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ABHE Financial Aid Breakout Session 2: Understanding a Uniform Guidance Audit

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Understanding a Uniform Guidance Audit*

Overview: Audits of federal financial assistance programs administered under Uniform Guidance are required of institutions administering Federal Student Aid. These audits are technical and compliance-oriented. In this session, professional independent auditors will explain the process and share best practices to follow in preparing for a Uniform Guidance Audit.

Participants will learn how to:

- Prepare each day as a whole institution (classroom, business office, financial aid)
- Develop and complete interim and annual closed checklists
- Internal audits
- Key items to avoid
- Focus on institutional data security

Preparation

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What Drives an Audit

- Majority of time: federal mandate
- Threshold of $750,000; increases to $1,000,000 effective for audit periods beginning October 1, 2024 or later (most likely September 30, 2025 periods)
- Institutions that fall below this threshold still have reporting requirements to ED. See the "Changes to UG Limits that Could Impact the Date of Your Financial Statement Audit" article on the CapinCrouse website.
- Uniform Guidance link; includes both auditee and auditor rules
- OMB Annual Compliance Supplement; designates which pieces must be audited for that year and is effective for organization's fiscal periods beginning on or after July 1 of the prior year

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Preparation is key!

Daily

Weekly

Monthly

Annually

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How are we going to store all this stuff?

Electronically?	Paper?
• By student? • By task? • By month? • By federal program?	• By student? • By task? • By month? • By federal program?

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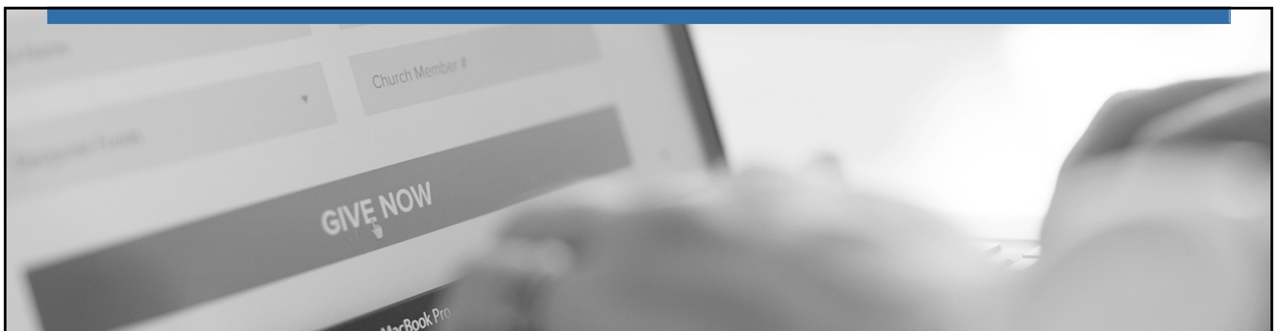

Develop and Complete Interim and Annual Closed Checklists

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Daily

- Prayer
- Packaging aid
- Answering emails from students
- Urgent tasks that come in

Beginning Of Each Term

- Verify student began attendance to disburse aid
- Verify Pell eligibility for enrollment intensity
  - Census date
  - Rolling adjustments

Weekly

- ISIR imports and resolutions
- Loan disbursements
- Credit balance checks
- Withdrawals and processing of R2T4s; send exit counseling
- Clean up reports
- Reading announcements from Department of Education (Dear Colleague letters)
- Report any mandatory or discretionary triggers
- Reflection time

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Monthly

- FDL and Pell reconciliations student by student
- Federal Work Study reconciliation
- Loan reconciliations (Perkins, Nursing, etc.)
- Clean up reports
- Inter-office meetings (information technology, registrar, enrollment); look ahead a month at upcoming calendar and look back one month; ask if there are any mandatory or discretionary triggers that others are aware of
- Internal audits

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End of Each Term

- Run a report of all 0 credits (F's, I's, W's, or a combination)
- Evaluate if the student attended past 60%
- Perform R2T4 calculation if necessary
- Send exit counseling if necessary
- Update NSLDS
- Run SAP review

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Annually

- FISAP Reporting, including claiming ACA
- FDL and Pell closeout reporting
- FWS reporting to ED
- FVT/GE reporting to ED
- Audit items: SEFA preparation, questions from auditors, submitting and certifying data collection form **and** eZ-Audit
- Calculate institutional eligibility percentages

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Tools to Assist

- Planner in Microsoft Teams
- Click Up
- Excel spreadsheets

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Open Discussion Time

What has worked well for you?

