

Feliciano, Seda & Associates, CPA, PSC

New Compliance
Requirements External
Auditors' will focus on



Important Internet Addresses

- The primary sources of information for auditors, financial aid officers, etc. is www.ifap.ed.gov and www.ed.gov/about/offices/list/oig/nonfed/sfa.html

Hottest Topic in the USDE

Verification





Verification

- An Institution must have written policies regarding verification.
- If a student is selected for Verification, verification must be completed for the verification group selected
 - Standard verification group
 - SNAP verification group (TANF & PAN)
 - Child support paid verification group
 - Custom verification group
 - Aggregate verification group



Verification

- Required verification items have changed and will become more and more customized to the student.
- \$25 tolerance
- IRS Data Retrieval process has become the preferred method for populating tax information on the FAFSA



Verification

- Standard verification group (tax filers)
 - AGI
 - U.S. Income tax paid
 - Untaxed portions of IRA distributions
 - Untaxed portions of pensions
 - IRA deductions and payments
 - Education credits
 - Household size
 - Number in college
 - SNAP benefits (TANF & PAN)
 - Child support paid



Verification

- Standard verification group (not tax filers)
 - Income earned from work
 - Household size
 - Number in college
 - SNAP benefits (TANF & PAN)
 - Child support paid
- SNAP Verification Group
- Child support paid verification group



Verification

- Custom verification group
 - High school completion
 - Statement of educational purpose
 - SNAP benefits (TANF & PAN)
 - Child support paid
- Aggregated verification group
 - High school completion
 - Statement of educational purpose
 - All items in the standard verification group



Drug-Free Workplace

- Institutions must have a written policy of a program to comply with the Drug-Free Schools and Communities Act (DFSCA)
- Program must be design to meet specific requirements
- Notification requirements
 - Annual distribution of the program to all student, faculty and staff
 - Biennial review to measure effectiveness of the drug prevention program



Cash Management

- Excess cash is any amount of Title IV program funds (except FPL) that an Institution does not disburse to students and/or parents by the end of the 3rd business day
- Exceptions
 - An Institution may retain an amount of excess cash \leq 1% of prior year draw downs for up to 7 days



Credit Balances

- A Title IV credit balance is created ONLY if Title IV program funds for a payment period exceed a student's allowable charges
- Must be paid to the student no later than 14 days after
 - The date the Title IV credit balance occurred, if after the 1st day of class, or
 - The 1st day of class, if it occurred on or before the 1st day of class
- UNLESS the Institution obtains a voluntary authorization from student to hold excess funds (page 4-28, volume 4, 2012-13 FSA handbook)



Other Topics of Interest

- 2013-14 Program Integrity and Improvement
 - State authorization of distance education
 - Cash management
- Gainful employment
- Veteran's benefits
- College rating system



Audit Outlook – Program Reviews

- Last Program Review Guide for Institutions was published 06/15/2009
- Frequency – irregular
- Performed by – Title IV experts
- Causes
 - High cohort default rates/default dollar volume
 - Significant fluctuation in Title IV funds volume
 - Licensing and/or accreditation issues



Audit Outlook – Program Reviews

■ Causes

- Risk of failure (financial responsibility)
- Large number of compliance audit findings
- Repeat compliance audit findings
- Complaints (student or employee)
- Adverse publicity
- Deficiencies in reports/data submitted to DOE
- Too many 0 findings audits
- Random



Audit Outlook – Program Reviews

- Notice – 2-4 weeks advance notice
- On-site – 1-2 weeks
- Report issuance – 1-6 months
- Resolution – undefined
- Scope – comprehensive or focused



Audit Outlook – Program Reviews

■ Common program review findings

- Verification
- Credit balances
- R2T4 calculation errors
- Crime awareness requirements
- Satisfactory Academic Progress (SAP)
- Lack of Administrative Capability
- Missing or inconsistent student file information
- Inaccurate recordkeeping
- Pell over/under awards



Audit Outlook – Program Reviews

- Common program review findings
 - Account records inadequate/not reconciled
 - R2T4 funds returned late
 - Entrance/exit counseling



Audit Outlook – ED Audit Guide Audits

- A NEW 2011 Proprietary School Audit Guide has been issued in DRAFT
 - Effective date is expected to be for audit periods ending after 2015
 - 167 pages vs 132 pages
 - Requires larger samples
 - Required student confirmations with a 30% response rate
 - Requires work to be performed where aid is processed



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Questions?

