

BAKER TILLY AND ACUA WEBINAR

Financial aid – enhancing your processes and understanding current compliance trends



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INTRODUCTIONS

Today's webinar moderator



Amy Hughes

ACUA Distance Learning Director
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INTRODUCTIONS

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- **Everyone is muted to avoid background noise.**
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INTRODUCTIONS

Today's speakers



Jon Nichols
Senior Manager
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Stanley Freeman
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TODAY'S WEBINAR

Agenda

**Session
objectives**

**Federal
student
financial aid
compliance**

**Consequences
of non-
compliance**

**Common
financial aid
findings**

**What you can
do next**


Resources



SESSION OBJECTIVES

After today's webinar,
you will be able to:


- Introduce the regulations and requirements governing the Title IV federal student aid programs
- Understand the most common risks related to financial aid processes and how to mitigate these risks
- Identify financial aid trends and develop strategies for monitoring compliance with extensive financial aid requirements



POLLING QUESTION #1

What role do you hold within your institution?

- A. Internal audit officer
- B. Financial aid officer
- C. Academic officer
- D. Compliance officer
- E. Other

A photograph of a student from behind, wearing a blue denim jacket and carrying a brown leather backpack. The student's hair is tied up in a bun. The background is blurred, showing other people in a public setting.

Overview of federal student aid compliance

The Department of Education Federal Student Aid program provides over \$120 billion a year in financial aid to over 15 million students in the form of grants, low-interest loans and work study payments.

FEDERAL STUDENT AID COMPLIANCE

What is federal student aid?

- The Department of Education defines financial aid as “money provided to help a student pay for education expenses at a college or career school.”
- All students who wish to receive federal financial assistance must complete a FAFSA form containing personal and financial information
- Federal student aid programs are authorized by Title IV of the Higher Education Act and are commonly referred to as the Title IV programs

FEDERAL STUDENT AID COMPLIANCE

Requirements

For an institution to be eligible to participate in programs authorized by the Higher Education Act, including federal student aid, it must meet the established criteria and apply to participate through the Secretary of Education.

To participate in any Title IV program, an institution must meet certain requirements to prove it is capable of “adequately administering” the aid program, including:

- Administers Title IV programs in accordance with all statutory provisions of or applicable to Title IV of the Higher Education Act;
- Designates a “capable individual” to be responsible for administering all the Title IV programs in which the institution participates and coordinating those programs with the institution’s other federal and non-federal programs;
- Uses an adequate number of qualified persons to administer Title IV programs in which the institution participates.

FEDERAL STUDENT AID COMPLIANCE

Verification of FAFSA information

Institutions must establish policies and procedures for verifying a student's FAFSA information including:

- The time period within which an applicant must provide documentation
- The method by which the institution notifies an applicant of the results
- The procedures for correcting FAFSA information
- The procedures for making referrals to the OIG related to false claims
- Clear explanation of the documentation needed



FEDERAL STUDENT AID COMPLIANCE

Reporting and disclosure of information

An institution must make certain information available to all enrolled or prospective students through publications, mailings, or electronic media, including:

- Financial assistance
- Institutional information
- Retention rate
- Completion or graduation rate and transfer-out rate
- Employment/placement information
- Information on graduate/professional enrollment

FEDERAL STUDENT AID COMPLIANCE

Risk factors for program reviews and other enforcement activities

- Absence of a recent review
- Risk score for schools
- Consumer complaints and media reports
- Repeat findings
- Lack of financial responsibility/financial distress
- Rapid growth and/or significant fluctuation in Title IV volume
- Cohort default rates (by % and dollar volume)
- Analysis of data available in PEPS and other Department information systems
- Reports from state or accrediting agencies of institutional deficiencies
- Administrative capability
- Discretionary factors

A stack of books with several colorful sticky notes (orange, yellow, pink) attached to the pages. A pen is visible in the background. The scene is slightly blurred, suggesting a desk or study area.