What has failed that a step could have prevented?

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Internal Audits

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Internal Audits

- [Quick, Easy Wins to Help Your Institution Prevent Title IV Compliance Findings]

This CapinCrouse article outlines six steps to help you identify errors before your annual compliance audit.

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Internal Audits (continued)

1. Create a process to ensure Pell Grant calculations are accurate under the new enrollment intensity requirements.
2. Create a process to identify subsidized loan awards that exceed the student's grade level.
3. Run a report of all students with federal aid whose Institutional Student Information Record (ISIR) is selected for verification and indicate whether they have been verified.

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Internal Audits (continued)

4. Develop a report to identify students who have received awards that are over-need or over-budget (cost of attendance (COA)).
5. Look for students who had aid offered that exceeded their budget or COA.
6. Monitor the level of FWS paid to see if it is greater than the level offered.

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Internal Audits (continued)

Other actions your institution can take to help prevent compliance findings:

- Request a list of withdrawals from the registrar a couple of times each semester and use it to double-check that all withdrawals have been processed properly and within the time limits.
- Perform a monthly reconciliation on any Pell or Federal Direct Loan (FDL) activity.

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Internal Audits (continued)

Other actions your institution can take to help prevent compliance findings:

- Maintain documentation that supports actions taken (for items such as satisfactory academic progress, special circumstances, reconciliations (Pell and FDL), data accumulated for the Fiscal Operations Report (FISAP), support for any correction such as an R2T4, etc.).
- Be proactive. If you encounter an error, don't assume it is an isolated incident.

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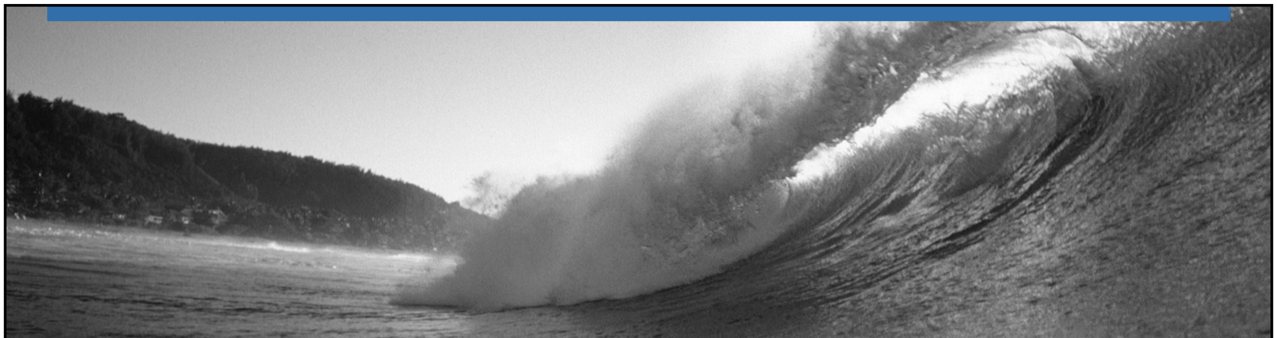

Key Items To Avoid

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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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Student Status – NSLDS

- Why ED cares:
  - Interest charged to the student
  - Grace periods for the student
- Challenges:
  - Typically, someone other than financial aid does the reporting
  - Third-party servicers used (National Student Clearinghouse)
  - Definitions of “withdrawn” (financial aid and institution are not equivalent)
- Opportunities:
  - Spot checks by financial aid
  - Using IT to create reports

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Return of Title IV Calculations

