

Department of Education Office of Inspector General

Presented by:

**Marilyn Peck-Henderson, Senior Auditor
Non-Federal Audit Team**

**W. Christian Vierling, Director
Student Financial Assistance
Advisory and Assistance**

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Objectives

- To explain
 - Education/Office of Inspector General's (ED/OIG's) advisory role in the audit resolution process
 - Common findings disclosed in Institutions of Higher Education audit reports submitted to Education
 - Common deficiencies disclosed in Single Audit, Quality Control Reviews (QCRs)
 - Common Findings disclosed in ED/OIG audit reports

ED/OIG's Audit Resolution Process – Single Audits

ED/OIG participates in a monthly process called "Triage"

- Triage - the process ED assesses the seriousness of each audit finding to determine the amount of attention needed for resolution.
- Participants are: Program Office, Office of General Counsel (OGC), ED/OIG, and Office of Chief Financial Officer (OCFO)
- ED/OIG – Advisory only

Audit Resolution (cont.)

- ED/OIG also reviews draft Program Determination Letters (PDLs) and draft Audit Clearance Documents (ACDs) to determine if we have significant disagreements with proposed resolution.

SFA Program Attestation Engagements

- Reports on for-profit schools' and servicers' compliance with applicable law and regulations under the Title IV, HEA programs
- Submitted to ED through eZAudit
- ED/OIG does not participate in resolution of these audits

Primary Programs Under the HEA

- Direct Loan Program
- Pell Grant Program
- Campus Based Programs

Top 10 Domestic School Audit Findings by Number of Findings for FY 2014

- Repeat Finding – Failure to Take Corrective Action
- Student Status – Inaccurately/Untimely Reporting
- Return of Title IV (R2T4) Calculation Errors
- Return of Title IV Funds made Late
- Verification violations

Top 10 Domestic School Audit Findings by Number of Findings for FY 2014 (cont.)

- Pell – Overpayment/Underpayment
- Student Credit Balances
- Entrance/Exit Counseling
- Qualified Auditor's Opinion
- G5 Expenditures – Untimely/Incorrectly Reported

Top 10 Domestic School Audit Findings by Liability for FY 2014

- Ineligible Student – Not making Satisfactory Progress
- Verification violations
- Return of Title IV (R2T4) calculation errors
- Missing Audit – Closed school
- R2T4 made late
- Ineligible program – Approval requirements not met
- R2T4 refunds not made
- Information in student files missing/inconsistent
- Pell – Overpayment/Underpayment
- Credit/Clock hour conversion improper

Audit Findings To Be Discussed

- Verification
- Return of Title IV
- Student Status
- Eligible Program
- Repeat Findings

Verification

- Ensure that data elements used to calculate a student's need are accurate.
- Department determines what data elements a school must verify.
- Schools must verify the data elements for every student selected for verification receiving a Pell Grant or subsidized Direct Loan.

Verification

- Increasingly Important
 - Failure of Schools to Perform Verification is the Largest Contributor to the Department's Estimate of Improper Payments in the Direct Loan and Pell Grant Programs
 - “Pell Runners,” Fraud Rings, and Unusual Enrollment History

Return of Title IV

- Requirements are Independent of a School's Refund Policy. Return of Title IV Provides a Limited Level of Taxpayer Protection When a Student Withdraws From a Program.
- Schools Not Required to Take Attendance Where a Student Unofficially Withdraws.
 - Use Mid-Point or Last Date of Attendance
 - The Concept of the Earned F

Student Status

- A Key Measure for Subsidized Direct Loans. Used to Determine the Start of the Grace Period and When Repayment Must Begin.
- While There is Generally No Liability for a School Associated With This Audit Finding, It is a Potential Harm to Students Issue.

Eligible Program

- The Regulations Provide Limits On the Percentage of a Program That Can Be Provided By an Ineligible Institution At an Eligible Institution.
 - OK if the ineligible institution only provides 25 percent or less of a program.
 - OK if the ineligible institution provides more than 25 percent but less than 50 percent, the parties are not related, and approved by the school's accrediting agency

Eligible Program

- Need to Be Alert to Agreements to Provide Part of a Program Because the Number of Schools Using Ineligible Institutions to Provide Part of a Program Appears to Be Increasing.

