
**The University of the Virgin Islands' Administration of Title
IV Student Financial Assistance Programs Needs Improvement**

FINAL AUDIT REPORT



**ED-OIG/A02-E0003
April 2005**

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U.S. Department of Education
Office of Inspector General
New York Audit Region
Boston Area Office

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**U.S. DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
75 Park Place, 12th Floor
New York, New York 10007**



April 8, 2005

La Verne Ragster, Ph.D.
President
University of the Virgin Islands
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Dear Dr. Ragster:

Enclosed is our final audit report, Control Number ED-OIG/A02-E0003, entitled *The University of the Virgin Islands' Administration of Title IV Student Financial Assistance Programs Needs Improvement*. This report incorporates the comments you provided in response to the draft report.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

Theresa Shaw
Chief Operating Officer
Federal Student Aid
U.S. Department of Education
Union Center Plaza
830 First Street, NE
Washington, DC 20202

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

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Sincerely,

/s/

Daniel P. Schultz
Regional Inspector General
for Audit

Enclosure

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
 AUDIT RESULTS	
Finding 1 - UVI deleted academic records needed to demonstrate the institution provided Title IV funds to eligible students.....	4
Recommendations	5
UVI Comments.....	5
 Finding 2 - UVI failed to administer the return of unearned Title IV funds	5
Recommendations	7
UVI Comments.....	8
OIG Response.....	8
 Finding 3 - UVI did not identify students who failed to follow official withdrawal procedures and may have been eligible for return of unearned Title IV Funds	8
Recommendations	8
UVI Comments.....	9
OIG Response.....	9
 Finding 4 - UVI did not always have the documentation required for students who received administrative withdrawals	9
Recommendations	10
UVI Comments.....	10
 Finding 5 - UVI did not properly monitor credit balances	10
Recommendations	11
UVI Comments.....	12
 Finding 6 - UVI's Satisfactory Academic Progress Policy was not uniformly applied	12
Recommendations	13
UVI Comments.....	13

Finding 7 - The Registrar’s Office did not report student status changes in an accurate or timely fashion	13
Recommendation.....	14
UVI Comments.....	14
 Finding 8 - UVI did not comply with established due dates for the submissions of its Single Audit Reports and is not financially responsible	14
Recommendations	15
UVI Comments.....	16
 BACKGROUND	17
 OBJECTIVES, SCOPE AND METHODOLOGY	17
 STATEMENT OF INTERNAL CONTROLS	18
 ATTACHMENT A: UVI’s Response to the Draft Report	19

EXECUTIVE SUMMARY

The purpose of our audit was to determine whether the University of the Virgin Islands (UVI) administered the student financial assistance programs in compliance with Title IV of the Higher Education Act (HEA) and applicable regulations. Specifically, we evaluated UVI's compliance with Title IV regulations governing return of Title IV funds, cash management, student credit balances, and student eligibility.

UVI did not always calculate correctly and pay timely returns of Title IV, thus failing to meet the reserve fund standard, nor did it correctly manage cash, as it was improperly maintaining student credit balances. Student eligibility became an issue when UVI deleted academic records, failed to accurately or consistently track student withdrawals, and did not consistently apply satisfactory academic progress standards. We also determined that UVI is not financially responsible because it failed to timely submit required Single Audits. Based on the significance of these findings, we concluded that UVI did not always meet the administrative capability standards for Title IV programs. We noted the following areas of non-compliance:

- UVI disbursed \$9,161 in Title IV funds to six students whose academic records were deleted for specific semesters. In four of the six cases, UVI disbursed a total of \$6,665 in Title IV funds directly to the students.
- UVI failed to administer the return of Title IV. UVI did not always: identify students eligible for returns, return Title IV funds, calculate returns correctly, or return the funds timely.
- UVI did not have a system in place to identify and report to the Business Office students who withdrew without following established withdrawal procedures. Fifty students received a total of \$121,193 in Title IV funds although they failed all courses. Another 19 students had failing grades and withdrew from all courses, but received a total of \$38,220. UVI may have been required to return unearned Title IV funds for some of these students.
- UVI could not provide documentation supporting the administrative withdrawal of seven students who received Title IV funds totaling \$22,117. Further, UVI may have been required to return unearned Title IV funds for these seven students who received the administrative withdrawals.
- UVI did not properly monitor, and improperly maintained, credit balances on student accounts. Three students still had Title IV credit balances and another 54 students had non-Title IV credit balances. UVI also used \$17,305 of student credit balances to reduce students' prior award years' expenses, and \$15,959 in credit balances to reduce subsequent years' costs.
- UVI's Satisfactory Academic Progress Policy was not uniformly applied. As a result, we had difficulty assessing satisfactory academic progress.

