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ABHE Financial Aid Breakout Session 1: Fiduciary Responsibility

Lisa Saul, Principal (TX)
Patricia Willhite, Senior Manager (TX)
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†This is not a CPA firm.
*Assurance, attest, and audit services provided by Capin Crouse, LLC

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Fiduciary Responsibility

Overview: The U.S. Department of Education (ED) communicates expectations of Federal Student Aid participants through regulations and the Program Participation Agreement. In this session, we will discuss the fiduciary responsibility of management and governance as it relates to administration, compliance, and reporting. Participants will gain an operational understanding of:

- Basic requirements of Program Participation Agreements
- Administrative capability
- The difference between exceptions and reportable findings
- Top findings in student financial aid auditing
- ED program reviews

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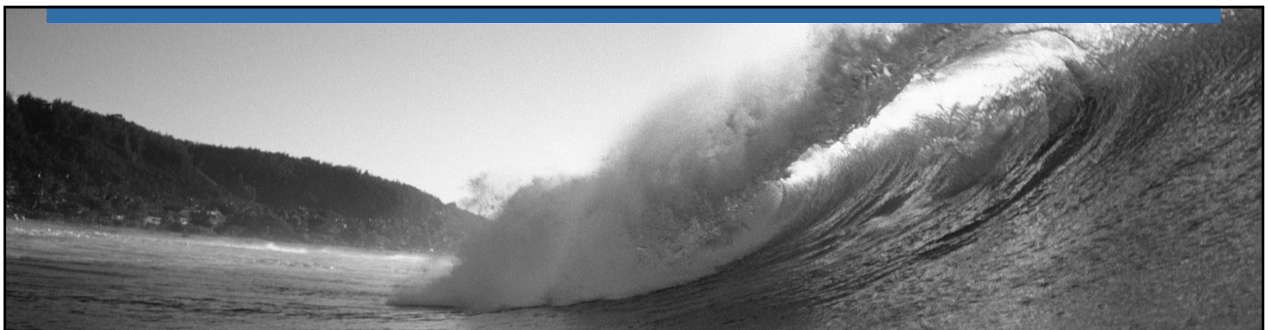

Basic Requirements of Program Participation Agreements

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Program Participation Agreement (PPA)

- Essentially the contract signed with the U.S. Department of Education
- President signs (designate internal owner of content)
- Valid PPA requirements
- References within PPA include Higher Education Act, Gramm-Leach-Bliley Act, and others
- Current PPA template from ED – 18 pages

Program Participation Agreement Requirements

- The first line is an agreement to comply with current **and future** program statutes. It's an agreement to comply with what is not listed yet.
- Drug prevention program required.
- Campus security policy and campus crime statistics required.
- Title VI of Civil Rights Act, Title IX of Education Amendments, FERPA, 504 of Rehabilitation Act, Age Discrimination Act, Safeguarding Customer Information (GLBA).
- Accrediting agencies and state agencies can share information.

Program Participation Agreement Requirements (continued)

- 34 CFR 668.14 referenced, which includes 35 items
- Updated July 1, 2024, for the new regulations that took place
- Cannot charge students for processing their federal aid
- Establish and maintain administrative and fiscal procedures and records to ensure proper and efficient administration of federal funds
- Be financially responsible
- Demonstrate administrative capability as listed in 34 CFR 668.16
- Limits maximum loan amounts

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Program Participation Agreement Requirements (continued)

- Job placement rates used as part of marketing
- Default management plan
- Restricted hiring (no prior crimes for federal, state, or local government funds)
- Restricted contracting (same as hiring)
- Complete in a timely manner and to the satisfaction of the Secretary – surveys (IPEDS, anything else)
- If restrictions are on the institution because of the institution's problems, cannot withhold access to students with federal funds

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Program Participation Agreement Requirements (continued)

- Prohibits commissions, bonuses, or any other incentive compensation based either directly or indirectly upon success in securing enrollments in federal aid
- Liable for all incorrectly spent federal aid, including any funds administered by a third-party servicer and returns of all Title IV funds
- Gainful employment requirements
- Written plan for combating unauthorized distribution of copyrighted material
- Written teach-out plan

Program Participation Agreement Requirements (continued)

- Online student teach-out plan
- Limited transcript withholding allowed
- Cannot limit federal aid
- Important update on PPA signature requirements that ED recently released: GENERAL-26-04