- Why ED cares:
  - Students should only keep percentage of funds earned
  - More funds disbursed/retained by the student limit ability for federal aid going forward
- Challenges:
  - Calendar setups (scheduled breaks of 5 days or more)
  - Modules
  - Actual LDAs
  - Review
- Opportunities
  - Collaboration between departments, training

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Late Returns of Title IV Funds

- Why ED cares:
  - Short-term loan to the institution
  - Hinders student's ability to receive funding elsewhere for education
- Challenges:
  - Information received is inaccurate or later clarified
  - 2 late returns must be an audit finding
  - Letter of credit requirement for institution
- Opportunities
  - Move to non-attendance taking
  - Flags for determining LDAs when entering grades

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Credit Balances

- Why ED cares:
  - Federal aid is designed to help cover tuition and living expenses; delays in receiving cash limit ability to pay living expenses
  - If HCM 1, have to pay out Title IV credit balances to students prior to receiving cash from ED
- Challenges:
  - Coding of institutional aid
  - How frequent are check runs
- Opportunities:
  - Establish process for weekly disbursements
  - Post aid in connection with tuition and fee charges

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COD Dates

- Why ED cares:
  - Interest calculations
  - Aggregate limits
- Challenges:
  - The anticipated date must be updated with the disbursed date (yes, you're reporting twice)
  - Returns go back to the original disbursed date
- Opportunities:
  - Monthly reconciliations

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Entrance and Exit Counseling

- Why ED cares:
  - Ensuring students understand what the loan is, and that they have to pay it back
  - Defaults cost taxpayers money
- Challenges:
  - Retaining proof of notifications
  - Students probably are no longer checking school emails
  - Completeness of students leaving
- Opportunities:
  - Add personal email requirement
  - Registrar report of all F's, W's, I's

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Pell Calculations

- Why ED cares:
  - Free money to the student, costs taxpayers
- Challenges:
  - Proving the student began attendance beyond logging in for online classes
  - Changing enrollment status during the semester
  - Attending multiple schools at once
  - Pell COA is not the COA used for awarding
- Opportunities:
  - IT assistance

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Third-Party Recruiting

- Why ED cares:
  - Do not want federal funding used as a manipulative tool for enrollment
- Challenges:
  - Most students need federal funding
  - Fierce competition for students
- Opportunities:
  - Careful structuring of contracts and bonuses
  - Athletics are exempt

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Triggers

- ED will recalculate the composite score
- Mandatory means institution has to report to ED
- Discretionary means institution may have to report to ED
  - Overview of the Amended Title IV Regulations
  - Financial Responsibility: Mandatory and Discretionary Triggering Events
  - Federal Register / Vol. 88, No. 209 / Tuesday, October 31, 2023 / Rules and Regulations

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Letters From ED

- Preliminary Audit Determination Letter
- Final Audit Determination Letter
- Letter of Credit Requirements
- Program Review Letter
- Important to keep contact information current with ED to ensure receipt of important communication (COD-25-04)

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Focus on Institutional Data Security

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GLBA Updates

- Top GLBA reportable findings:
  - Lack of multi-factor authentication or documented exception
  - Lack of written risk assessment and/or policies
  - Lack of written report to the board
- GLBA Compliance Resources and Services

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Current State of Christian Higher Education

- What's changed?
  - Challenges with investments in cybersecurity
  - Increased reliance on others
  - Increased scrutiny and expectations of security
  - Continual evolution

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Threat: Fraudulent Student Enrollments

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What can you do?

- Training, awareness
- Face-to-face interaction
- Simulations and tests
- Verification of requests
- More robust filtering and access restrictions
- Information sharing

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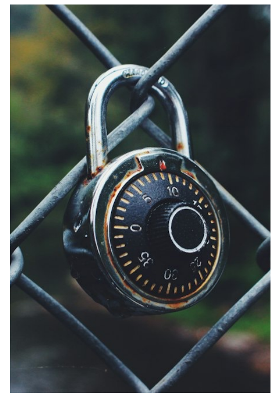
Managing and Securing Access

- Knowing what you have
- Physical and technical controls
- Principle of least privilege
- Ongoing reviews of access
- Layers of authentication + multi-factor authentication