Consequences of Non-Compliance

FEDERAL STUDENT AID COMPLIANCE

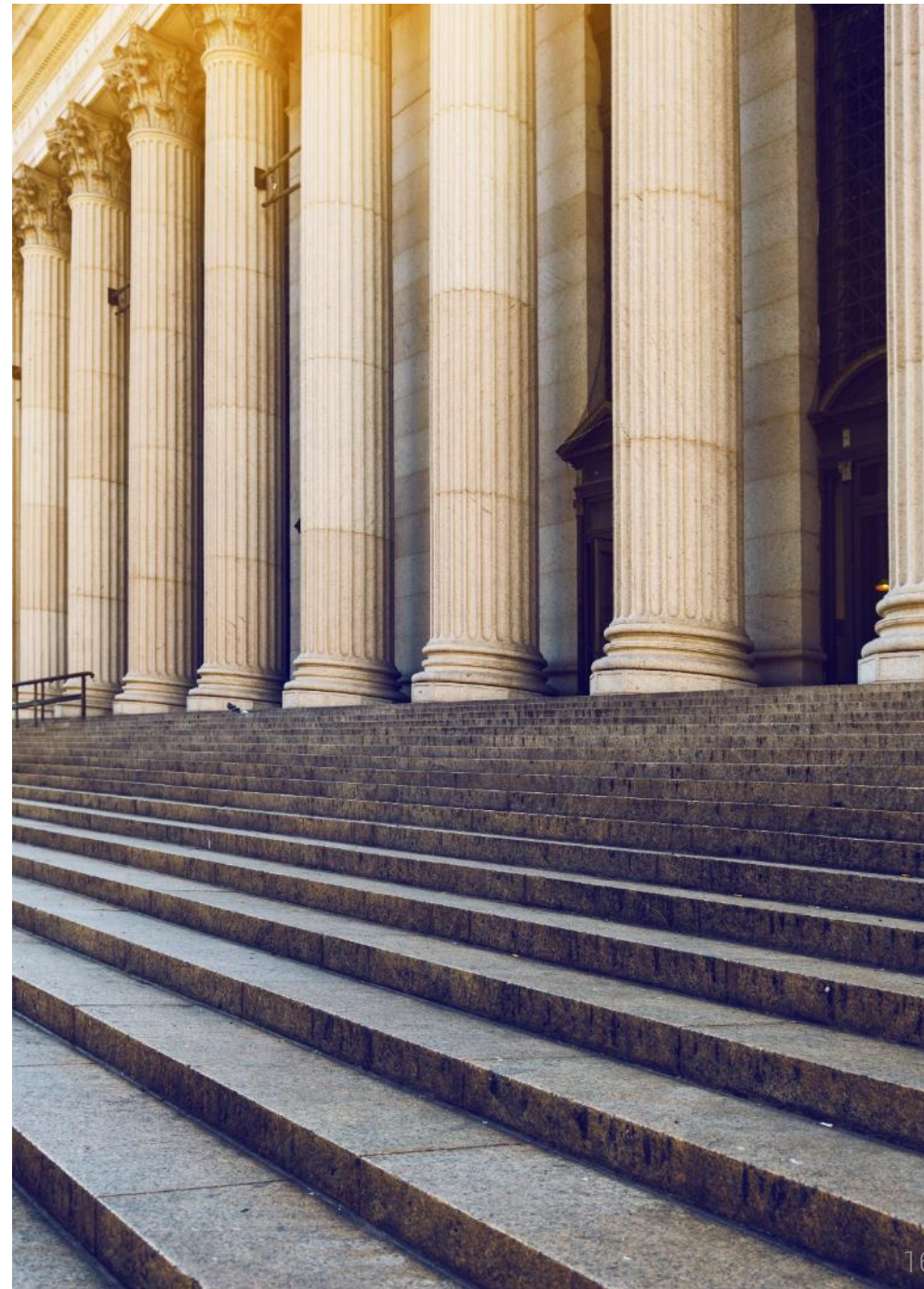
Consequences of noncompliance


- Liabilities, disallowances and/or fines
- Loss or limitation of Title IV eligibility
- Denial or delay of substantive changes
- Letters of credit
- Reimbursement or Heightened Cash Monitoring 1 or 2
- Growth restrictions or other limitations on Title IV participation
- Monitoring or reporting requirements
- Lawsuits and student loan discharges
- Negative publicity/reputational risk

FEDERAL STUDENT AID COMPLIANCE

Multiple enforcers

- U.S. Department of Education
- Office of Inspector General
- Accrediting bodies – institutional and programmatic
- State licensing agencies – institutional and programmatic
- Federal Trade Commission
- CFPB
- State attorney generals
- DOJ/False Claims Act





POLLING QUESTION #2

What is the most common finding associated with financial aid reviews?