Certification Types

- Fully certified (least strings attached) and for 6 years
- Provisionally certified (more strings attached) and for up to 3 years https://studentaid.gov/data-center/school/ppa
- Temporarily certified (tied to time)
- Required to re-certify 3 months before expiration date; done through E-App

Administrative Capability

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Administrative Capability

- 34 CFR 668.16
- Designate a capable individual
- Adequate number of qualified individuals addressing:
  - Number and types of programs
  - Number of applications evaluated
  - Number of students and amount of aid
  - System used, including automation
  - Number of staff
  - Use of TPAs

Administrative Capability (continued)

- Written procedures indicating responsibilities for approval, disbursements, and delivery of Title IV aid and submission of reports to the Secretary
- Adequate checks and balances in internal controls
- Segregates authorization of funds from disbursing funds (specifically calls out that no family members can be the two people processing aid)
- Completes required annual reports
- Develops processes to identify and resolve discrepancies in the information received from different sources

Administrative Capability (continued)

- Will report items to Office of Inspector General
- Provides counseling that is clear to students
- If new to Title IV, cannot have more than 33% of its undergrad regular students withdraw
- Cohort default rate must be less than 30% for at least two of the last three years
- Ensures high school diplomas are valid
- Provides adequate career services

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Administrative Capability (continued)

- Provides externships or clinical options if they are needed for a credential or license within 45 days after completing coursework
- Disburses funds to meet student needs
- Gainful employment programs are passing
- Does not engage in deceptive recruiting tactics

Sounds simple, right?

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The Difference Between Exceptions and Reportable Findings

Exceptions versus Findings

- Exception
  - Area of noncompliance
- Reportable Finding
  - Evaluation of how significant the noncompliance is
  - Verbal, Other Matter, Significant, Material
  - Considerations include pervasiveness in population tested and how much of a hot-button that area is with ED

Implications of Findings

- 10% error rate will require a full file review for that area
- Letter of credit for late returns
- Letter of credit for lack of financial responsibility
- Heightened cash monitoring (1 or 2)
- Referral to Federal Trade Commission

Other Comments

- Verifications were waived during COVID; there had been a number of repeat findings; verifications are required again; V4/V5 required
- Anticipating that Pell findings will be in the top 10 this year with the change to enrollment intensity
- Fines can be substantial from ED
  - School Fine Report: IPEDS Non-submission, Campus Security, and Qui Tam cases are the predominant causes of fines

Role of Board

- Oversee and provide guidance
- Set priorities and budgets
- Monitor the financial viability of the institution

Top Findings in Student Financial Aid Auditing

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Top Findings

Source: studentaid.gov/data-center/school/fines-and-findings

2023 is **still** the last full year we have available

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Top 10 Findings From School Audits

Top Ten Domestic School Audit Findings by Number of Findings for Fiscal Year 2023		
Finding Code Description	**Number of Findings**	**Percent**
STUDENT STATUS - INACCURATE/UNTIMELY REPORTING	900	16.5%
REPEAT FINDING - FAILURE TO TAKE CORRECTIVE ACTION	808	14.8%
RETURN TO TITLE IV (R2T4) CALCULATION ERRORS	501	9.2%
RETURN OF TITLE IV FUNDS MADE LATE	383	7.0%
STUDENT CREDIT BALANCE DEFICIENCIES	250	4.6%
QUALIFIED AUDITOR'S OPINION CITED IN AUDIT	204	3.7%
CARES ACT - HIGHER EDUCATION EMERGENCY RELIEF FUND (HEERF) NON-COMPLIANCE	201	3.7%
INACCURATE DISBURSEMENT DATES/AMOUNTS REPORTED TO COD	194	3.6%
ENTRANCE/EXIT COUNSELING DEFICIENCIES	181	3.3%
PELL--OVERPAYMENT/UNDERPAYMENT	166	3.0%
Total Top Ten Deficiencies	**3,788**	**69.5%**
Total 2023 Deficiencies	**5,454**	**100.0%**

Note: The Missing Closeout Audit finding was excluded from these totals.