- The Registrar's Office did not timely or accurately report student status for three of the four student loan recipients who had graduated.
- UVI did not have a process in place to assure compliance with deadlines established by federal law for submission of Single Audit reports. As a result, it was not financially responsible.

To correct these deficiencies, we recommend that the Chief Operating Officer for Federal Student Aid (FSA) require UVI to:

- Develop controls to ensure that students taking zero credits do not receive Title IV. Return \$9,161 to U.S. Department of Education (ED) for the six students who received Title IV but did not have any documentation to support that they began attendance for the corresponding semester.
- Develop and implement policies and procedures to identify students that withdraw, and to assure that returns of unearned Title IV are calculated accurately and paid timely to ED. Require UVI to calculate returns of Title IV for the students for whom UVI did not calculate or miscalculated returns of Title IV and return those funds to ED.
- Develop and implement policies, procedures, and management controls to identify students who do not officially notify the school of their withdrawal, and determine whether returns of unearned Title IV funds are due ED.
- Develop and implement policies and procedures to identify students who received administrative withdrawals and determine whether unearned Title IV funds need to be returned to ED.
- Establish procedures to ensure that credits on students' accounts are identified and paid to students timely and that credit balances are used only to reduce prior award year expenses totaling less than \$100.
- Implement a Satisfactory Academic Progress Policy in a uniform manner.
- Develop and implement control and procedures to assure accurate and timely reporting of changes in students' enrollment statuses.
- Establish processes that ensure the timely and acceptable completion of the annual Single Audit.

Because of UVI's failure to submit Single Audits in a timely manner, the Chief Operating Officer for FSA, should (1) take action to allow UVI to continue participation in the Title IV programs only under the provisional certification requirements; or (2) take appropriate action under 34 C.F.R. Subpart G to fine the institution, or to limit, suspend, or terminate its eligibility.

In its response to the draft report, UVI concurred with our findings and stated that it will work with FSA on the recommendations. UVI provided additional student documentation in response to Findings 2 and 3. The response, excluding student information, is included as Attachment A.

AUDIT RESULTS

UVI did not always calculate correctly and pay timely returns of unearned Title IV funds, thus failing to meet the reserve fund standard. Also, UVI did not correctly manage cash, as it was improperly maintaining student credit balances and misapplying them to institutional charges for other periods. Student eligibility became an issue when UVI deleted academic records, did not systemically identify student withdrawals, and applied inconsistently the satisfactory academic progress standards. We also determined that UVI is not financially responsible.

Finding 1: UVI deleted academic records needed to demonstrate the institution provided Title IV funds to eligible students

UVI could not document that the students attended school because the academic files for those students were deleted for the semesters in question. UVI officials indicated that one former UVI employee had deleted the records. UVI disbursed \$9,161 in Title IV funds to six students, but it could not document that the students began attendance. The regulations at 34 C.F.R. § 668.21¹ require that:

(a)(1) If a student officially withdraws, drops out, or is expelled before his or her first day of class of a payment period, all funds paid to the student for that payment period for institutional or noninstitutional costs under the Federal Pell Grant, FSEOG [Federal Supplemental Educational Opportunity Grants], and Federal Perkins Loan programs are an overpayment. (2) The institution shall return that overpayment to the respective title IV, HEA programs in the amount that the student received from each program.

(b) For purposes of this section, the Secretary considers that a student drops out before his or her first day of class of a payment period if the institution is unable to document the student's attendance at any class during the payment period.

Similarly, 34 C.F.R. § 685.303(b)(3) for the Direct Loan Program provides that:

If . . . the school is unable for any other reason to document that the student attended school during that period, the school shall notify the Secretary, within 30 days of the date described in Sec. 685.305(a), of the student's withdrawal, expulsion, or failure to attend school, as applicable, and return to the Secretary--

- (i) Any loan proceeds credited by the school to the student's account; and
- (ii) The amount of payments made by the student to the school, to the extent that they do not exceed the amount of any loan proceeds disbursed by the school to the student.