- A. Verification findings
- B. Student status reporting
- C. Entrance/exit counseling deficiencies
- D. Student credit balance deficiencies

A stack of books with colorful sticky tabs (orange, yellow, pink) is shown in the background. A pen is visible in the upper left. The text "Common financial aid findings" is centered in a black box.

Common financial aid findings

The top ten financial aid program review findings

Finding Description	Findings	Percent of total
STUDENT STATUS - INACCURATE/UNTIMELY REPORTING	154	7.3%
CRIME AWARENESS REQUIREMENTS NOT MET	113	5.4%
RETURN TO TITLE IV (R2T4) CALCULATION ERRORS	98	4.7%
DRUG ABUSE PREVENTION PROGRAM REQUIREMENTS NOT MET	96	4.6%
STUDENT CREDIT BALANCE DEFICIENCIES	88	4.2%
CONSUMER INFORMATION REQUIREMENTS NOT MET	86	4.1%
VERIFICATION VIOLATIONS	82	3.9%
ENTRANCE/EXIT COUNSELING DEFICIENCIES	80	3.8%
INACCURATE RECORDKEEPING	72	3.4%
SAP POLICY NOT ADEQUATELY DEVELOPED/MONITORED	66	3.1%
Total top ten deficiencies	935	44.6%
Total 2017 deficiencies	2,097	100.0%

The top ten financial aid external audit findings

Finding Description	Findings	Percent of total
STUDENT STATUS - INACCURATE/UNTIMELY REPORTING	795	15.2%
REPEAT FINDING - FAILURE TO TAKE CORRECTIVE ACTION	762	14.6%
RETURN TO TITLE IV (R2T4) CALCULATION ERRORS	403	7.7%
RETURN OF TITLE IV FUNDS MADE LATE	321	6.1%
VERIFICATION VIOLATIONS	265	5.1%
STUDENT CREDIT BALANCE DEFICIENCIES	237	4.5%
QUALIFIED AUDITOR'S OPINION CITED IN AUDIT	235	4.5%
PELL-OVERPAYMENT/UNDERPAYMENT	230	4.4%
ENTRANCE/EXIT COUNSELING DEFICIENCIES	198	3.8%
G5 EXPENDITURES - UNTIMELY/INCORRECTLY REPORTED	143	2.7%
Total top ten deficiencies	3,589	68.7%
Total 2017 deficiencies	5,221	100.0%

COMMON FINANCIAL AID EXTERNAL AUDIT FINDINGS

Crime awareness and consumer information requirements not met

- Top ten findings
- Focus item at FSA conferences, and heightened scrutiny during reviews and an increased number of findings
- FSA: Every general assessment program review conducted by FSA program compliance's regional teams includes a Clery Act compliance check
- Reviewing and implementing policies and notification procedures
- Handbook for Campus Safety and Security Reporting (see compliance checklist in appendix)
- Substantial fines for noncompliance (e.g., 6- and 7-figure fines, appeals)
- See also Drug and Alcohol Abuse Prevention Program requirements, consumer information requirements, Title IX and VAWA

COMMON FINANCIAL AID EXTERNAL AUDIT FINDINGS

Location and program approvals

Liability actions based on alleged failure to obtain department, state, and/or accreditation approvals of campus facilities and certain educational programs

- Additional location did not have approval from the accrediting agency. Department approved the location. Judge concluded school lacked accreditation. Six figure liability.
- Program did not have approval from the accrediting agency. Non-degree program. Program contracted through a third party. Six figure liability.
- New non-degree program did not have Department approval because it was unrelated to an approved program. Significant liability.
- New locations added without notifying Department over a several year period. School demonstrated its campuses would have been approved had application been filed. Judge upheld 7-figure liability.

