement Of Account (ESOA) Information
- R2T4 worksheets
- Documentation of cash requests/refunds/returns
- Default management plan, if required
- FISAP



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Requested Documents Include:

- SAP and refund policies
- ISIRs
- Latest accreditation status
- Third party servicer contracts
- Administrative software utilized
- PPA and ECAR
- Financial statements for past two years
- Campus security report
- Catalog



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Keep In Mind

- Institutional Responsibility
 - Audits
 - Guarantor Reviews
 - Federal Program Reviews



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Helpful Hints

- Be prepared for the meeting and understand the purpose
- Review and prepare related records
 - If issues are discovered, notify supervisor
 - Resolve immediately
- Anticipate questions



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Helpful Hints

- Determine space for the auditor or reviewer
 - Quiet
 - Sufficient desks, chairs
 - Phone
- Assign staff
 - Get requested student files
 - Make copies
 - Report any issues to supervisor



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What To Expect



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Entrance Conference

- Include the team
 - Financial Aid
 - Student Accounts
 - Registrar
- “Point Person”
- If Program Review, digest the details of the letter
- Requested documents



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Anticipate Questions

- Anticipate some of the reviewer's questions in advance
- Sample questions could include:
 - Who handles withdrawals?
 - Who performs R2T4?
 - Who collects campus incident reports?
 - How do you ensure aid is properly disbursed?
 - What checks and balances are in place?
 - How often do you review your P&P?



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During the Audit or Review

- Listen
- Understand
- Respond
 - Be cooperative
 - Be honest
- Document



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Most Common Findings: Guarantor Review

- Reporting incorrect withdrawal dates to NSLDS
- Exit counseling materials not sent
- R2T4 calculation errors



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Most Common Findings: Federal Program Review

- Late refund/returns to Title IV account
- Incorrect Return of Title IV Funds calculation
- Entrance/exit counseling deficiencies
- Enrollment report (SSCR) issues
- Repeat finding or failure to take corrective action

Source: 2008 FSA Conference



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Most Common Findings: Federal Program Review

- Auditor opinion cited in audit
- Student credit balance deficiencies
- Verification violations
- Pell over/under payments

Source: 2008 FSA Conference



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Exit Conference

- Take a deep breath!
- Include the team
 - Financial Aid
 - Student Accounts
 - Registrar
- Listen
 - What are the findings?
 - Do you agree or disagree?



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Exit Conference

- Take notes
- Get as much information as possible
 - Seek clarification, if necessary
 - Be sure all findings are disclosed
- Determine “next steps”
 - Responding to findings
 - Review P&P
 - Update, correct as necessary



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Responding to a Citation

- Report will give the findings and required action
- Have a good understanding of what the auditor or reviewer expects
- Obtain feedback, if necessary
 - Ask questions
 - How detailed do you need to be?
 - Appeal rights



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Do You Agree?

- Do you agree?
 - Review regulations
 - Review your Policies & Procedures Manual
- If you agree with the citation then follow the required corrective action



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Do You Disagree?

- If you don't think they're correct, you can appeal
 - Indicate the school's position
 - Include the finding, issues being disputed
 - Include regulatory citation
- Misunderstandings do occur



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Campus Counsel

- Fraud
- Scope and magnitude of findings
- Liability
- Challenge findings



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What Next?

- Use the audit or review findings
- Read
 - NASFAA daily updates
 - IFAP updates
 - The Chronicle of Higher Education
 - Inside HigherEd
- Attend training
- Be involved
- Network



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Questions?

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