



**SALMON SIMS THOMAS**

*Accountants and Consultants*

# **Compliance Best Practices**

**PCCS Regions VII  
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## **Current Environment**

- Department of Education (ED) is conducting limited scope reviews to cover more institutions
- Full program review triggered by complaints
- ED has become more diligent
- ED has become more savvy with regard to financial review
- Increased willingness to take administrative action or deny recertification
- Focus on campus security, reporting, and disclosure requirements



## **2013 Common Compliance Findings**

- R2T4 calculation errors and made late
- Pell grant overpayment/underpayment
- Verification violations
- Student credit balance deficiencies
- Entrance/exit counseling deficiencies
- Failure to take corrective action
- Inaccurate NSLDS reporting
- SAP policy not developed or inadequate

## R2T4 Calculation Errors

- Incorrect number of days (credit hour programs)
- Incorrect reporting of aid disbursed and/or could have been disbursed
- Incorrect withdrawal date
- Incorrect institutional charges
- Mathematical and/or rounding errors
- **Best Practice**: 2<sup>nd</sup> review of calculations, maintain supporting documents with the calculation

# Pell Grant

## Overpayment/Underpayment

- Incorrect EFC used
- Incorrect proration
- Credit adjustments
- **Best Practice**: develop a process to evaluate Pell awards at add/drop date to determine any necessary proration.

## Verification Violations

- Failure to obtain IRS transcripts
- Maintaining unnecessary tax information resulting in conflicting information
- Untaxed income not verified
- 13/14 award year – five verification tracking groups (13/14 Application and Verification Guide, page AVG-76)
- **Best Practice**: develop verification forms for each verification group, require IRS retrievals, implement review process

## Credit Balance Deficiencies

- Failure to pay credit balances within 14 days
- Failure to pay credit balances at the end of a loan period or academic year
- Failure to obtain authorizations to maintain credit balances
- Failure to return unclaimed credit balances
- **Best practice**: develop process to identify Title IV credit balances, develop process to monitor unclaimed checks, develop policy regarding return of unclaimed funds

## Entrance/Exit Counseling

### What more can we say!

- Not signed by student
- Not dated
- Failure to mail to student
- **Best Practice**: Have all students complete entrance and exit counseling online





## **Failure to Take Corrective Action**

- Failure to implement corrective action plan
- Repeat findings in subsequent audits
- Could result in lack of administrative capability
- **Best Practice**: take CAP seriously and not just as a response to the audit, communicate CAP to each department and modify policies and procedures as needed, review CAP to determine that it has been implemented and is working as expected.

## Inaccurate NSLDS Reporting

- Incorrect effective date
- Incorrect student status
- Untimely certification date
- **Best Practice**: develop procedure to update NSLDS as part of the R2T4 or graduate process, print update confirmation and maintain in file.

## Satisfactory Academic Progress

- SAP policy not developed or inadequate
- One or more required components missing
- Failure to consistently apply the SAP policy
- Aid disbursed to students that failed warning period
- **Best Practice**: revise policy to include all required components, develop standard forms for each component, create an appeals board, maintain documentation of each component.



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## **Other Current Issues**

## High School Diplomas

- School responsible for diligence in determining validity of HS diploma
- Search approved state recognized high schools
- Search accrediting agencies
- Internet search
- Maintain a list of unacceptable diplomas and update and publish regularly to admissions and FA personnel



## Other

- Pell lifetime eligibility
- 150% subsidized loan limit
- Matching COD disbursement dates to student ledgers
- **Best Practices:**
  - Develop procedure to monitor lifetime eligibility, don't rely solely on the ISIR
  - Develop procedure to monitor 150% limit, applies to first-time borrowers and includes prior borrowers that had a zero principal balance as of July 1, 2013
  - Verify and update COD for each disbursement

## 90/10 Calculation

- Calculation not performed on a student-by-student basis
- Properly including sale of receivables
- Properly including/excluding revenue from student activities, i.e. clinic revenue
- Improperly applying the assumption rule
- Including/excluding Title IV credit balances
- **Best Practices**: calculate monthly or quarterly, reconcile Title IV funds to G5

## **OIG Oversight of Nonfederal Auditors**

- Review of auditor workpapers, including financial statements and 90/10 workpapers
- Audit firm to submit licenses, peer review reports, number of schools audited, credentials, continuing professional education
- Cite exceptions or deficiencies
- Interview with primary auditor
- Determine if audit is acceptable or rejected





## **Policies and Procedures Manual**

- Establish and maintain a current policy and procedures manual
  - [www.nasfaa.org](http://www.nasfaa.org) – Members/Professional Practice Tools
  - [www.ifap.ed.gov](http://www.ifap.ed.gov) – click on Tools for Schools/FSA Assessments
- Perform self-evaluations
- Perform periodic internal audit functions



## **Policies and Procedures Manual**

- Update at least annually
- Maintain all superseded policies and procedures
- Document effective date of new or revised policies or procedures



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