COMMON FINANCIAL AID EXTERNAL AUDIT FINDINGS

Attendance requirements at non-attendance taking institutions: Earned F's

- Student treated as a withdrawal if failure to complete at least one course during term
- Some non-attendance taking schools rely on F grades (or other similar grades) as evidence of completion
- Department challenging F grades (or other similar grades) as evidence of completion if they are not “earned F’s”
- Wide variety of grades from institution-to-institution
- Withdrawal date must be calculated if student did not complete course (midpoint, LDA)
- Total disallowance if no evidence of student attendance (34 CFR 668.21)
- Potential difficulties collecting proof of attendance from instructors and/or other sources
- Solutions
 - Review policies on failing grades, incompletes, and other grades
 - Department guidance on earned vs. unearned F’s
 - Confirming that the institution and/or program is not required to take attendance under federal standards (34 CFR 668.22)

COMMON FINANCIAL AID EXTERNAL AUDIT FINDINGS


Third-party servicers

- Outsourcing and increased institutional reliance on service providers
- Department regulates certain providers that are “third party servicers”
- Default prevention and loan counseling, document processing, financial literacy, platforms for tracking student data or furnishing student services
- Institutional reporting requirement as to use of third party servicers
- Servicers required to comply with Title IV and to audit their compliance
- Department stepping up monitoring and enforcement: Third-party servicer group within the Department conducting program reviews and audits of third-party servicers
- Dear Colleague Letter GEN-16-15 and GEN-15-01, plus additional Q&A guidance
- Incentive compensation rule
- Legal restrictions on use of PII and Department emphasis on obligations of institutions and third-party servicers to protect PII
- Recent cash management regulations regarding confirming student eligibility and regulating student loan banking relationships

COMMON FINANCIAL AID EXTERNAL AUDIT FINDINGS

Third-party servicers solutions

- Identifying servicers
- Reporting to Department when required
- Contract analysis
- Monitoring servicer activity (accountability, joint and several liability)



POLLING QUESTION #3

Which regulatory agency have you had the most experience with regarding financial aid?

- A. U.S. Department of Education
- B. Accrediting agency
- C. State agency
- D. Other Federal agency

COMMON FINANCIAL AID EXTERNAL AUDIT FINDINGS

Upcoming Concerns – Gramm-Leach-Bliley Act (GLBA)

- Not a new law
- Enacted in 1999 requiring financial institutions to explain how they share and protect their customers' private information
- The Federal Trade Commission (FTC) issued its Safeguards Rule in May 2002, with industry compliance required by May 2003
- Higher education institutions included since they collect, store and use student financial records containing personally identifiable information

COMMON FINANCIAL AID EXTERNAL AUDIT FINDINGS


Upcoming Concerns – Gramm-Leach-Bliley Act (GLBA)

- Two regulations, both enforced by the FTC, to be concerned with:
 - Privacy Rule (16 CFR 313)
 - Safeguards Rule (16 CFR 314)
- As long as the institution is in compliance with the Family Educational Rights and Privacy Act (FERPA), the institution is deemed to be in compliance with the Privacy Rule
- The Safeguards Rule covers administrative, technical, and physical safeguarding of customer information

COMMON FINANCIAL AID EXTERNAL AUDIT FINDINGS

Upcoming Concerns – Gramm-Leach-Bliley Act (GLBA)

