Circular A-133 Single Audit & U.S. Department of Education Program Review

SUNY System Administration
Office of the University Auditor
April 25, 2013
Session Objectives

• Obtain an overview of the
  – Circular A-133 Single Audit and
  – U.S. Department of Education’s Program Reviews of Federal Student Aid.

• Learn about the authority, scope, objectives, process and timing, recent findings, and recommendations.
A-133 SINGLE AUDIT AUTHORITY AND BACKGROUND

• Required by Single Audit Act and OMB Circular A-133
• Entity wide audit of organizations that spend $500,000 or more in federal funds
• Encompasses both financial and compliance components
• Provides some assurance to the federal government regarding management and use of federal funds
• Audit is performed by an independent CPA
• Final report is submitted to Federal Audit Clearinghouse
A-133 SINGLE AUDIT SCOPE

• For our Single Audit, New York State is the entity
  – Spend over $50 billion in federal funds
  – 33 major programs
  – 11 agencies included in the audit

• SUNY is one of those agencies
  – About $1.5 billion in federal financial aid
  – One major program – financial aid cluster
  – All State-operated campuses and the SLSC are included in the audit
  – Field work is at a handful of the campuses
A-133 SINGLE AUDIT SCOPE

• Student Financial Aid Cluster
  – Grant Programs
    • Pell grants
    • Federal Supplemental Educational Opportunity Grants
    • Teach Grants
    • Federal Work Study
  – Loan Programs
    • Sub/Unsubsidized Stafford
    • Plus
    • Nursing Student Loans
    • Health Professional Student Primary Care Loans
• State Fiscal Year April 1, 2012 to March 31, 2013
A-133 SINGLE AUDIT OBJECTIVES

• Determine if the entity complied with applicable laws, regulations, and other requirements

• Assess the adequacy of internal controls for compliance requirements

• Determine if the schedule of expenditures is presented fairly
A-133 SINGLE AUDIT PROCESS AND TIMING

• Entrance Conference – April
• Field Work – June thru August
• Draft Findings – Mid October
• Exit Conference – Late October
• Corrective Action Plans – Mid November
• Final Report – Late November
A-133 SINGLE AUDIT PROCESS AND TIMING

- Field work at a sample of campuses
- Generally field work is for one to two week with one to three team members
- Also field work at campuses with prior year finding
- Ensure there is regular communications on the status and findings (if any).
A-133 SINGLE AUDIT PROCESS AND TIMING

- Management Letter
- Disclose Any Known Noncompliance or Questioned Costs
- Fraud Questions
- Auditors Use a Five Step Process
  - Obtain an understanding of the program
  - Document the processes and controls for major compliance requirements
  - Conclude on the adequacy of the design of internal controls
  - Test the effectiveness of key controls
  - Test compliance with requirements
A-133 SINGLE AUDIT PROCESS AND TIMING

• Compliance areas include:

  – Eligibility
  – Disbursements
  – Verification
  – Return of Title IV Funds
  – Student Status Changes
  – Satisfactory Academic Progress
SUNY SINGLE AUDIT FINDINGS
2010 – 2012

• Return of Title IV funds not timely
  – 34 CFR section 668.165 (a)(6)(i))
  – 34 CFR section 675.20 - 675.23
• Loan disbursement notification
  – 34 CFR section 668.165 (a)(6)(i))
• Student Enrollment reporting not timely
  – FFEL, CFR section 682.610; Direct Loan, 34 section 685.309).
Recommendations

• Return of Title IV
  – Ensure all funds that are to be returned to the programs are calculated and returned within the 45 day time period from known date of withdrawal.

• Loan Disbursement Notification
  – Ensure that all students and parents receiving Direct Loans are notified of their right to cancel all or part of their loans within the proper time period.

• Student Enrollment Reporting
  – Ensure that all enrollment reports are submitted to NSC and ultimately NSLDS with the required time frame.
U.S. Dept of Education Program Review

• Authority to Conduct Program Reviews
  – The Secretary of Education is mandated by law under Section 498 A of the HEA, 20 U.S.C. § 1099c, to conduct program reviews at institutions of higher education participating in the Title IV, HEA Programs.
U.S. Dept of Education Program Review Priorities

• Priority will be given to Institutions that...
  – Have default rates above federal benchmarks, have a default rate that places them in the highest 25% of institutions, or have a default rate in dollar volume that places them in the highest 25% of institutions.
  – Have significant fluctuations year of year in Federal Loan volume not accounted for by fluctuations in the federal Loan Program.
  – Have been reported by state licensing agencies or accrediting agencies to have deficiencies.
  – Have high annual student withdrawal rates.
  – Have been determined by the Secretary to have significant risk of failing to comply with Administrative Capability or Financial Responsibility provisions.
U.S. Dept of Education Program Review Process

Institutions will be notified by the Department of Education that they have been selected for a Title IV Review. The notice includes:

• A telephone call to the President of the institution.
• A telephone call to the Director of Financial Aid.
• A Letter to the President of the institution.
• The Letter will outline the Scope of the visit and the list of items required for the visit and some will be provided during the visit.
U.S. Dept of Education Program Review Scope

The scope of the review will be to determine the institution’s compliance with the statutes and federal regulations as they pertain to their administration of Title IV programs. The review will consist of, but not limited to, an examination of the institution’s policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records for the award year.

