

Fiscal Year 2021 Top Ten School Audit Findings and Top Ten School Program Review Findings

The Most Frequently Occurring Findings Resolved by FSA during Fiscal Year 2021

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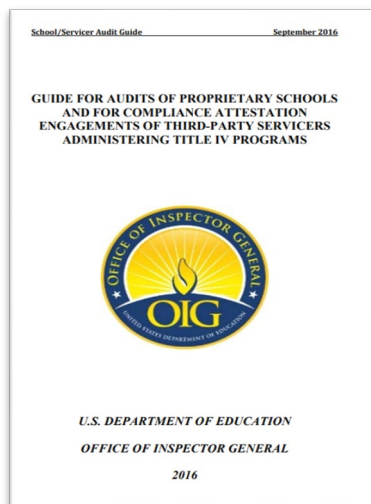
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Disclaimer: This document provides descriptive information and is not intended to be all-encompassing. The omission of noncompliance information in this report shall not be construed as an endorsement of a particular practice. Nothing herein, or in these materials, shall be construed as professional advice being provided for any particular situation or constitute a legal opinion with respect to compliance with any federal, state, or local laws. The information contained herein is provided as general information that may or may not reflect the most current legal developments.

Introduction

In an ongoing effort to provide increased transparency regarding compliance issues identified in compliance audit reports and program reviews relating to the administration of the *Title IV* programs authorized under the *Higher Education Act of 1965, as amended (HEA)* (“*Title IV* programs”) by Institutions of Higher Education (“IHEs”), the U.S. Department of Education’s (“Department’s”) office of Federal Student Aid (“FSA”) posts the Top Ten School Audit Findings and Top Ten School Program Review Findings resolved on a fiscal year basis. The updated **annual data file** is posted to the **FSA Data Center’s Annual Top Ten School Findings and School Fine Reports** landing page.

Starting with the release of the Fiscal Year (“FY”) 2020 Top Ten School Audit Findings and Top Ten School Program Review Findings in August 2021, FSA began publishing an annual companion document providing more context regarding the noncompliance findings identified in the audit reports and program review reports resolved by FSA. FSA intends this companion document to be used by IHEs to improve their awareness of the types of compliance deficiencies observed by FSA’s compliance and enforcement units so they can take proactive measures to self-assess and address similar compliance deficiencies that may be occurring at their institutions.



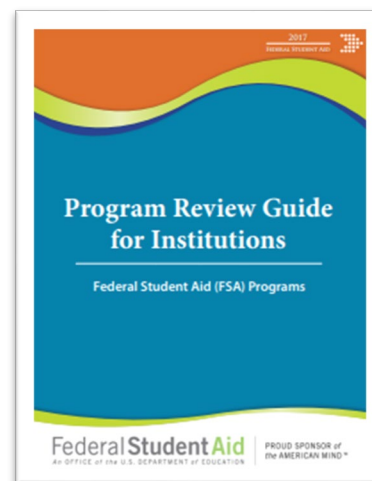
Federal and nonfederal auditors examine the administration of the *Title IV* programs by partners. Compliance audits are conducted in accordance with **audit guides** published by the White House Office of Management and Budget, and by the Department’s Office of the Inspector General.

Audit guides incorporate by reference other applicable auditing standards, such as

- The U.S. Government Accountability Office’s **Government Auditing Standards** (GAGAS), and
- Guidance issued by the American Institute of Certified Public Accountants (AICPA).

FSA’s Institutional Review Specialists conduct program reviews to assess institutional compliance with *Title IV* requirements.

A program review usually results in a preliminary program review report (PRR), which is an exception report identifying instances of non-compliance and required actions. FSA considers an IHE’s response before issuing a Final Program Review Determination (FPRD). Under the HEA, the PRR is maintained confidentially until an FPRD is issued. FSA’s **Program Review Guide for Institutions** provides additional information about the process.



FSA's Institutional Review Specialists conduct program reviews of IHEs in accordance with FSA's internally developed program review procedures. A program reviews to assess an IHE's compliance with *Title IV* program requirements, including for institutional eligibility, student eligibility financial responsibility, consumer disclosures, and administrative capability, among other things.

FSA's Institutional Review Specialists also resolve findings of noncompliance identified in compliance audit reports prepared by independent certified public accountants and public auditors. External audits inform the Department's administrative and program officials about activities performed under contracts, grants or cooperative agreements by entities external to the Department. Audit resolution is used to determine auditee compliance with applicable statutes, regulations, and policies and to assess liabilities for errors, identify corrective actions and, initiate referrals for sanctions.

Impacts of the COVID-19 Pandemic

The Department recognizes that the ongoing COVID-19 pandemic (COVID-19) has created many unique challenges for postsecondary IHEs. The Department has provided a variety of special guidance and regulatory flexibilities due to the President's **March 13, 2020, declaration of the COVID-19 national emergency**, which was **extended on Feb. 18, 2022**. In addition, Congress has passed legislation offering relief from certain statutory requirements related to the *Title IV* programs.

The following resources provide COVID-19 guidance, including *Title IV* waivers and exemptions:

- The "Higher Education" section of the Department's **COVID-19 Resources for Schools, Students, and Families** web portal
- **COVID-19 Title IV Frequently Asked Questions** page
- **CARES Act: Higher Education Emergency Relief Fund** page

In an **April 3, 2020 Electronic Announcement**, the Department announced relief for IHEs under the cash management regulations (34 C.F.R. Part 668, **Subpart K**) if they were unable to comply due to COVID-19 disruptions. If an IHE is unable to comply, it must document the reason(s) for instances where it was unable to comply with the cash management requirements and retain the documentation in its records. The relief includes, but is not limited to, the following regulatory requirements:

- Borrower Requests for Loan Cancellation (**34 C.F.R. § 668.165(a)(4)(ii)**)
- Excess Cash (**34 C.F.R. § 668.166**)
- Notices/Authorizations (**34 C.F.R. § 668.165(a)(3)** and **(b)(4)(iii)**)

In addition, the Secretary published a waiver of the requirement that an Electronic Funds Transfer (EFT) be a direct deposit transaction allowing IHEs and third-party servicers to use any type of EFT under the Treasury Department regulations in **31 C.F.R. § 208.2**, including person-to-person payment methods such as Zelle® and PayPal® in a **Dec. 11, 2020, Federal Register notice**. Any alternative payment methods used must be disclosed in the IHE's annual compliance audit. The Secretary also temporarily modified the cash management requirements to allow IHEs under **Heightened Cash Management 1 (HCM1)** the ability to submit a request for funds without first paying the credit balances due to the students for whom those funds were requested. IHEs must pay the credit balances no later than three calendar days after receiving the funds.

As explained in an **August 21, 2020 Electronic Announcement** most regulatory waivers will expire at the end of the payment period that includes the end date for the **COVID-19 national emergency declaration**. Some **exceptions to the general deadline** are noted. IHEs compliance with COVID-19 regulatory flexibilities are subject to audit and program review testing.

School Audit Findings

Top Ten School Audit Findings by Number of Findings for FY2021

Each year FSA receives thousands of compliance audit reports assessing institutional compliance with *Title IV* program requirements. The most common audit findings for domestic IHEs are listed below in descending order of frequency of occurrence.