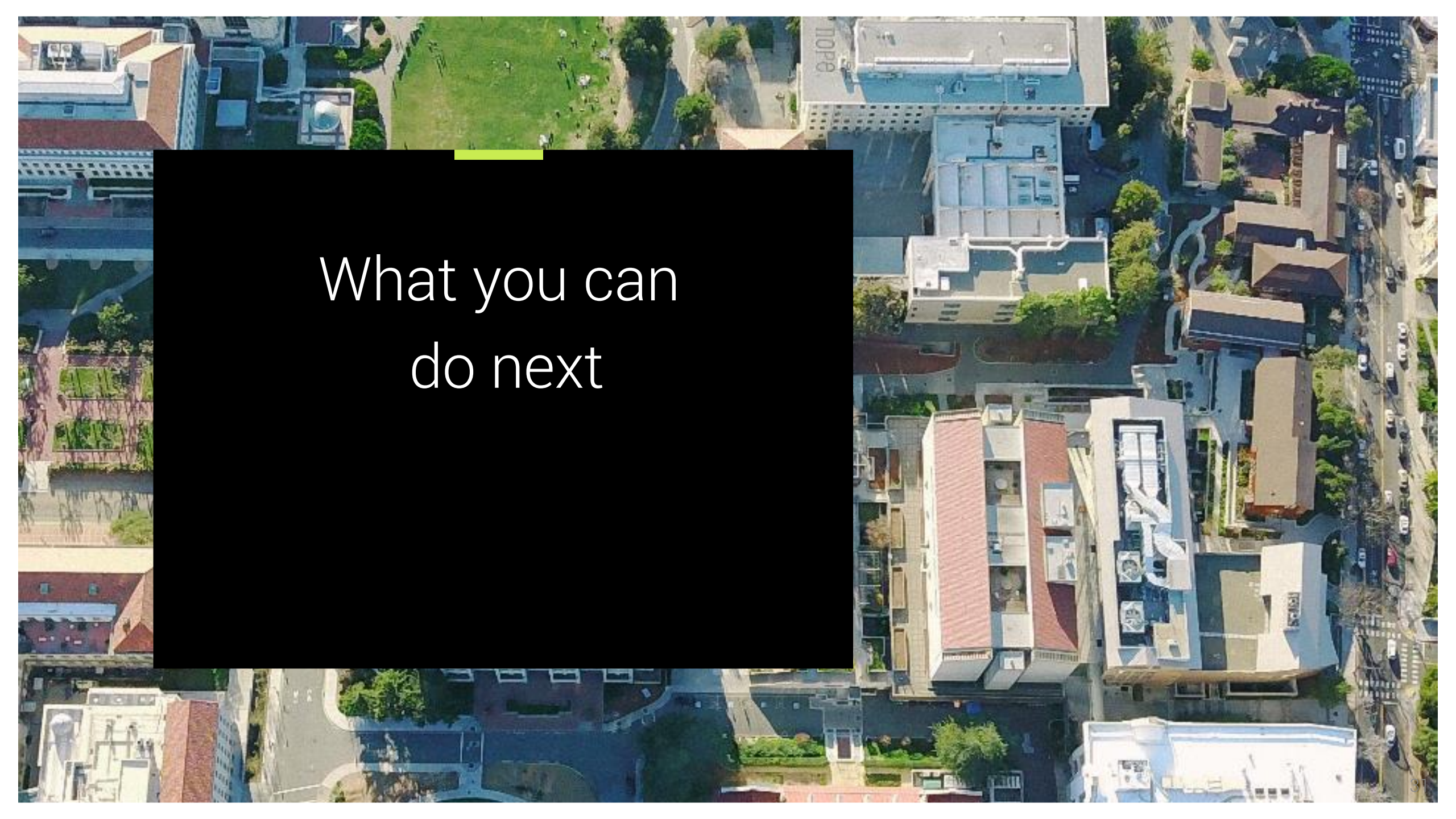
- The FTC has largely left enforcement of the Safeguards Rule to the Department of Education (DOE)
- DOE added a specific provision regarding GLBA compliance to the Federal Student Aid Program Participation Agreement in 2015
- DOE is expected to add an audit requirement for GLBA Safeguards Rule compliance into the federal single audit process



POLLING QUESTION #4

What resource do you utilize the most for financial aid information?

- A. DOE Federal Student Aid Website (IFAP)
- B. Student Financial Aid Handbook
- C. Association membership
- D. General education literature
- E. Other

An aerial photograph of a city, showing a mix of residential and commercial buildings, streets, and green spaces. A large black rectangular box is overlaid in the center of the image, containing the text "What you can do next" in white. The background shows a dense urban environment with various building styles, including multi-story apartment buildings and smaller houses. There are also some green areas and trees scattered throughout the city.

What you can
do next

WHAT YOU CAN DO NEXT

Preventative care

Risk Identification

- Top program review and audit findings
- Trending enforcement topics
- Audit guide

Anticipating and preventing

- Helplines/hotlines
- Active review of complaints
- Promoting ethical financial aid practices

Staying current: monitoring changes in law and enforcement trends

- Regulatory rulemaking topics
- Higher Education Act Reauthorization
- Electronic guidance
- Ongoing enforcement proceedings
- FSA conference

Assessment

- Regular review of policies and procedures
- Internal training
- Conduct regular internal audits of all key financial aid functions
- Resolve prior findings and avoid repeat findings

External reviews

THANK YOU

Additional resources

- [Higher Education Compliance Alliance](#)
- [Information for Financial Aid Professionals \(Dept. of Education\)](#)
- [National Association for College Admission Counseling](#)
- [National Association of Student Financial Aid Administrators](#)
- [U.S. Department of Education, Office of Federal Student Aid](#)

THANK YOU

Connect with us



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**Join us for
our upcoming
webinar.**