UVI disbursed \$9,161 to six students who did not have any courses listed for the corresponding semester. In four of the six cases, UVI disbursed a total of \$6,665 in Title IV funds directly to

¹ Unless otherwise noted, all C.F.R. citations are to the July 1, 2002, volume.

the students. This occurred because UVI lacked a policy or procedure that would ensure that students who received Title IV funds actually began attendance.

As a result, UVI paid \$9,161 in Title IV funds to six students who appeared not to have attended UVI during the corresponding semester. In one case, the Chancellor's Office provided support that the student requested an administrative withdrawal for the semester in question. Although the request was approved, it was never processed.

Recommendations

We recommend that the Chief Operating Officer for FSA require UVI to:

- 1.1 Develop and implement policies and procedures to ensure that documentation is available to support student attendance and that Title IV funds are returned to the appropriate programs when students fail to attend; and
- 1.2 Return \$9,161 in Title IV funds for the six students without documentation to support that they attended during the corresponding payment period.

UVI Comments – UVI concurred with the finding and stated that it will work with FSA on the recommendations. UVI provided corrective actions which should be considered by FSA in resolving this finding.

Finding 2: UVI failed to administer the return of unearned Title IV funds

UVI did not always identify students eligible for a return of unearned Title IV funds, calculate the amounts to be returned correctly, return all Title IV funds due, or return the funds in a timely manner. In part, this occurred because UVI lacked policies or procedures that would ensure that students who received Title IV funds were continuously enrolled in and attending their courses. Also, the coordination between the office responsible for identifying withdrawn students and the office responsible for return of Title IV calculations was not adequate.

UVI failed to identify all students potentially eligible for a return of unearned Title IV funds

According to 34 C.F.R. § 668.22 (a)(1), “When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date”

UVI's procedures required students who wanted to withdraw from UVI to complete a form in the Registrar's Office. The Registrar's Office would then forward a copy of the withdrawal form to the Business Office, which was responsible for calculating the return of Title IV. During award years 2000-2001, 2001-2002, and 2002-2003, according to the Business Office listing, 90 students withdrew during a semester, and received Title IV funds. A comparison of the withdrawn students listing provided by the Business Office and the Registrar's transcript files

revealed discrepancies. Three students who received Title IV funds and withdrew from all courses, according to records in the Registrar's office, did not appear on the Business Office's listing. These three students received \$9,626 in Title IV funds and could have been eligible for a return of unearned Title IV funds. UVI failed to record the withdrawal dates to document the amount of earned and unearned Title IV funds for these students.

In addition, UVI did not calculate or return Title IV funds for 16 students who appeared on UVI's listing of 90 students who withdrew. As a result, UVI needs to return approximately \$9,930 for these 16 students.

Failure to calculate the return of unearned Title IV funds correctly

In order to calculate a return of unearned Title IV funds, an institution must calculate the percentage of the payment period or period of enrollment completed. The regulations at 34 C.F.R. § 668.22(f)(1)(i) provide that for institutions using credit hours, the percentage completed is determined “. . . by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the students withdrawal date.” The regulations at 34 C.F.R. § 668.22(f)(2)(i) further provide that the “. . . total number of calendar days in a payment period or period of enrollment includes all days within the period, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days”

From UVI's listing of 90 students who withdrew, UVI provided the actual calculation of the return of unearned Title IV funds for 54 students. These calculations revealed that UVI often used the incorrect withdrawal dates, as well as, incorrect semester starting and ending dates. Without the correct beginning, end, and withdrawal dates, it is not possible to accurately determine the calendar days in the payment period or period of enrollment or the percentage completed. Further, UVI did not always exclude the spring break period to determine the total number of days enrolled. As a result, 43 of the 54 returns of Title IV were incorrectly calculated.

UVI did not always return the correct amount of unearned Title IV funds based on its calculation

According to 34 C.F.R. § 668.22 (e)(4), “The unearned amount of title IV assistance to be returned is calculated by subtracting the amount of title IV assistance earned by the student . . . from the amount of title IV aid that was disbursed to the student”

UVI failed to return the entire amount of Title IV that needed to be returned based on its return of Title IV calculations. This occurred because of clerical errors. For nine of the 54 calculations that UVI provided, UVI did not return \$2,150 of unearned Title IV funds as stated on the calculation forms.

