

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

By Lisa R. Saul, Partner and Uniform Guidance Director

Once your higher education institution's annual compliance audit is complete and you have addressed any findings, what's next? Performing a compliance risk assessment and implementing proactive measures between audits could result in the early identification of errors and help prevent future compliance findings.

These actions do not have to be time-consuming or expensive. And they can be done by someone in an existing financial aid role. In other words, these steps can be quick, easy "wins" for your institution.

Five Quick, Easy Wins

Here are five proactive measures for your institution to consider:

1. Create a process to identify subsidized loan awards that exceed the student's grade level.

You could accomplish this by creating a report that helps identify students who have received a subsidized loan, along with their total credits earned. This report could be set up as follows:

Student ID	Last Name	First Name	Total Credits Earned	Level	Hours Enrolled	Subsidized Loans Awarded	Unmet Need	Unsubsidized Loans Awarded	Total
09876543	Smith	Jane	20	UG	16	\$ 4,500	\$10,425	\$ -	\$4,500

In this example, Jane Smith is a freshman but appears to have been awarded a sophomore loan amount, so she has an overawarded subsidized loan.

You should run and review this report prior to the first disbursement of the award year so that award revisions can be sent to the student before disbursement.

2. 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.

The report could be set up as follows:

Student ID	Last	First	Verification Flag	Verification Tracking (V1, V4, V5)	Verification Status (V, S, W, or blank)	T4 Aid Disbursed Y/N	Comment
456789123	Smith	John	Y	V5	S	Y	student not eligible, return aid
654321987	Smith	Jane	Y	V4	W	N	

If a student shows up as not verified, research and document the reason why. If verification needed to be completed but was not, the aid awarded must be returned.

3. Develop a report to identify students who have received awards that are over-need or over-budget (cost of attendance (COA)).

This report would contain these columns:

STUDENT ID	LAST NAME	FIRST NAME	UNMET NEED	PACKAGE COMPLETE DATE	FUND CODE
01245678	Smith	Jane	(\$1,505)	11/19/2022	SEOG

In this example, something Jane Smith was awarded is causing the aid to be over-need since “Unmet Need” is a negative amount. When this happens, it is important to determine the cause of the overaward. For example, if the student received subsidized loans, a Federal Supplemental Educational Opportunity Grant (SEOG), or Federal Work-Study (FWS), she has been overawarded.

This report can also include data that helps you identify students whose total awards exceed their COA. To do this, add a column that pulls the COA.

In a perfect scenario, the financial aid system would stop awards from awarding if it caused an over-budget (COA) issue. However, this issue can still occur if the budget was changed or if additional scholarships were added to the package and caused the over-need, over-budget, or COA issue.

4. Look for students who had aid offered that exceeded their budget or COA.

It’s important to make sure these students’ aid was not overawarded. You could set up the report that identifies this as follows:

STUDENT ID	LAST NAME	FIRST NAME	BUDGET AMOUNT	OFFER AMOUNT	(OVER) OFFER AMOUNT
2345678	Smith	John	\$37,120	\$37,875	(\$755)

In the example above, the student likely experienced an event that changed his financial situation, such as moving home with his parents or receiving an outside scholarship.

Regardless of the reason, it’s important to identify this before the aid is disbursed. Review the budget to see if there was a change that would allow the higher offered amount. If not, the aid awarded must be reduced. If it was already disbursed, it must be returned. Reviewing this report before disbursing aid would prevent this from happening.

Remember that if the budget is adjusted, it may be considered a professional judgment and should be documented as such.

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5. Monitor the level of FWS paid to see if it is greater than the level offered.

The report to identify this could be set up as follows:

STUDENT ID	LAST NAME	FIRST NAME	SSN	FUND CODE	OFFER AMOUNT	PAID AMOUNT
01111111	Smith	John	123456789	FWS	\$ 2,000	\$ 2,825

In this example, the student was paid FWS wages greater than the original amount offered. Identifying this promptly will allow your institution to see if an increased FWS award is an option or if the student needs to be moved to non-work study and have his FWS wages reduced so he is not paid over need.

Reviewing this report each month will help you promptly identify students who have exceeded their need by \$300. This will allow your institution to redirect the student payroll from FWS into another institutional account so that all future earnings are recorded in the correct account. That will prevent having to make correcting journal entries at year-end, when you are busy closing out the year.

Additional Steps

Here are some 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. Use the list to double-check that all withdrawals have been processed properly, with any needed R2T4 calculations and subsequent returns processed within the time limits. We also recommend that a member of your financial aid department with the appropriate level of experience periodically review modular students' R2T4 calculations and returns. This will help ensure that internal controls over such processes can operate effectively and achieve compliance.
- Perform a monthly reconciliation on any [Pell](#) or [Federal Direct Loan \(FDL\)](#) activity. Reconciliations must be done by student detail. In other words, you must compare the student's system-disbursed amount to what the Common Origination and Disbursement (COD) detail report reflects for each student disbursement, not just the totals disbursed for each loan type.
- Maintain documentation that supports actions taken such as satisfactory academic progress, reconciliations (Pell and FDL), data accumulated for the FISAP reporting, support for any correction such as an R2T4, etc. It's important to keep an audit trail of the compliance requirements at the point you completed them.
- Be proactive. If you encounter an error, don't assume that it's an isolated incident. Instead, look for similar issues and verify that no other students have the same overaward or compliance error.

Keep in mind that this is not an all-encompassing list but rather simple procedures your institution can use to help identify award issues before the end of the financial aid year. Taking these proactive measures can result in quick, easy wins that help you identify any issues promptly and avoid future compliance findings.

If you have any questions or would like assistance with any of the considerations above, please [contact us](#).

About the Author

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Lisa joined CapinCrouse in 1999. She has over 20 years of experience in performing and supervising Uniform Guidance audits of Department of Education student financial aid programs and a variety of federal funding, as well as program audits and agreed-upon procedure engagements of various state-funded programs. Lisa oversees the firm's more than 80 Uniform Guidance audits.

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