



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

Audit Services  
Region III- Philadelphia

February 25, 2008

Control Number ED-OIG/A03H0008

Dr. Robert E. Davila  
President  
Gallaudet University  
800 Florida Avenue, NE  
Washington, DC 20002

Dear Dr. Davila:

This **Final Audit Report**, entitled *Gallaudet University's (GU) Compliance with Selected Aspects of Title IV of the Higher Education Act Program Requirements*, presents the results of our audit. Our audit objective was to determine whether GU complied with Title IV of the Higher Education Act of 1965, as amended (Title IV), program requirements for student eligibility; return of Title IV funds; and cash management, including disbursements, for the period July 1, 2004, through June 30, 2006.

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## BACKGROUND

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GU is a privately owned post-secondary university that receives a substantial proportion of its annual revenue by direct appropriation from the Federal government under the authority of the Education of the Deaf Act. It is the only accredited university in the world designed exclusively for deaf or hard of hearing students. GU also admits a small number of hearing, degree-seeking undergraduate students—up to five percent of an entering class.

GU has participated in the Title IV programs since December 1965. Federal funds disbursed in the 2005-2006 and 2004-2005 award years for the Federal Supplemental Educational Opportunity Grant (FSEOG), the Federal Work-Study (FWS), and the Federal Pell Grant (Pell) programs, as well as loans under the Federal Family Education Loan (FFEL) and the Federal Perkins Loan (Perkins) programs were as follows.

<b>PROGRAMS</b>	<b>2005-2006</b>	<b>2004-2005</b>
<b>FSEOG</b>	\$ 134,420	\$ 139,281
<b>FWS</b>	127,310	135,211
<b>Pell</b>	1,209,702	1,234,185
<b>FFEL</b>		
<i>Subsidized Stafford Loans</i>	2,335,723	2,491,665
<i>Unsubsidized Stafford Loans</i>	1,915,523	2,020,921
<i>PLUS Loans</i>	519,372	341,911
<b>Perkins</b>	249,051 <sup>1</sup>	326,488 <sup>2</sup>
<b>TOTAL Funds Disbursed</b>	<b>\$6,491,101</b>	<b>\$6,689,662</b>

GU normally disbursed FSEOG, FWS, and Pell funds to eligible students using its own funds. At the beginning of the next month following the disbursement, GU drew down Federal funds to reimburse itself.

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## AUDIT RESULTS

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We did not identify any significant reportable instances of non-compliance with the Title IV program requirements for student eligibility; return of Title IV funds; and cash management, including disbursements. However, we did note the following minor issues.

- Two of the three FFEL federal bank account statements reviewed did not indicate that the account contained federal funds. GU officials provided the audit team with documentation to show that during a bank merger, GU's new bank omitted the proper wording from GU's monthly paper statement, however, on other official bank documentation the account title was properly worded. We suggest that GU work with its bank to have the bank statements properly titled.
- Two instances in which a student's credit balance was not paid within the 14 day timeframe and one instance in which a student did not receive entrance counseling.
  1. In award year 2004-2005, a \$375 credit balance was paid to a student one day late.

<sup>1</sup> This amount does not include Perkins funds awarded by the U.S. Department of Education (ED). The entire amount is from other non-Title IV sources.

<sup>2</sup> \$31,774 of this amount was from Perkins funds awarded by ED. The remainder of the funds was from other non-Title IV sources.

2. In award year 2005-2006, a \$760 credit balance was paid to a student 15 days late.
3. In award year 2005-2006, a student did not receive entrance counseling.

We suggest that GU enhance its procedures to ensure that credit balances are paid to students in a timely manner and that all students receive entrance counseling as required.

We also noted that GU did not have documented policies and procedures for all of its departmental offices involved in the administration of the Title IV programs. The Financial Aid Office was the only office that had documented Title IV program policies and procedures. We suggest that GU develop written Title IV program policies and procedures for its other offices (Office of the Registrar, Office of Admissions, Student Accounts Office, and Student Financial Services) to ensure a higher level of management control and to avoid the possibility of misinterpretation between management and staff.

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## **OBJECTIVE, SCOPE, AND METHODOLOGY**

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Our audit objective was to determine whether GU complied with the Title IV program requirements for student eligibility; return of Title IV funds; and cash management, including disbursements, for the period July 1, 2004, through June 30, 2006.

To accomplish our objective, we performed the following procedures:

- Reviewed GU's Title IV policies and procedures and interviewed GU officials in order to obtain an understanding and make an assessment of GU's internal controls over its processes for determining student eligibility, returning Title IV funds, managing federal funds, and disbursing these funds to students.
- Reviewed GU's PeopleSoft Financial and PeopleSoft Federal Student Aid computer generated reports, ED's Grant Administration Payment System (GAPS) activity reports, and student files in order to determine GU's level of compliance with the Title IV program compliance requirements described above.
- Reviewed GU's Office of Management and Budget Circular A-133 single audit reports for fiscal years ending December 31, 2004, December 31, 2005, and December 31, 2006.
- Identified, using GU's PeopleSoft database and ED's National Student Loan Data System (NSLDS), the following universes of GU students that participated in the Title IV programs during the audit period:
  1. *All students that received Title IV program funds.*
  2. *Students that withdrew, dropped, or were terminated.*