Return of unearned Title IV funds was untimely

The regulations at 34 C.F.R. § 668.22 (e)(4)) state, “An institution must return the amount of title IV funds for which it is responsible . . . as soon as possible but no later than 30 days after the date of the institution’s determination that the student withdrew”

The financial responsibility regulations at 668.173(c)(1) [2004] provide that an institution does not meet the requirements of the refund reserve standard “. . . if, in a compliance audit conducted by . . . the Office of Inspector General, the auditor or reviewer finds – (i) In the sample of student records audited or reviewed that the institution did not return unearned title IV, HEA program funds with the timeframes [required] for 5% or more of the students in the sample.”

When an institution is not in compliance with the refund reserve standards, 34 C.F.R. § 668.173(d) [2004] requires the institution to “. . . submit an irrevocable letter of credit to the Secretary” in an amount equal to 25 percent of the unearned funds the institution should have returned during its last fiscal year.

UVI did not always return Title IV for students who withdrew from a semester in a timely manner. From the 54 students who withdrew and had a return of unearned Title IV funds due, 49 were not returned within the required timeframe. These returns were from 1 to 221 days late. As of February 6, 2004, two returns had not been made.

Recommendations

We recommend that the Chief Operating Officer for FSA to require UVI to:

- 2.1 Develop and implement policies and procedures to ensure that withdrawn students are identified and that returns of Title IV are calculated accurately and returned to ED. The policies should ensure adequate coordination between the office responsible for identifying withdrawn students and the office responsible for calculating returns of Title IV;
- 2.2 Calculate and pay imputed interest costs for the unearned Title IV funds that were not returned to ED;
- 2.3 Recalculate the Title IV returns that were calculated incorrectly for award years 2000 through 2003, and make the appropriate adjustments;
- 2.4 Return the additional \$2,150 of Title IV funds for the nine returns where the incorrect amounts were returned;
- 2.5 Post an irrevocable letter of credit as required under 34 C.F.R. 668.173(d); and
- 2.6 Develop and implement policies and procedures to ensure that Title IV returns are made within the 30-day required time frame and correctly reported to ED.

UVI Comments – With one exception, UVI concurred with the finding and stated that it will work with FSA on the recommendations. UVI provided documentation that one of four students who received Title IV funds and withdrew from all courses did receive a return of Title IV. UVI also provided corrective actions which should be considered by FSA in resolving this finding.

OIG Response – The student in question did not appear on the Business Office’s listing. However, we did revise the finding to reflect the documentation provided for this student.

Finding 3: UVI did not identify students who failed to follow official withdrawal procedures and may have been eligible for return of unearned Title IV funds

UVI did not have a system in place to identify students who withdrew unofficially. The regulations at 34 C.F.R. § 668.22(c)(1)(iii) provide that, “. . . at an institution that is not required to take attendance, the student’s withdrawal date is . . . [i]f the student ceases attendance without providing official notification to the institution of his or her withdrawal . . . the mid-point of the payment period (or period of enrollment, if applicable)”

Fifty students received a total of \$121,193 in Title IV funds and failed all courses. In the absence of documentation to the contrary, the Department considers these students as having withdrawn from the institution. Another 19 students, who had failing grades and withdrew from all courses, received a total of \$38,220. Some of these students may have been eligible for a return of unearned Title IV funds depending on when they withdrew.

UVI did not have a written policy requiring professors, upon submission of grade rosters, to indicate why a student received a failing grade. Students who received failing grades for their classes stopped attending classes, never attended, or did not earn a passing grade. However, no process existed to determine whether these students should have been considered withdrawals from UVI and whether they were due a return of Title IV. This included students who received all failing grades or failing grades and withdrawals for all courses.

From the transcript files and listing of all Title IV recipients provided by UVI, we identified 50 students who failed all courses, and 19 students who had failing grades and withdrawals for all courses. These students ceased attendance without notifying the school, but UVI had not determined whether the students had actually withdrawn or failed their courses and were given failing grades after they stopped attending. If their status cannot be determined, then UVI must treat the student’s withdrawal date as the midpoint of the enrollment period, and return 50 percent of \$159,413, or \$79,707 in Title IV funds disbursed to these students.

Recommendations

We recommend that the Chief Operating Officer for FSA instruct UVI to:

- 3.1 Develop and implement policies and procedures to identify students who do not officially notify the school of their withdrawal, and determine whether a return of unearned Title IV funds is required; and

- 3.2 Return \$79,707 in Title IV funds, unless UVI can document different last dates of attendance and return unearned Title IV funds due under the new calculations.