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ED Program Reviews

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ED Program Reviews

- Department can select up to 15 students and look at everything for those students for the year
- Tend to be very detailed
- Upon completion, will issue a Final Program Review Determination (FPRD)
- FPRDs are posted online here (most recent from 2020)
- With changes at ED and reduction of force, uncertain if they are even being performed

Top 10 Findings From Program Reviews

Top Ten Domestic School Program Review Findings by Number of Findings for Fiscal Year 2023		
Finding Code Description	**Number of Findings**	**Percent**
STUDENT STATUS - INACCURATE/UNTIMELY REPORTING	47	9.6%
RETURN TO TITLE IV (R2T4) CALCULATION ERRORS	35	7.2%
STUDENT CREDIT BALANCE DEFICIENCIES	28	5.7%
INACCURATE RECORDKEEPING	21	4.3%
ENTRANCE/EXIT COUNSELING DEFICIENCIES	20	4.1%
LACK OF ADMINISTRATIVE CAPABILITY	18	3.7%
SATISFACTORY ACADEMIC PROGRESS POLICY NOT ADEQUATELY	17	3.5%
PELL--OVERPAYMENT/UNDERPAYMENT	16	3.3%
CONSUMER INFORMATION REQUIREMENTS NOT MET	15	3.1%
CREDIT/CLOCK HOUR CONVERSION IMPROPER	15	3.1%
INACCURATE DISBURSEMENT DATES/AMOUNTS REPORTED TO COD	15	3.1%
Total Top Ten Deficiencies	**247**	**50.6%**
Total 2023 Deficiencies	**488**	**100.0%**

Note: The Missing Closeout Audit finding was excluded from these totals.

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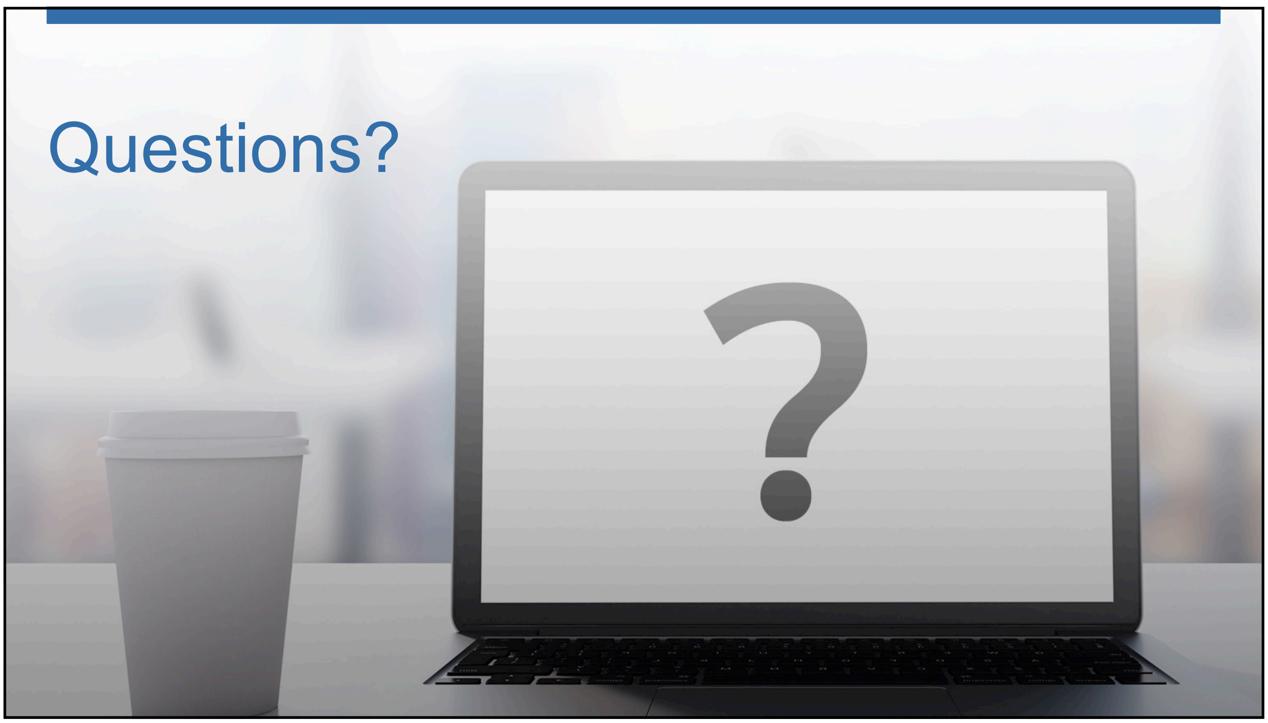

Lisa Saul
Principal

lsaul@capincrouse.com

505.502.2746

Patricia Willhite
Senior Manager

pwillhite@capincrouse.com

505.502.2746

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