Finding Code Description	Number of Findings	Percent
Student Status - Inaccurate/Untimely Reporting This finding is recorded when an IHE does not report student enrollment status information timely or accurately to the Department.	709	14.3%
Repeat Finding - Failure to Take Corrective Action This finding is recorded when a compliance audit identifies consecutive years of noncompliance in the same area.	627	12.6%
CARES Act/HEERF Non-Compliance This finding is recorded when an IHE did not follow requirements such as for public disclosure or did not use funds in an authorized manner.	367	7.4%
Return to <i>Title IV</i> (R2T4) Calculation Errors This finding is recorded when an IHE makes a mistake in an R2T4 calculation for a student who withdraws from all classes during a payment period.	353	7.1%
Return of <i>Title IV</i> Funds Made Late This finding is recorded when an IHE fails to return <i>Title IV</i> , HEA program funds timely to the Department.	329	6.6%
Student Credit Balance Deficiencies This finding is recorded when an IHE does not appropriately administer <i>Title IV</i> credit balances on behalf of students or parent borrowers.	249	5.0%
Verification Violations This finding is recorded when an IHE does not fully or timely complete the process to verify student aid application data.	229	4.6%
Qualified Auditor's Opinion Cited in Audit This finding is recorded when an IHE's auditor expresses an opinion that noncompliance has occurred at a rate that exceeds materiality thresholds.	228	4.6%
Entrance/Exit Counseling Deficiencies This finding is recorded when an IHE does not ensure that all student loan counseling requirements are timely met and documented.	164	3.3%
Pell--Overpayment/Underpayment This finding is recorded when an IHE makes an error in disbursing Federal Pell Grant Program funds.	160	3.2%
Total Top Ten Compliance Audit Deficiencies	3,415	68.9%
Total FY2021 Compliance Audit Deficiencies	4,958	100.0%

#1 Audit Finding: Student Status - Inaccurate/Late Reporting

Upon receipt of an enrollment report from the Department, an IHE must update all information included in the report and timely return the report in the prescribed manner and format. In general, and unless an IHE expects to submit its next updated enrollment report within the next 60 days, an IHE must notify the Department within 30 days after the date that the IHE discovers that a *Title IV* loan was made to, or on behalf of, a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis, or when the IHE discovers that the student failed to enroll on at least a half-time basis for the period for which the loan was intended. An IHE must also timely report information when an enrolled student who received a *Title IV* loan changes his or her permanent address. These regulations can be found at **34 C.F.R. § 685.309(b)** and **34 C.F.R. § 674.19(f)**. IHEs must report enrollment data to the National Student Loan Data System (NSLDS®) **at least every 60 days** and **respond within 15 days** of the date that the NSLDS sends an enrollment roster file to the school or its third-party servicer. This timeframe also applies to IHEs who report data through the Enrollment Maintenance page using the **NSLDS Professional Access Web site**.

Findings under this heading may cover a variety of violations, including:

- Inaccurate reporting of student enrollment status and effective dates;
- Failure to report last date of attendance/changes in student enrollment status;
- Inaccurate reporting of program-level data;
- Late reporting of specific student information; and
- Late submission of NSLDS enrollment roster file.

If a finding in this area is included in the audit report, the IHE will need to update the inaccurate information. If the audit report identifies multiple instances of the same error, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error.

Accurate enrollment information is a vital component of administering the *Title IV* student loan programs. The information reported determines if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students entering repayment, the out-of-school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

#2 Audit Finding: Repeat Finding - Failure to Take Corrective Action

The Department's Standards of Administrative Capability in **34 C.F.R. § 668.16** provide that an IHE that participates in a *Title IV* program must demonstrate that it is capable of properly administering the program. An IHE's inability or unwillingness to resolve a deficiency that has been previously identified in prior compliance audits may be indicative of a lack of administrative capability as well as possible lack of control over *Title IV* funds.

An IHE is not considered financially responsible if it:

- Has been limited, suspended, terminated, or entered into a settlement agreement to resolve a **limitation, suspension, or termination action initiated by the Secretary** or a guaranty agency, as defined in 34 C.F.R. Part 682, within the preceding five years;
- In either of its two most recent compliance audits had an audit finding, or in a report issued by the Secretary of Education ("Secretary") had a program review finding for its current fiscal year or either of its preceding two fiscal years, that resulted in the IHE's being required to repay an amount greater than 5% of the funds that the IHE received under the *Title IV* programs during the year covered by that audit or program review;
- Has been cited during the preceding five years for failure to submit in a timely fashion acceptable compliance and financial statement audits required under this part, or acceptable audit reports required under the individual *Title IV* program regulations; or

- Has failed to resolve satisfactorily any compliance problems identified in audit or program review reports based upon a final decision of the Secretary issued pursuant to the Department's regulations in 34 C.F.R. Part 668, **Subpart G** or **Subpart H**. See: **34 C.F.R. § 668.174(a)(1)–(4)**.

Sometimes a reported finding of noncompliance reoccurs at an IHE. Therefore, repeat findings may cover a variety of violations, including:

- NSLDS Enrollment Reporting Inaccurate/Late;
- NSLDS Transfer Monitoring procedures not followed;
- Credit Balance deficiencies;
- Incorrect R2T4 Calculations;
- Late/unmade R2T4 returns;
- Verification violations;
- Federal Pell Grant and/or William D. Ford Federal Direct Loan (Direct Loan Program) Program funds not reconciled;
- Disbursement records not updated in the Department's Common Origination and Disbursement System (COD) within required timeframes;
- Incorrect disbursement dates and amounts reported to COD;
- Incorrect Federal Direct Loan disbursements;
- Clery Annual Security Report is missing required statements and statistics; and
- Loan counseling not completed or not documented.

Repeat findings are noted by the auditor and result from an IHE not implementing corrective action in a timely manner or for failing to take any corrective action to alleviate the finding from the prior audit report. A repeat finding, or repeat findings is an indicator of increased risk to the Department and students. IHE's should make every effort to resolve findings when noted by audit during the audit review and to ensure its policies and procedures are effective, current, and implement *Title IV* regulations. Failure to resolve repeat findings could result in the Department taking action against an IHE.

#3 Audit Finding: CARES Act/HEERF Non-Compliance

The Coronavirus Aid, Relief, and Economic Security (**CARES Act**) was passed by Congress on March 27, 2020. Of the funds appropriated under the CARES Act, approximately \$14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund (HEERF). HEERF funds are intended to provide IHE's financial resources during the start and through the ongoing COVID-19 pandemic to support student learning and allow IHE's to administer these funds as necessary. However, IHE's were advised that if HEERF funds were used, additional reporting requirements would be in place to account for HEERF funds.

Auditing requirements for the HEERF grant funds fall into two categories—those public and private nonprofit IHEs that may be required to submit an audit under the Single Audit Act Amendments of 1996 (Single Audit Act) and proprietary IHEs that are required to submit a similar audit to the Department. The Department published **HEERF Grant Program Auditing Requirements** to all IHE's on March 8, 2021, detailing the HEERF reporting requirements including links for additional information for auditors and IHE's. Further information such as FAQ's and updated guidance can be found at the Department's **CARES Act: Higher Education Emergency Relief Fund** page. IHEs can also visit the **Knowledge Center** on the **FSA Partner Connect** portal for additional resources regarding the ongoing national emergency.

Note: FSA refers audit findings relating to the administration and use of CARES Act/HEERF funds to Department's Office of Finance and Operations for audit resolution.

#4 Audit Finding: Return to Title IV (R2T4) Calculation Errors

When a recipient of *Title IV* funds withdraws from an IHE during a payment period or period of enrollment in which the recipient began attendance, the IHE must determine the amount of *Title IV* assistance that the student earned as of the student's withdrawal date. See: [34 C.F.R. § 668.22\(a\)\(1\)](#).