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Managing and Securing Data

- Knowing what you have
- Encryption
- Retention and disposal
- Strong backup strategy

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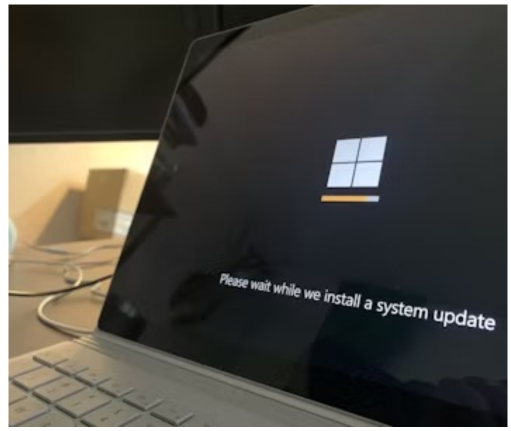
Vulnerability Management and Monitoring

- Patch management
- Malware protection
- Vulnerability scans
- Penetration testing
- Change management



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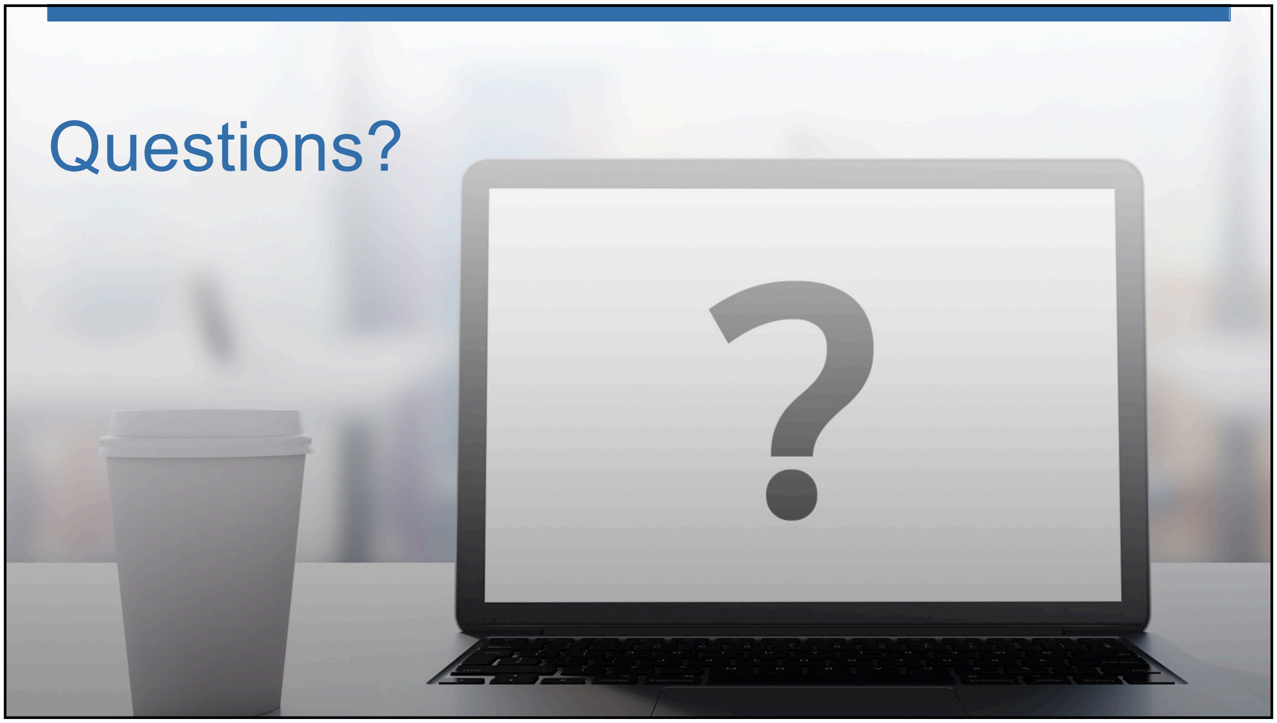
Questions?



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