UVI Comments - With one exception, UVI concurred with the finding and stated that it will work with FSA on the recommendations. UVI provided documentation that 2 of the 52 students did not receive all failing grades during the semesters in question.

OIG Response - We revised the finding to reflect the documentation provided for the two students.

Finding 4: UVI did not always have documentation required for students who received administrative withdrawals

Students who received administrative withdrawals may have been due a return of Title IV funds. For 7 of 17 students granted administrative withdrawals, UVI had no documentation to support its approvals, nor did it approve the administrative withdrawals in a timely manner. This occurred because UVI did not have a system in place to identify and report students who received administrative withdrawals to the Business Office. As a result, UVI could not document the amount of earned and unearned Title IV funds for seven students who were administratively withdrawn and received \$22,117 in Title IV funds.

The regulation 34 C.F.R. § 668.22(c)(1)(iv) states

[T]he student's withdrawal date is . . . [i]f the institution determines that a student did not begin the institution's withdrawal process or otherwise provide official notification (including notice from an individual acting on the student's behalf) to the institution of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the date that the institution determines is related to that circumstance

According to UVI's policies, an administrative withdrawal could be given after mid-semester, but only in unusual circumstances, such as illness. The Chancellor would have to approve a student's request for a late withdrawal. Students are required to provide documentary evidence in support of the request for administrative withdrawal. Applications will not be accepted after the last day of that semester's instruction.

Seventeen students received administrative withdrawals from July 1, 2000 through June 30, 2003. For 7 of the 17 students, the Chancellor and the Registrar could not provide documentation to support the administrative withdrawals. These seven students received a total of \$22,117 in Title IV for the semesters in question. UVI neither assured that administrative withdrawal approvals were documented or always timely, nor did it determine whether the students were due return of unearned Title IV funds.

Despite UVI's requirement that no withdrawals could be requested after the last day of class, one student requested an administrative withdrawal on August 1, 2001, for the fall 2000 semester.

The Chancellor approved the administrative withdrawal 481 days after the semester ended. Another student had her request approved 145 days after the semester's end.

Recommendations

We recommend that the Chief Operating Officer for FSA require UVI to:

- 4.1 Develop and implement policies and procedures to timely process administrative withdrawal requests and determine whether unearned Title IV funds should be returned to ED. This should include a appropriate notification by the Chancellor to the Registrar, Financial Aid, and the Business offices; and
- 4.2 Provide the necessary documentation supporting the administrative withdrawals for the seven students who received \$22,117 in Title IV funds, and determine whether any unearned Title IV funds should be returned to ED. If UVI cannot determine the withdrawal date, the students should be treated as unofficial withdrawals and UVI should return 50 percent of the amount of Title IV aid each student received (\$11,059).

UVI Comments - UVI concurred with the finding and stated that it will work with FSA on the recommendations. UVI provided corrective actions which should be considered by FSA in resolving this finding.

Finding 5: UVI did not properly monitor credit balances

UVI maintained credit balances without permission from students, inappropriately used credit balances for subsequent and prior payment period expenditures, and failed to disburse credit balances within the regulatory timeframes.

“If an institution obtains written authorization from a student or parent, as applicable, the institution may . . . hold on behalf of the student or parent any title IV, HEA program funds that would otherwise be paid directly to the student or parent.” (34 C.F.R. § 668.165(b)(1)(iii))

The regulations at 34 C.F.R. § 668.164(d)(2)(i) and (ii) explain that after receiving authorization from the student or parent, “The institution may use title IV, HEA program funds to credit a student's account at the institution to satisfy-- (i) Current charges that are in addition [to tuition and fees, board and room] ... that were incurred by the student at the institution for educationally related activities; and (ii) Minor prior award year charges if these charges are less than \$100 or if the payment of these charges does not, and will not, prevent the student from paying his or her current educational costs.”

An “. . . institution must . . . [n]otwithstanding any authorization obtained by the institution . . . pay any remaining balance on loan funds by the end of the loan period and any other remaining title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded.” (34 C.F.R. § 668.165(b)(5)(iii))

The regulations at 34 C.F.R. § 668.164(e)(1) and (2) provide time frames for disbursing a credit balance when the institution does not have permission to hold the credit balances.

The institution must pay the resulting credit balance directly to the student or parent as soon as possible but-

- (1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.”