The amount of *Title IV* assistance earned by the student is calculated by determining the percentage of *Title IV* grant or loan assistance that has been earned by the student and applying the percentage to the total amount of *Title IV* grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as the student's withdrawal date. See: [34 C.F.R. § 668.22\(e\)](#).

Findings under this heading may cover a variety of violations, including:

- Incorrect number of days used in term/payment period;
- Incorrect clock-hours used in payment period;
- Incorrect withdrawal date;
- Incorrect aid used as "could have been disbursed";
- Incorrect Post-Withdrawal Disbursement
- Mathematical and rounding errors; and
- Incomplete R2T4 policy.

If a finding in this area is included in the audit report, the IHE will need to correct the R2T4 calculation and return *Title IV* funds to the Department, if necessary. If the audit report identifies multiple instances of the same error, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error. IHEs should ensure that their R2T4 calculations are accurate and timely. Failure to properly calculate R2T4 calculations and to return unearned *Title IV* funds timely results in additional expense to both the Department and to individual students that the IHE is liable to repay.

The [CARES Act](#) waived R2T4 requirements for students whose withdrawals were related to the COVID-19. Section 3508 of the CARES Act directed the Secretary to waive the statutory requirement for IHEs to return *Title IV* funds as the result of student withdrawals related to a qualifying emergency. Additionally, under Sections 3506 and 3507 of the CARES Act, the Department excludes from a student's Subsidized Loan usage and Pell Grant Lifetime Eligibility Used (LEU) any payment period that the student does not complete due to a qualifying emergency. As such, in cases where R2T4 requirements are waived due to withdrawals related to COVID-19, the CARES Act provides that, for those students:

- Direct Loan funds received for the period will be cancelled,
- The period will not count toward the student's Subsidized Loan usage for purposes of the 150% Direct Subsidized Loan Limit, and
- Pell Grant funds received for the period are excluded from a student's Lifetime Eligibility Used (LEU).

The following qualifications must be met for R2T4 relief:

- Any IHE that moved students from ground-based instruction to distance learning, closed campus housing or other campus facilities, or experienced other interruptions in instruction during a term within the covered period may consider all withdrawals from students enrolled in affected programs during that term to have been the result of circumstances related to COVID-19.
- For IHEs that did not undergo changes in educational delivery or campus operations as a result of the COVID-19 emergency, during a term or payment period within the covered period, the IHE will be required to obtain a written attestation (including by email or text messages) from the student explaining why the withdrawal was the result of the COVID-19 emergency. IHEs must also obtain written attestations from students who withdrew from distance education programs, if applicable, explaining why the withdrawal was the result of COVID-19.

#5 Audit Finding: Return of Title IV Funds Made Late

When a recipient of *Title IV* funds withdraws from an IHE during a payment period or period of enrollment in which the recipient began attendance, the IHE must determine the amount of *Title IV* assistance that the student earned as of the student's withdrawal date. See: [34 C.F.R. § 668.22\(a\)\(1\)](#).

The IHE must return its share of the unearned portion of the *Title IV* funds as soon as possible, but no later than 45 days after its determination that the student withdrew. See: [34 C.F.R. § 668.22\(j\)\(1\)](#).

Findings under this heading may cover a variety of violations, including:

- The IHE's policy and procedures are not followed;
- Inadequate system in place to identify/track official and unofficial withdrawals; and
- No system to track the number of days remaining to return *Title IV* funds to the Department.

If a finding in this area is included in the audit report, the IHE will need to return *Title IV* funds to the Department. If the audit report identifies multiple instances of the same error, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error. Failure to properly calculate R2T4 calculations and to return unearned *Title IV* funds timely results in additional expense to both the Department and the individual student involved. Further, the student may incur additional interest charges on outstanding loan funds that the IHE is liable to repay.

If an IHE returns *Title IV* funds late to the Department, or not at all, there is a risk that it may have to post an irrevocable Letter of Credit to the Department. An IHE that makes late returns in excess of the compliance thresholds for the refund reserve standard in either of its two most recently completed fiscal years must post an irrevocable letter of credit of not less than 25% of the amount of *Title IV* program funds it was required to return during its most recently completed fiscal year unless it is a public IHE with a valid letter of public status on file with the Department. See: [34 C.F.R. § 668.173](#).

As noted in the discussion above for the fourth most frequent finding, Return to *Title IV* Calculation Errors, to provide relief to students and colleges facing challenges and barriers resulting from COVID-19, the CARES Act waived the R2T4 requirements for students who withdrew due to COVID-19. For students who withdrew for reasons unrelated to COVID-19, IHE's must still complete the R2T4 process and return funds timely to the Department when necessary.

#6 Audit Finding: Student Credit Balance Deficiencies

When an IHE disburses *Title IV* program funds by crediting a student's account and the total amount of all *Title IV* funds credited exceeds the amount of tuition and fees assessed the student, it must pay the resulting credit balance as soon as possible, but no later than 14 days after the balance has occurred. See: [34 C.F.R. § 668.164\(h\)](#).

An exception exists if a student or parent borrower has provided written authorization to the IHE to retain a *Title IV* credit balance in order to assist the student in managing those funds for the remainder of the academic year. The authorization must be optional, and the student or parent borrower must have the option to cancel or modify the authorization at any time. *Title IV* credit balance funds retained on the basis of an authorization must be paid by the end of the last payment period in the award year for which they were awarded, or, for loan funds, by the end of the loan period. Any remaining balance on loan funds by the end of the loan period and any remaining other *Title IV* program funds by the end of the last payment period in the award year for which they were awarded. Additionally, an IHE that receives funds under a Heightened Cash Monitoring or Reimbursement method of payment must disburse credit balances to students and parent borrowers and may not retain them, even if the IHE has the student's or parent borrower's written authorization on file to retain the credit balance. See: [34 C.F.R. § 668.165\(b\)](#).

Findings under this heading may include:

- Lack of internal controls to manage the credit balance process;
- Credit balances not released to students within 14 days;
- Credit balances not released by the end of a loan period of award year;
- Unclaimed credit balances not returned to the Department timely; and
- Inadequate *Title IV* credit balance authorization.

If a finding in this area is included in the audit report, the IHE may be required to issue a *Title IV* credit balance for the affected students. If the audit report identifies multiple instances of the same error, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error. It may be required to show proof of credit balance payment or proof of the return of *Title IV* funds that were remitted to the state government through an escheatment process.

Title IV funds are intended for students to be used for educational expenses, including a student's noninstitutional expenses, such as room and board. IHEs that delay or withhold *Title IV* credit balance checks to students could deprive students with the necessary money to start and continue their education and cause them to experience unnecessary financial hardship.

#7 Audit Finding: Verification Violations

If a student's **Free Application for Federal Student Aid (FAFSA®) application** data is selected for verification, an IHE must require the applicant to verify the information reported on the FAFSA. For each FAFSA application selected for verification, the Department specifies the specific information that the applicant must verify. The Department annually publishes a **Federal Register notice** announcing the FAFSA information that an IHE and an applicant may be required to verify for each award year (e.g., income information, household size, number of people in the household attending college, high school completion, and identity/statement of educational purpose), as well as the acceptable documentation to verify FAFSA information. Verification regulations are found at **34 C.F.R. §§ 668.51–668.61**.

Findings under this heading may include:

- Inaccurate verification of selected applicants;
- Verification documentation missing/incomplete;
- Interim disbursement rules not followed; and
- Missing verification policies.