3. *Students that earned a zero grade point average (GPA) at the end of a school semester.*

- Randomly selected nine bank account statements for review from GU's federal fund bank accounts; three from each of GU's three federal fund bank accounts. Identified all draw downs that occurred during these periods from ED's GAPS activity reports, and traced the draw downs to the appropriate federal fund bank account statement.
- Reviewed the bank statement titles for the selected bank statements and determined if the titles indicated that they contained federal funds.
- From the nine randomly selected bank account statements identified above, judgmentally selected three draw downs and determined if GU met the Title IV program cash management requirements. We selected one Pell draw down in the amount of \$54,136<sup>3</sup>, one FSEOG draw down in the amount of \$ 134,420<sup>4</sup>, and a FFEL deposit in the amount of \$198,729<sup>5</sup>. We randomly sampled 6 Pell disbursements, 10 FSEOG disbursements, and reviewed all 58 FFEL disbursements to determine if the funds were disbursed within three working days.
- From the universe of students that received Title IV program funds, randomly selected a sample of 50 students (25 from each award year) and judgmentally selected an additional sample of 5 students<sup>6</sup> to determine if these students were eligible to receive Title IV program funds.
- Reviewed student academic and financial records for the 55 students identified above to determine if each student's Title IV program funds were disbursed in accordance with Title IV program requirements.
- Randomly selected 10 of the 38 students that withdrew, dropped, or were terminated, and reviewed their academic and financial files. For each student, determined if GU calculated the proper return of Title IV fund amount, returned the funds in a timely manner, and in the proper sequence according to the Title IV program requirements.

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<sup>3</sup> This draw down consisted of 55 student disbursements. We selected this draw down because it was the only draw down in our bank statement sample that was not a reimbursement, and included student disbursement transactions. As noted in the Background section, GU normally used its own funds to make student disbursements and then reimbursed itself.

<sup>4</sup> This drawdown consisted of 325 student disbursements. We selected this draw down because it was the only FSEOG draw down in our bank statement sample.

<sup>5</sup> This deposit consisted of 58 student disbursements. We selected this deposit because it was the only FFEL deposit in our bank statement sample.

<sup>6</sup> We selected these students to test student eligibility requirements for those students who received only FWS funds.

- From the universe of 120 students identified as earning a zero GPA at the end of a school semester, randomly selected five students from each award year and determined if GU correctly identified the student's withdrawal date, calculated the proper return of Title IV funds, and returned the funds timely and in the proper sequence.

We gained an understanding of, and assessed the system of internal controls, policies, procedures and practices applicable to GU's compliance with cash management, disbursements, return of Title IV funds, and student eligibility. This assessment was performed to determine the nature, extent, and timing of our substantive tests to accomplish our audit objectives. For purposes of the audit, we assessed and classified the significant controls into the following categories:

- Drawdown of federal funds
- Disbursement of federal funds
- Return of Title IV funds
- Determination of Title IV student eligibility

Because of inherent limitations, a study and evaluation made for the limited purposes described above would not necessarily disclose all material weaknesses in internal controls. Our assessment only disclosed the minor issues noted above, which were not substantive in nature, and therefore did not appear to have an adverse affect on GU's ability to administer its Title IV programs.

To achieve our audit objective, we relied, in part, on computer-processed data from GU's PeopleSoft Financial and PeopleSoft Federal Student Aid databases. We verified the completeness of the data by comparing source records to computer-generated documents and verified the authenticity by comparing computer-generated documents to source documents. Based on our testing, we concluded that the computer-processed data were sufficiently reliable for the purpose of our audit.

We conducted our fieldwork at GU's campus, located at 800 Florida Avenue, N.E., Washington, D.C., between May 14, 2007, and September 6, 2007. We held an exit conference on January 17, 2008. Our work was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

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**ADMINISTRATIVE MATTERS**

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Our audit was for the limited purpose described above and would not necessarily disclose all material weaknesses pertaining to GU's compliance with the Title IV program requirements. Accordingly, the contents of this audit report should not be construed as acceptance or approval of GU's compliance with the all Title IV requirements. -This audit does not preclude further reviews and audits of this or similar areas by the Office of Inspector General (OIG), nor does it preclude the U. S. Department of Education from – initiating other actions concerning GU's compliance with Title IV program requirements. The audit we performed is not a substitute for any other reviews required by law, license, or accreditation.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports, and other documents issued by the OIG are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation and assistance extended by your staff during the audit. Because our audit did not disclose any significant instances of non-compliance with the compliance areas identified in our audit objective, and because our report does not contain any recommended corrective actions, no action on your part is necessary. If you have any questions, please contact me at (215) 656-6279, or Teri Lewis, Assistant Regional Inspector General for Audit, at (215) 656-6276.

Sincerely,

/s/

Bernard E. Tadley  
Regional Inspector General for Audit

Cc: Lawrence A. Warder, Acting Chief Operating Officer, Federal Student Aid (FSA)  
Jay Hurt, Acting Chief Financial Officer, FSA  
Sherry Quade, Audit Liaison Officer, FSA