Note: this may be expanded into the previous award year if findings warrant it.
U.S. Dept of Education Program Review Process

End

• At the conclusion of the field work a closing conference will be held to discuss what was reviewed and any findings and to discuss the next steps of the review process.

• The review will end with a written Program Review Report and Expedited Final Program Determination Letter (EDL).
  – Written Program Review Reports contains statements of non-compliance and indicates what action(s) are required
  – Expedited Final Program Determination Letter (EDL)
    • Requires no response.
Program Review Findings

The DOE has reported that there were six common findings among the institutions reviewed. Five additional findings were found on one or more of the institutions reviewed during the Fiscal Year ending September 2012.
R2T4 Findings

• Incorrect number of days
• Ineligible funds used as aid that ‘could have been disbursed’
• Improper treatment of grant overpayments
• Incorrect withdrawal date
• Mathematical and/or rounding errors

Regulation: 34 C.F.R. § 668.22(e)
Recommendations

• New regulations

• Perform self-assessment

• FSA Training

• Use R2T4 Worksheets
Return of Title IV Funds Made Late

- Institution’s policy and procedures not followed
- Returns not timely (45 days)
- 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)
Recommendations

• Periodically review processes and procedures to ensure compliance

• R2T4 on the Web

• Training
Verification Violations

- Verification worksheets
- Income tax returns
- Conflicting data
- Untaxied income
- Corrections

Regulations: 34 C.F.R. Subpart E: §§ 668.51 – 668.61
Recommendations

• Monitor verification process
• Perform internal quality control file review
• FSA Assessments: Students - Verification
• Review *Federal Student Aid Handbook, Application & Verification Guide, Chapter 4*
• Review verification regulations
  – Published October 29, 2010
  – Effective July 1, 2012
Entrance/Exit Counseling Deficiencies

• Entrance counseling
• Exit counseling
• Exit counseling materials not mailed to students who failed to complete counseling

Regulation: 34 C.F.R. § 685.304
Recommendations

• Monitoring the entrance/exit interviews process

• Develop campus communications procedures

• Provide staff training
Crime Awareness
Requirements Not Met

• Campus security policies and procedures
• Annual report not published and/or distributed
• Failure to develop a system to track and/or log all required categories of crimes for all campus locations

Regulations: 34 C.F.R. §§ 668.41; 668.46(c); & 668.49
Recommendations

• Institution webpage link for security reports.
• Review *The Handbook for Campus Safety and Security Reporting*
• FSA Handbook: Volume 2, Chapters 6 & 8
• FSA Assessments: Schools - Consumer Information Module
  – Activity 5: Clery/Campus Security Act
Student Credit Balance Deficiencies

• Timeliness

• Campus process to determine credit balance

• Did not release funds

Regulations: 34 C.F.R. §§ 668.164(e) and 668.165(b)
Recommendations

• Internal controls associated with credit balances not working.

• Conduct a self-audit of credit balance disbursements

• Ensure credit balance authorization is compliant with Title IV requirements
SAP Policy
Not Adequately Developed/Monitored

• One or more missing required components in school’s policy

• Failure to consistently or adequately apply SAP policy

• Aid disbursed to students not meeting the standards

Regulations: 34 C.F.R. §§ 668.16(e); 668.32(f) & 668.34
Recommendations

• Utilize FSA Assessments Module for SAP

• FSA Handbook, Volume 1, Chapter 1

• Staff Training
Account Records
Inadequate/Not Reconciled

• Failure to provide appropriate documentation of disbursements to reviewers
• Failure to balance school’s program accounts with G5 and COD
• Failure to identify Federal funds in institutional bank accounts

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

• Perform Reconciliations

• Internal reporting procedures

• Utilize FSA references and guides
Inaccurate Recordkeeping

• Inadequate or mismatched attendance records for schools that are required to take attendance

• Failure to maintain consistent disbursement records

Regulations: 34 C.F.R. §§ 668.24(a),(d) and 668.161-668.167
Recommendations

- Importance of accuracy of all FSA records
- Check documents for accuracy
- FSA Assessments and IFAP training
Lack of Administrative Capability

- Significant findings that indicate a failure to administer aid programs in accordance with Title IV statutes and regulations

- No Title IV fund reconciliation process; Excess Cash

- No separation of duties

Regulation: 34 C.F.R. § 668.16
Recommendations

- Training

- Establish fiscal policies and procedures to ensure that reconciliations are done monthly
Information In Student Files Missing/Inconsistent

- Inter office communication
- Data on ISIR conflicts with institutional data or other data in student’s file
- Insufficient or missing documentation needed to support professional judgment or dependency override

_Regulations:_ 34 C.F.R. §§ 668.16(f) and 668.24(a),(c)
Recommendations

• Inter-office communication

• Periodic ‘review’ of student files

• Develop process to monitor and verify that all documents are received and reviewed

• Increase automation

• File documents timely
Resources – www.ifap.ed.gov

My IFAP
What’s New
Tools for Schools
Publications
Handbooks
Letters & Announcements
Training and Conferences
SUNY AUDIT CONTACT INFORMATION

Michael Abbott, CPA
University Auditor
Office of University Audit
SUNY System Administration
State University Plaza
Albany, NY 12246

michael.abbott@suny.edu
Tel. 518-320-1533

Allen Styno
Sr Internal Auditor
Office of University Audit
SUNY System Administration
State University Plaza
Albany, NY 12246

allen.styno@suny.edu
Tel. 518-320-1423
QUESTIONS?