If a finding in this area is included in the audit report, the IHE may be required to complete the verification process for the affected students if it hasn't already done so. If the audit report identifies multiple instances of verification errors, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error. It may be required to return any funds disbursed to students for which the completion of verification indicates they are not eligible.

An IHE's failure to verify the information used to calculate its students' need for federal student aid may result in the students receiving *Title IV* funds to which they are not entitled.

Finally, please note, that to provide relief to students and colleges facing challenges and barriers resulting from the ongoing COVID-19 emergency, the Department focused 2021–2022's verification effort strictly on identity and fraud. As a result, the Department waived verification of most FAFSA information, except for Identity/Statement of Educational Purpose and High School Completion Status under Verification Tracking Groups V4 and V5. This waiver may apply no matter where IHEs are in the verification process, e.g., if documents have been collected or requested, but verification has not been completed, or if an IHE has not started the verification process.

However, this does not exempt IHEs from reviewing and resolving documents for any conflicting information regarding a student's eligibility. See: **Dear Colleague Letter "Changes to 2021–2022**

Verification Requirements” (DCL-ID: GEN-21-05). This waiver was effective beginning July 13, 2021, and applies for the remainder of the 2021–2022 FAFSA processing and verification cycle. The Department extended the waiver of certain verification requirements into the 2022–2023 award year. This means the verification requirements will again strictly focus on identity and fraud for the 2022–2023 award year and the remaining verification requirements are waived. See: Dear Colleague Letter “**Changes to 2022–2023 Verification Requirements” (DCL-ID: GEN 22-06).**

#8 Audit Finding: *Qualified Auditor’s Opinion Cited in Audit*

In conducting a compliance audit, an independent certified public accountant examines written assertions of compliance provided by an IHE’s management and the auditor attests to the accuracy of those assertions. Under AICPA standards, an audit examination is designed to provide a high level of assurance, and the auditors seeks to gather sufficient evidence to limit attestation risk to an appropriately low level. A qualified opinion exists when the auditor’s opinion indicates that the management assertions made by the IHE relating to compliance are fairly stated, in all material respects, except for one or more instances of material noncompliance.

Findings under this heading may include any compliance assertion where material noncompliance exceeded the materiality thresholds established by the auditor to assess management’s written compliance assertions submitted for audit examination.

Common findings with qualified opinions are:

- R2T4 violations;
- Inadequate accounting systems and/or procedures; and
- Lack of internal controls.

A qualified opinion represents a higher level of risk to the Department within the *Title IV* programs, the IHE, and the students served. IHEs should ensure that effective policies and procedures are implemented and followed consistently and to enact effective corrective action in a timely manner to address any findings noted in audit reports. Failure to correct deficiencies noted in the audit report timely may result in repeat findings for the next audit report, increasing risk of *Title IV* programs.

#9 Audit Finding: *Entrance/Exit Counseling Deficiencies*

Students are entitled to receive timely and appropriate counseling about the educational debts they incur to attend an IHE, including when they initially borrow a loan and when they cease to be enrolled on at least a half-time basis. IHEs must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan. FSA provides an on-line student loan **entrance counseling** option.

IHEs must also ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study. If a student borrower withdraws from all classes without the IHE’s prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower’s last known address within 30 days after it learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required. FSA provides an on-line student loan **exit counseling** option.

IHEs must maintain documentation substantiating their compliance with loan entrance and loan exit counseling requirements for each student borrower. See: **34 C.F.R. §§ 685.304(a) and 685.304(b).**

Findings under this heading may include:

- Entrance or exit counseling not conducted with students;
- The IHE failed to maintain documentation of the counseling provided to students;
- Exit counseling materials not mailed to students who failed to complete counseling; and
- Exit counseling completed late.

If a finding in this area is included in the audit report, the IHE may be required to provide loan counseling materials to the affected students. If the audit report identifies multiple instances of the same error, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error. An IHE's failure to provide loan counseling to students may result in increased loan defaults.

#10 Audit Finding: Pell--Overpayment/Underpayment

The amount of a student's Federal Pell Grant for an academic year is based upon payment and disbursement schedules published for each award year, and the calculation of a Federal Pell Grant is based on the student's enrollment status from the payment schedule for full-time students or the disbursement schedule for three-quarter-time, half-time, or less-than-half-time students. See: [34 C.F.R. §§ 690.62\(a\)](#); and [690.63](#).

If a student's projected enrollment status changes during a payment period before the student begin attendance in all of his or her classes for that payment period, the IHE shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance. See: [34 C.F.R. § 690.80\(b\)\(2\)\(ii\)](#). An IHE is liable for a Federal Pell Grant overpayment if the overpayment occurred because it failed to follow the procedures in the [Federal Pell Grant Program regulations](#) or in the [Student Assistance General Provisions](#), and the IHE must restore an amount equal to the overpayment to its Federal Pell Grant account. See: [34 C.F.R. § 690.79\(a\)\(2\)](#).

Findings under this heading may include:

- Use of an Incorrect Federal Pell Grant formula;
- Inaccurate Federal Pell Grant calculations; and
- Failure to update Federal Pell Grant to due to change in student enrollment status.

If a finding in this area is included in the audit report, the IHE may be required to disburse Federal Pell Grant funds to the students affected or return funds to the Department. If the audit report identifies multiple instances of the same error, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error. The file review may result in interest liability owed to the Department due to the IHE not returning over payments of Federal Pell Grant funds to its students.

Incorrect Federal Pell Grant disbursement findings are serious findings that harm students of need-based aid. IHE's should ensure that its Federal Pell Grant Program policies and procedures for awarding and disbursing of funds are current and correct.

School Program Review Findings

Top Ten School Program Review Findings by Number of Findings for FY2021

On an annual basis the Department compiles a listing of the most frequent issues of non-compliance of a program review of the *Title IV* program regulatory requirements to administer the *Title IV* programs. Below is a table identifying the FY2021 top ten occurrences of non-compliance for domestic IHEs.

Finding Code Description	Number of Findings	Percent
Student Status - Inaccurate/Untimely Reporting This finding is recorded when an IHE does not report student enrollment status information timely or accurately to the Department.	87	7.4%
Return to <i>Title IV</i> (R2T4) Calculation Errors This finding is recorded when an IHE makes a mistake in an R2T4 calculation for a student who withdraws from all classes during a payment period.	60	5.1%
Verification Violations This finding is recorded when an IHE does not fully or timely complete the process to verify student aid application data.	54	4.6%
Entrance/Exit Counseling Deficiencies This finding is recorded when an IHE does not ensure that all student loan counseling requirements are timely met and documented.	48	4.1%
Loan Discharge This finding is recorded when borrowers enrolled at the time of a school's closure or withdrawn shortly before the closure receive Direct Loan discharges.	46	3.9%
Consumer Information Requirements Not Met This finding is recorded when an IHE's literature does not include required information or disclosures.	44	3.7%
Student Credit Balance Deficiencies This finding is recorded when an IHE does not appropriately administer <i>Title IV</i> credit balances on behalf of students or parent borrowers.	44	3.7%
Satisfactory Academic Progress Policy Not Adequately Developed/Monitored This finding is recorded when an IHE does not fully assess student eligibility based on progress towards successful and timely completion of an educational program.	39	3.3%
Inaccurate Recordkeeping This finding is typically recorded when an IHE has not maintained accurate records relating to its administration of <i>Title IV</i> , HEA program requirements.	36	3.0%
Lack of Administrative Capability This finding may be recorded when an IHE has significant findings that call into question its ability to adequately administer the <i>Title IV</i> , HEA programs.	28	2.4%
Total Top Ten Deficiencies	486	41.2%
Total 2021 Deficiencies	1,181	100.0%

#1 Program Review Finding: Student Status - Inaccurate/Late Reporting

Upon receipt of an enrollment report from the Department, an IHE must update all information included in the report and timely return the report in the prescribed manner and format. In general, and unless an IHE expects to submit its next updated enrollment report within the next 60 days, it must notify the Department within 30 days after the date that it discovers that a loan under *Title IV* was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or a student who is enrolled at the school and who received a loan under *Title IV* has changed his or her permanent address. These regulations can be found at **34 C.F.R. § 685.309(b)** and **34 C.F.R. § 674.19(f)**. Keep in mind that the Department requires IHE's to report enrollment data to the NSLDS **at least every 60 days** and **respond within 15 days** of the date that NSLDS sends an enrollment roster file to the school or its third-party servicer. This requirement also applies to schools that report exclusively online.