Repeat Audit Findings

- Need to Be Asking Why.
 - School will not or cannot correct the deficiency
 - School has internal control weaknesses that have not been identified or addressed
- Can Be an Indication of a Lack of Administrative Capability
- Increasingly Important to ED as it Works to Reduce Improper Payments

Quality Assurance

- **Quality Control Reviews (QCRs):**
 - Detailed review of IPA's working papers
 - Compare what was documented vs. what should have been

QCR Results – Single Audits

- **Common deficiencies disclosed in Single Audit QCRs**
 - Lack of documentation to ensure **required Compliance Requirements (Direct and Material)** in the Supplement were tested to ensure the auditee complied with the requirements (Part 2, Part 4 or 5 and Part 3)
 - Not all compliance requirements considered
 - Opinion of the report is not supported by documented testing and conclusions reached

QCR Results – Single Audits (cont.)

- Key Controls not identified, and lack of testing and documenting their understanding of Internal Control to determine effectiveness of internal controls
- Type A/B threshold for determination of major program not properly calculated
- Schedule of Findings and Question Costs (SFQC) accuracy:
 - Dollar threshold used to distinguish between Type A and Type B programs incorrect

QCR Results – Single Audits (cont.)

- Schedule of Expenditures of Federal Awards (SEFA) not properly completed, by lacking:
 - List individual Federal programs by Federal agency and, for a cluster of programs, lists individual Federal programs within the cluster
 - Include, for Federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity
 - Include the value of Federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans and loan guarantee programs outstanding at year-end, if applicable

QCR Results – Single Audits (cont.)

- Federal findings not presented in sufficient detail with the following information
 - Criteria or specific requirement, including the statutory, regulatory, or other citation; not accurate or lacking
 - Identification of questioned costs by CFDA number and applicable award/contract number, and how questioned costs were computed
 - Information to provide proper perspective to judge the prevalence and consequences of findings
 - Possible asserted effect to provide sufficient information to determine the cause and effect to facilitate prompt and proper corrective action

QCR Results – Single Audits (cont.)

- Corrective Action Plan (CAP)
 - Anticipated completion date(s) for corrective actions
 - The auditee contact person(s) responsible for corrective action
- Data Collection Form (SF-SAC) – “Federal Awards Expended During the Fiscal Year” not properly completed

ED/OIG Audit Reports

- ED/OIG performs external audits of:
 - State Education Agencies
 - Local Education Agencies
 - Grantees
 - Institutions of Higher Education (Single Audits and Proprietary Schools)

Types of Findings disclosed in External Audits

- SEAs

- Risk Assessment and Monitoring

- Fiscal Requirements

- Excess Cash

- Unallowed Transactions (unallowable, lack of documentation, or misclassification)

- Reporting Correct Performance Data

- Maintenance of Effort (MOE)

External Audits (cont.)

- LEAs
 - Inadequate Internal Control
 - MOE
 - Yearly Progress Results and Graduation Rates Unreliable

External Audits (cont.)

- Institutions of Higher Education
 - Reporting Accurate Data (to ED and on Websites)
 - Job Placement Rates and Graduation Rates
 - R2T4
 - calculations not made and/or funds not returned timely
 - Student Eligibility
 - Federal Work Study (FWS)
 - Credit Balances (retaining without authorization)
 - Disbursement of funds

Questions?

Non-Federal Audit Team

- Bernard Tymes (Philadelphia)
215-656-6285 bernie.tymes@ed.gov
- Danny Jones (Dallas)
214-661-9560 danny.jones@ed.gov
- Amy Ellison (Kansas City)
816-268-0502 amy.ellison@ed.gov
- Marilyn Peck Henderson (Dallas)
214-661-9535 marilyn.peck@ed.gov
- Non-Federal Audit Team Group email
OIGNon-FederalAudit@ed.gov

Website: <http://www2.ed.gov/about/offices/list/oig/nonfed/index.html>

Contact Information

- Chris Vierling (Washington)
202-245-6964 Chris.Vierling@ed.gov
- Marilyn Peck Henderson (Dallas)
214-661-9535 Marilyn.Peck@ed.gov