Findings under this heading may cover a variety of violations, including:

- Inaccurate reporting of student enrollment status and effective dates;
- Failure to report last date of attendance/changes in student enrollment status;
- Inaccurate reporting of program-level data;
- Late reporting of specific student information; and
- Late submission of NSLDS Roster file.

If a finding in this area is included in the program review report, the report will require the IHE to update the inaccurate information. If the program review report identifies multiple instances of the same error, the report may require the IHE to conduct a file review of all similarly situated students to determine the extent of the error.

Accurate enrollment information is a vital component of administering the *Title IV* student loan programs. The information reported determines if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students entering repayment, the out-of-school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

#2 Program Review Finding: Return to Title IV (R2T4) Calculation Errors

When a recipient of *Title IV* funds withdraws from an IHE during a payment period or period of enrollment in which the recipient began attendance, the IHE must determine the amount of *Title IV* assistance that the student earned as of the student's withdrawal date. See: **34 C.F.R. § 668.22(a)(1)**.

The amount of *Title IV* assistance earned by the student is calculated by determining the percentage of *Title IV* grant or loan assistance that has been earned by the student and applying the percentage to the total amount of *Title IV* grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as the student's withdrawal date. See: **34 C.F.R. § 668.22(e)**.

Findings under this heading may cover a variety of violations, including:

- Incorrect number of days or clock-hours used in term/payment period;
- Incorrect withdrawal date;
- Incorrect aid used as "could have been disbursed";
- Incorrect Post-Withdrawal Disbursement;
- Mathematical and rounding errors; and
- Incomplete R2T4 policy.

If a finding in this area is included in the program review report, the IHE will need to correct the R2T4

calculation and return *Title IV* funds to the Department if necessary. If the program review report identifies multiple instances of the same error, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error. IHEs should ensure that their R2T4 calculations are accurate and timely. Failure to properly calculate R2T4 calculations and to return unearned *Title IV* funds timely results in additional expense to both the Department and to individual students that the IHE is liable to repay.

The **CARES Act** waived R2T4 requirements for students whose withdrawals were related to the COVID-19. Section 3508 of the CARES Act directed the Secretary to waive the statutory requirement for IHEs to return *Title IV* funds as the result of student withdrawals related to a qualifying emergency. Additionally, under Sections 3506 and 3507 of the CARES Act, the Department excludes from a student's Subsidized Loan usage and Pell Grant Lifetime Eligibility Used (LEU) any payment period that the student does not complete due to a qualifying emergency. As such, in cases where R2T4 requirements are waived due to withdrawals related to COVID-19, the CARES Act provides that, for those students:

- Direct Loan funds received for the period will be cancelled,
- The period will not count toward the student's Subsidized Loan usage for purposes of the 150% Direct Subsidized Loan Limit, and
- Pell Grant funds received for the period are excluded from a student's Lifetime Eligibility Used (LEU).

The following qualifications must be met for R2T4 relief:

- Any IHE that moved students from ground-based instruction to distance learning, closed campus housing or other campus facilities, or experienced other interruptions in instruction during a term within the covered period may consider all withdrawals from students enrolled in affected programs during that term to have been the result of circumstances related to COVID-19.
- For IHEs that did not undergo changes in educational delivery or campus operations as a result of the COVID-19 emergency, during a term or payment period within the covered period, the IHE will be required to obtain a written attestation (including by email or text messages) from the student explaining why the withdrawal was the result of the COVID-19 emergency. IHEs must also obtain written attestations from students who withdrew from distance education programs, if applicable, explaining why the withdrawal was the result of COVID-19.

#3 Program Review Finding: Verification Violations

If a student's **Free Application for Federal Student Aid (FAFSA®) application** data is selected for verification, an IHE must require the applicant to verify the information reported on the FAFSA. For each FAFSA application selected for verification, the Department specifies the specific information that the applicant must verify. The Department annually publishes a **Federal Register notice** announcing the FAFSA information that an IHE and an applicant may be required to verify for each award year (e.g., income information, household size, number of people in the household attending college, high school completion, and identity/statement of educational purpose), as well as the acceptable documentation to verify FAFSA information. Verification regulations are found at **34 C.F.R. §§ 668.51–668.61**.

Findings under this heading may include:

- Inaccurate verification of selected applicants;
- Verification documentation missing/incomplete;
- Interim disbursement rules not followed; and
- Missing verification policies.

If a finding in this area is included in the program review report, the report may require the IHE to complete the verification process for the affected students if it hasn't already done so. If the program

review report identifies multiple instances of verification errors, the report may require the IHE to conduct a file review of all similarly situated students to determine the extent of the error. The IHE may be required to return any funds disbursed to students for which the completion of verification indicates they are not eligible.

An IHE's failure to verify the information used to calculate its students' need for federal student aid may result in the students receiving *Title IV* funds to which they are not entitled.

Finally, please note, that to provide relief to students and colleges facing challenges and barriers resulting from the ongoing COVID-19 emergency, the Department focused 2021–2022's verification effort strictly on identity and fraud. As a result, the Department waived verification of most FAFSA information, except for Identity/Statement of Educational Purpose and High School Completion Status under Verification Tracking Groups V4 and V5. This waiver may apply no matter where IHEs are in the verification process, e.g., if documents have been collected or requested, but verification has not been completed, or if an IHE has not started the verification process.

However, this does not exempt IHEs from reviewing and resolving documents for any conflicting information regarding a student's eligibility. See: [Dear Colleague Letter "Changes to 2021–2022 Verification Requirements" \(DCL-ID: GEN-21-05\)](#). This waiver was effective beginning July 13, 2021, and applies for the remainder of the 2021–2022 FAFSA processing and verification cycle. The Department extended the waiver of certain verification requirements into the 2022–2023 award year. This means the verification requirements will again strictly focus on identity and fraud for the 2022–2023 award year and the remaining verification requirements are waived. See: [Dear Colleague Letter "Changes to 2022–2023 Verification Requirements" \(DCL-ID: GEN 22-06\)](#).

#4 Program Review Finding: Entrance/Exit Counseling Deficiencies

Students are entitled to receive timely and appropriate counseling about the educational debts they incur to attend an IHE, including when they initially borrow a loan and when they cease to be enrolled on at least a half-time basis. IHEs must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan. Information regarding entrance loan counseling can be found at: studentaid.gov/entrance-counseling/.

IHEs must also ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study. If a student borrower withdraws from all classes without the IHE's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after it learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required. Information regarding exit loan counseling can be found at: studentaid.gov/exit-counseling/.

IHEs must maintain documentation substantiating their compliance with loan entrance and loan exit counseling requirements for each student borrower. See: [34 C.F.R. § 685.304\(a\)](#) and [685.304\(b\)](#).

Findings under this heading may include:

- Entrance or exit counseling not conducted with students;
- The IHE failed to maintain documentation of the counseling provided to students;
- Exit counseling materials not mailed to students who failed to complete counseling; and
- Exit counseling completed late.

If a finding in this area is included in the program review report, the report may require the IHE to provide

exit counseling materials to the affected students. If the program review report identifies multiple instances of the same error, the report may require the IHE to conduct a file review of all similarly situated students to determine the extent of the error. An IHE's failure to provide loan counseling to students may result in increased student loan defaults.

#5 Program Review Finding: Loan Discharge

Student borrowers who were enrolled at the time of a school's closure or who withdrew from the school within the 120 days preceding the school's closure (for loans first disbursed prior to July 1, 2020) or who did so within the 180 days preceding the school's closure (for loans first disbursed prior on or after July 1, 2020), and who were unable to complete their program because of the closure, are permitted to apply for Direct Loan discharges. See: **34 C.F.R. § 685.214(c)(1)(i)(B)** and **(c)(2)(i)(B)**. Students who complete their educational programs through a teach-out, or who use the credits gained at the closed school to complete an educational program at another school, are not eligible for the discharge. See: **34 C.F.R. § 685.214(c)(1)(i)(C)** and **(c)(2)(i)(C)**.

The Department also discharges a borrower's obligation to repay a Direct Loan if the school falsely certifies the student's, or parent's, eligibility to receive the loan.

Findings in this area are typically related to closed school loan discharges and occasionally to false certification discharges. If a finding in this area is included in the program review report, the Department may require the IHE to repay the cost of loan discharges.

#6 Program Review Finding: Consumer Information Requirements Not Met

Participating IHEs are required to provide their students and prospective students with specific consumer information so that students can make informed decisions regarding their own educational goals, costs, and other requirements. Regulations specifying the information that IHEs must provide include **34 C.F.R. §§ 99.7; 668.41–668.45; 668.47; and 668.48**.

Information IHE's sometimes fail to provide to students includes the following:

- Annual notice of availability of information;
- How to apply for assistance **34 C.F.R. § 668.42(b)(1)** or how to contact the financial aid office;
- Return of *Title IV* Funds and Satisfactory Academic Progress policies;
- Revised award letters not sent to students;
- Terms and conditions of *Title IV* student loans;
- Disability services and facilities;
- How Pell-eligible students can obtain or purchase books and supplies;
- Voter registration; and,
- Information regarding policies against plagiarism and copyright violations.

If a finding in this area is included in the program review report, the report will require the IHE to update its student consumer materials and to provide the missing information to its students.

An IHE's failure to provide accurate consumer information to its students and prospective students deprives them of valuable information to assist in their educational decision-making.

#7 Program Review Finding: Student Credit Balance Deficiencies

When an IHE disburses *Title IV* program funds by crediting a student's account and the total amount of all *Title IV* funds credited exceeds the amount of tuition and fees assessed the student, it must pay the resulting credit balance as soon as possible, but no later than 14 days after the balance has occurred. See: **34 C.F.R. § 668.164(h)**.

An exception exists if a student or parent borrower has authorized the IHE to retain a *Title IV* credit

balance in order to assist the student in managing those funds for the remainder of the academic year. The authorization must be optional, and the student or parent borrower must have the option to cancel or modify the authorization at any time. *Title IV* credit balance funds retained on the basis of an authorization must be paid by the end of the last payment period in the award year for which they were awarded, or, for loan funds, by the end of the loan period. Any remaining balance on loan funds by the end of the loan period and any remaining other *Title IV* program funds by the end of the last payment period in the award year for which they were awarded. Additionally, an IHE that receives funds under a Heightened Cash Monitoring or Reimbursement method of payment must disburse credit balances to students and parent borrowers and may not retain them, even if the IHE has the student's or parent borrower's written authorization on file to retain the credit balance. See: [34 C.F.R. § 668.165\(b\)](#).

Findings under this heading may include:

- Lack of internal controls to manage the credit balance process;
- Credit balances not released to students within 14 days;
- Credit balances not released by the end of a loan period of award year;
- Unclaimed credit balances not returned to the Department timely; and
- Inadequate *Title IV* credit balance authorization.

If a finding in this area is included in a program review report, the IHE may be required to issue a *Title IV* credit balance for the affected students. If the program review report identifies multiple instances of the same error, the IHE may be required to conduct a file review of all similarly situated students to determine the extent of the error. The IHE may be required to show proof of credit balance payment or proof of the return of *Title IV* funds that were remitted to the state government through an escheatment process.

Title IV funds are intended for students to be used for educational expenses, including a student's noninstitutional expenses, such as room and board. IHEs that delay or withhold *Title IV* credit balance checks to students could deprive students with the necessary money to start and continue their education and cause them to experience unnecessary financial hardship.

#8 Program Review Finding: Satisfactory Academic Progress (SAP) Policy Not Adequately Developed/Monitored

The standards of administrative capability require a participating IHE to establish, publish, and apply reasonable standards for measuring whether a student is maintaining satisfactory progress. The Department considers an IHE's standards to be reasonable if the standards are the same as (or stricter than) its standards for a student enrolled in the same educational program who is not receiving assistance under a *Title IV* program. The standards of administrative capability can be found at [34 C.F.R. § 668.16\(e\)](#). The specific requirements which a reasonable SAP policy must include are detailed at [34 C.F.R. § 668.34](#).

The most common SAP findings include:

- Inadequate SAP Policy – A SAP policy may be inadequate because one or required elements is missing from the policy, for example:
 - Qualitative component: "C" grade or equivalent by end of 2nd year;
 - Consequences of not meeting SAP and conditions for regaining eligibility;
 - Qualitative, pace of completion, maximum timeframe, reestablishing aid eligibility; or
 - Treatment of incompletes, withdrawals, repetitions, or transfer credits from other IHEs.
- Failure to Apply SAP Policy – This type of SAP finding may result from an IHE's failure to consistently apply their existing policy or a failure to apply the policy altogether.
- Incorrect SAP Assessments – This finding may result when an IHE fails to perform SAP assessments in alignment with the end of *Title IV* payment periods (for example, students placed on SAP warning at monthly checkpoints instead of at end of PP; SAP checked every term for a

nonterm program). Other omissions may include an IHE's failure to include courses a dropped by a student (after any "drop/add" period ends) as attempted credits.

- Insufficient or Missing Documentation to Support SAP – Such findings may result when an IHE fails to document that it completed an SAP assessment.

If a finding in this area is included in a program review report, the report will require the IHE to update its policies. If an inadequate policy is likely to result in the receipt of *Title IV* aid by students who would not otherwise be eligible, or, if the report identifies multiple students who received *Title IV* aid for which they were not eligible, the report will require the IHE to conduct a file review in order to assess the extent of the harm. The IHE will be required to return any ineligible funds identified through the file review process. An IHE's failure to establish an SAP policy and to monitor its students' performance under that policy may harm both the students and the *Title IV* programs.

To provide relief to students and colleges facing challenges and barriers resulting from COVID-19, the Department provided SAP relief for students who withdrew due to COVID-19. Section 3509 of the CARES Act allows IHEs to exclude from the quantitative component (pace measurement) of SAP attempted credits a student was unable to complete due to COVID-19. It was not necessary for a student to have filed a SAP appeal for an IHE to exercise this flexibility. However, to exclude attempted credits from SAP, an IHE must have reasonably determined that the student's failure to complete those credits was the result of a COVID-19 related circumstance. Further policy guidance from the Department indicated that if a class is omitted from an IHE's quantitative evaluation of a student's SAP, the grade for that class (e.g., an "F" or failing grade) may also be omitted from consideration in the student's qualitative SAP evaluation.

The Department provided additional guidance in a [May 15, 2020, Electronic Announcement](#) indicating that if an IHE temporarily ceases operations during a period of enrollment, attempted credits for all affected students (specific to that enrollment period) may be excluded. Ceasing operations would entail a suspension or delay in providing classroom instruction, including moving instruction online.

Additionally, in our [March 5, 2020, Electronic Announcement](#), the Department reminded IHEs that circumstances related to an outbreak of COVID-19, including, but not limited to, the illness of a student or family member, compliance with a quarantine period, or the general disruption resulting from such an outbreak may form the basis of a student's SAP appeal even if not specifically articulated in the IHE's SAP policy. See: [34 C.F.R. § 668.34\(a\)\(9\)](#). The SAP relief provisions are applicable to payment periods that include March 13, 2020, or begin after March 13, 2020, through the end of the payment period that includes the end date for the Federally-declared emergency related to COVID-19.

#9 Program Review Finding: Inaccurate Recordkeeping

Keeping accurate records and maintaining a clear audit trail of all transactions are critical to the successful administration of the *Title IV* programs. The specific regulations at [34 C.F.R. §§ 668.24; 668.161–668.167; 674.19; 675.19; 676.19; 685.300\(b\)\(5\); 685.301\(c\); and 690.83](#) identify reporting requirements under the Student Assistance General Provisions, for the Campus-Based Programs, and the Federal Direct Loan Program and the Federal Pell Grant Program.

Findings under this heading may cover a variety of violations, including:

- Late or unmade submission of disbursement records to COD;
- Disbursement amounts and dates on student ledger do not match records reported to COD,
- Inaccurate and incomplete Student Account Statements/ledgers (e.g., student not charged for courses, multiple transactions for single-term course charges, *Title IV* disbursements missing from ledger, ledgers just list all charges, no running balances);
- Inaccurate/missing Federal Work-Study Program timesheets;

- Failure to comply with Zone Alternative Requirements, including Heightened Cash Monitoring requirements which require IHE's to disburse *Title IV* funds first and issue credit balances to student before requesting funds from the Department;
- Failure to reconcile *Title IV* accounts monthly;
- Failure to properly identify *Title IV* bank accounts;
- Inadequate Fiscal Audit Trail - transactions on general ledger accounts could not be traced to a subsidiary accounts;
- Excess Cash (drawing down more *Title IV* funds than needed to disburse to students);
- Inaccurate audit trail of Return of Funds (date on ledger is earlier than date funds returned to Department through G5); and
- Information reported on the Fiscal Operations Report and Application to Participate (FISAP) does not match IHE's financial records.

IHEs are required to correct or rectify any violations identified during a program review. If the program review report identifies multiple instances of the same error, the report may require the IHE to conduct a file review of all similarly situated students to determine the extent of the error. Ultimately, an IHE may be required to return misspent funds identified through the program review report and subsequent file review.

A participating IHE must at all times act with the competency and integrity necessary to qualify as a fiduciary. In the capacity of a fiduciary, an IHE is subject to the highest standard of care and diligence in administering the *Title IV* programs, and in accounting for the funds received under those programs. Accurate recordkeeping is essential in this regard.

#10 Program Review Finding: Lack of Administrative Capability

To begin and to continue to participate in any *Title IV*, HEA program, an IHE must demonstrate to the Department that it is capable of adequately administering the *Title IV* programs. The Department considers an IHE to have that administrative capability if the IHE, among other things, administers the *Title IV* programs in accordance with all statutory provisions of, or applicable to, *Title IV* of the HEA and all applicable regulatory provisions prescribed under that statutory authority. **34 C.F.R. § 668.16(a)**.

Findings under this heading may cover a variety of violations, including (but not limited to), failures to:

- Designate a capable individual/inadequate number of persons to be responsible for administering the *Title IV* programs;
- Communicate to the individual responsible for administering the *Title IV* programs, all information received by any institutional official that bears on a student's eligibility;
- Develop written procedures regarding the administration of the *Title IV* programs;
- Establish a system of internal controls that includes adequate checks and balances;
- Divide the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student;
- Establish and maintain required records;
- Establish, publish, and apply reasonable standards for measuring whether a student is maintaining satisfactory academic progress;
- Develop and apply an adequate system to identify and resolve discrepancies in the information received with respect to a student's application for financial aid under the *Title IV* programs;
- Provide adequate financial aid counseling to eligible students;
- Provide all program and fiscal reports and financial statements required for compliance; and
- Develop and follow procedures to evaluate the validity of a student's high school completion.

If a finding in this area is included in the program review report, the report will require the IHE to correct the issues that led to the lack of administrative capability finding. The IHE may be subject to other administrative actions such as a change to a heightened cash monitoring method of funding or fines.

Comparing Top Ten School Audit and Top Ten School Program Review Findings

A basic requirement for an IHE's participation in the *Title IV* programs is the submission of annual independent audit of the IHE's operations. Audit requirements are an important tool for the Department's oversight activities. There are different audit guides that reflect nuances based on an IHE's status as a public or private nonprofit entity, or as a proprietary entity, and whether the IHE is foreign or domestic institution. Nearly all audit reports express the auditor's opinion regarding the IHE's compliance with specified compliance requirements based using specific audit guide requirements. More audits are completed on an annual basis than program reviews as the regulatory requirements are different. COVID-19 impacted the program review process as all reviews were conducted off-site for some time. The CARES Act impacted FY2019, 2020 and 2021 audit submissions depending on the IHE and its FYE date.

Program reviews may have a general assessment scope or a focused scope. Program reviews are not synonymous with compliance audits and an opinion is not expressed regarding management's assertions of compliance in a PRR or FPRD issued by FSA. Program reviews examine an IHE's participation and data based on the Department's award year cycle and are not necessarily aligned with an individual IHE's fiscal year end. Program reviews generally do not offer recommendations for findings and FSA's Institutional Review Specialists generally do not discuss best practices with IHEs when they are conducting a program review.

Program review and audits share some similar testing methods and generally delve into student specific data and assess the IHE's policies and procedures for completeness and correctness with the regulations. However, a program review may result in a more comprehensive review of *Title IV* program compliance than an audit. When warranted, the Department has authority to initiate adverse administrative action against an IHE based on serious audit findings or program review findings.

The following findings were identified in both the FY2021 Top Ten School Audit Findings and the FY2021 Top Ten School Program Review Findings:

- Student Status - Inaccurate/Untimely Reporting
- Return to *Title IV* (R2T4) Calculation Errors
- Student Credit Balance Deficiencies
- Entrance/Exit Counseling Deficiencies
- Verification Violations

The finding descriptions, though titled the same, may identify different aspects of noncompliance.

Additional Compliance Services and Resources

School Participation Divisions: The School Eligibility and Oversight Service Group (SEOSG) is responsible for administering a program of eligibility, certification, financial analysis, and oversight of schools participating in federal student aid programs. Eight School Participation Divisions within SEOSG have responsibility for the oversight and management improvement services of specific schools assigned to them. These Divisions have the following common responsibilities:

- Examine, analyze, and make determinations on the initial and renewal eligibility applications submitted by schools for participation in the federal student aid programs;
- Collaborate with the PPO Partner Enforcement and Consumer Protection Directorate regarding decisions to place schools that are under review or investigation on heightened cash monitoring or to impose other necessary participation restrictions;
- Collaborate and assist the PPO Partner Eligibility and Oversight Services Directorate Immediate Office regarding school closure and disaster responses;
- Process and maintain records of schools' Program Participation Agreements and notices of eligibility to participate in the Federal Student Aid programs;

- Monitor schools and their agents through on-site and off-site reviews and analysis of various reports to provide early warning of program compliance problems and take appropriate actions;
- Conduct heightened cash monitoring actions and monitor schools' method of payment;
- Manage and monitor missing/late audits and financial submissions;
- Schedule and conduct risk assessment reviews, as needed;
- Perform audit resolution;
- Identify closed, bankrupt, and troubled schools and notify appropriate Department offices;
- Work with state agencies and accrediting agencies on closed schools and other issues;
- Identify requirements for tuition recovery programs and coordinate the fulfillment of these requirements;
- Evaluate and act upon the findings, conclusions, and recommendations produced by other FSA units, e.g., negative cash, compliance referrals;
- Determine liabilities owed by schools and/or recommend administrative actions against schools as necessary;
- Work closely with and/or refer matters to the Office of Inspector General, the PPO Partner Enforcement and Consumer Protection Directorate, and other offices; and
- Review and update pertinent databases.

In addition to the services listed above, the Atlanta School Participation and Financial Analysis Division:

- Conducts Financial Analysis and reviews the financial responsibility of schools;
- Completes detailed analysis of school 90/10 reporting;
- Conducts fiscal reviews and forensic audits;
- Coordinates consistent review of school financial responsibility for all SEOSG Divisions; and
- Coordinates analysis outcomes with SEOSG's decision-making framework.

Additionally, the Multi-Regional and Foreign Schools Participation Division (MRFS) is responsible for the oversight and management of the evaluation and certification of publicly traded corporations which own or operate participating IHEs and large school groups and foreign schools that apply to participate in the FSA programs. MRFS focuses on monitoring for-profit schools owned by publicly traded corporations, which operate participating, for-profit schools at many eligible locations across States and School Participation Division boundaries. American students can apply for Federal Direct Loans for attendance at approved foreign schools. The MRFS team works closely with participating domestic and foreign schools and provide necessary training and technical assistance and perform the oversight functions.

Partner Training and Information Services Group: This group is responsible for designing, developing, and delivering high quality learning products, publications and web products targeted primarily to FSA program participants. The group is also responsible for interfacing with FSA program participants to respond to inquiries and requests for information. To accomplish this mission, the Training and Information Services Group provides the following services:

- Designs, develops, delivers, and evaluates *Title IV* program training to *Title IV* program participants for national training programs and to internal FSA staff;
- Manages training logistics (i.e., space, registration, training related materials, supplies, and certificates);
- Convenes and manages internal stakeholder groups;
- Works with Federal Student Aid, schools, and other *Title IV* program participants to identify and analyze participants' learning needs and to develop and deliver training to meet those needs;
- Develops tools and guidelines to assist *Title IV* participants and Federal Student Aid staff to assess, attain, or improve compliance with *Title IV* program requirements; and
- Addresses email inquiries about Federal financial administration from financial aid professionals through the Ask-a-Fed mailbox.

Partner Technical Assistance Group: This group is responsible for proactively identifying the unique service needs of various types of IHEs, including Historically Black Colleges and Universities (HBCUs), Hispanic Speaking Institutions (HSIs), and Tribally Controlled Colleges and Universities (TCCUs), as prescribed in existing Presidential Executive Orders, and working collaboratively to provide the assistance required to ensure their continued participation in the *Title IV* programs. The Partner Technical Assistance Group is comprised of the following three divisions:

- Partner Special Initiatives Division;
- Minority Serving and Under Resourced School Division; and
- Proprietary School Assistance Division.

To accomplish this mission, these divisions provide program management, oversight, monitoring and targeted technical assistance to improve *Title IV* program compliance. The group develops tools and guidelines to assist *Title IV* program participants and Federal Student Aid staff to assess, attain, and improve compliance with *Title IV* program requirements. There are three strategic areas of concentration: minority serving and under-resourced schools, proprietary schools, and special initiatives.

Clery Group: The Clery Group has oversight responsibility for Campus Safety and Security Reporting by IHEs participating in the *Title IV* programs. The Clery Group conducts reviews of IHEs' Annual Security Reports and Annual Fire Safety Reports to ensure the reports contain required safety and security related policy statements, crime, and fire statistics, and that the reports are distributed annually to students and employees. The Clery Group also checks to ensure that IHEs report crime and fire statistics to the Department annually and comply with the *Drug Free Schools Community Amendment Act of 1989*. The Clery Group perform the following responsibilities:

- Scheduling and conducting Clery Act compliance initiative reviews;
- Managing and performing data analysis on annual Clery Act reports and other law enforcement data;
- Examining how IHEs define their campus geography and classifies and counts reportable crimes;
- Reviewing IHE procedures for the collection of crime statistics from campus security authorities and local police;
- Determining that an IHE maintains a Daily Crime Log and a Fire Log, if it has campus housing facilities;
- Evaluating an IHE's Timely Warning policy and Emergency Response and Evacuation procedures;
- Reviewing an IHE's required campus crime and safety policy statements; and
- Reviewing an IHE's drug and alcohol abuse prevention program to ensure that the IHE distributes the program annually to each student and employee and that it conducts a biennial review of its program to measure effectiveness and make recommendations.

FSA Partner Connect: FSA Partner Connect (fsapartners.ed.gov) is for individuals involved in the administration of *Title IV* financial aid for post-secondary education. Financial Aid professionals can explore policy and guidance in the Knowledge Center, access helpful tools, find training announcements or link to other Federal Student Aid websites to manage *Title IV* program eligibility and complete aid administration tasks.

FSA Conferences: The FSA Training Conference (fsaconferences.ed.gov) is an annual event where members of the financial aid community gather virtually to obtain training experience in the processes and management of Federal Student Aid products and services and features keynote addresses, general forums, and informative breakout sessions. In FY2022, the virtual conference will be held November 29, 2022–December 1, 2022. **Online registration** is required.

FSA Coach Fundamentals: FSA Coach Fundamentals (fsatraining.ed.gov) is basic training in the administration of the *Title IV* programs. FSA Coach Fundamentals provides a suite of interactive courses to train both new and experienced financial aid administrators in the essential knowledge and skills needed to successfully administer the federal student aid programs.

FSA Assessments: In concert with the Federal Student Aid Handbook, the **FSA Assessments** to help schools with compliance and improvement activities. The FSA Assessments contain links to the applicable laws and regulations that underline policy and operational guidance. There are 15 subject areas: Fiscal Management, Student Eligibility, Institutional Eligibility, Federal Work Study, Consumer Information, Verification, FSEOG, Satisfactory Academic Progress, Default Prevention & Management, Return to *Title IV*, A Guide to creating a Policies and Procedures Manual, Direct Loans, Perkins Cancellation, Perkins Due Diligence and Perkins Forbearance and Deferment.