UVI did not obtain written authorization from the students or parents to retain the credit balances and should have been disbursing the credit balances to the students within the regulatory timeframes. At the time of our review, three students had Title IV credit balances totaling \$862 in their accounts. Further, UVI used credit balances to reduce prior award year expenses of \$17,305 for 23 students. We also identified 21 students where UVI used their credit balances to reduce subsequent years’ costs by \$15,959 rather than disbursing these funds to the students or parents.

UVI did not have written policies and procedures for managing credit balances, and adopted practices that violated the cash management regulations. The institution did not obtain authorizations to retain credit balances on student accounts, did not disburse credit balances within 14 days when there were no authorizations, used credit balances to pay prior year student charges totaling \$100 or more, and held credit balances after the end of the loan period or last payment period in an award year. Withholding student credit balances results in the student not having use of the funds, and the University holding funds to which it is not entitled.

UVI uses the Banner system, which, as configured, does not provide a cumulative balance of each student’s account. Without this readily available data, it is difficult to adequately monitor the students’ account balances.

Recommendations

We recommend that the Chief Operating Officer for FSA require UVI to:

- 5.1 Establish procedures to identify and return student credit balances in a timely manner and ensure that credit balances are not used to reduce prior award year charges totaling \$100 or more;
- 5.2 Develop policies and procedures to obtain authorization from students to maintain credit balances;
- 5.3 Develop policies and procedures to disburse credit balances to students after the loan period or last payment period of the award year that the funds were intended for;

- 5.4 Review the accounts of all students who are enrolled at the university to identify any excess funds held in students' accounts and return those amounts. For students no longer enrolled, UVI must document its efforts to locate these individuals and disburse the credit balances. Funds that cannot be returned to the students must be repaid to ED; and
- 5.5 Configure the student account system to provide a cumulative balance of each student's account.

UVI Comments - UVI concurred with the finding and stated that it will work with FSA on the recommendations. UVI provided corrective actions which should be considered by FSA in resolving this finding.

Finding 6: UVI's Satisfactory Academic Progress Policy was not uniformly applied

UVI did not monitor Satisfactory Academic Progress (SAP) as specified by its institutional policy outlined in its catalogs. This made it difficult to assess satisfactory academic progress. The coordination between the Financial Aid and Registrar's offices was inconsistent and resulted in varied applications of the SAP procedures. In part, this occurred because the written SAP policies used by the Registrar's Office and the Financial Aid Office were slightly different.

According to 34 C.F.R. § 668.16(e):

For purposes of determining student eligibility for assistance under a Title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. The Secretary considers an institution's standards to be reasonable if the standards--

(2) Include the following elements:

- (i) A qualitative component which consists of grades (provided that the standards meet or exceed [a grade point average of C or its equivalent] . . . work projects completed, or comparable factors that are measurable against a norm.
- (ii) A quantitative component that consists of a maximum timeframe in which a student must complete his or her educational program.

Because of the following conditions, we could not always evaluate either the qualitative or quantitative aspects of SAP at UVI:

- UVI did not always include withdrawals, incompletes, or courses that were repeated courses in its database.
- UVI's transcript program did not provide a historical record of students' academic progress because grades for courses repeated replaced prior grades. This resulted in the recalculation of and the replacement of the prior Grade Point Average (GPA).
- Some courses were not included in the calculation of GPAs.

- Suspensions were not consistently conferred.
- Students attending school for extended periods did not appear to be monitored to insure Title IV eligibility.
- Students were allowed to take more than the prescribed number of non-degree remedial courses, to repeat courses more than once, and repeat more than the four courses prescribed by UVI's SAP.

The failure to input withdrawals, incomplete courses, and courses that were repeated meant that the students' SAP status was not correctly determined. The transcript program should not automatically override the historical academic progress calculations. The failure to comply with SAP policies may result in disbursing Title IV funds to ineligible students.

Recommendations

We recommend that the Chief Operating Officer for FSA require UVI to:

- 6.1 Implement an SAP policy which is consistently written and applied by the Registrar and Financial Aid offices;
- 6.2 Ensure that the SAP analysis performed for each student considers all requirements of the SAP policy;
- 6.3 Perform an analysis of all current students to evaluate whether the students are maintaining satisfactory academic progress and submit the results of the analysis to FSA for evaluation of the accuracy and adequacy of the analysis and return any ineligible Title IV disbursements; and
- 6.4 Retain a historical record of each student's academic progress, including GPAs.

UVI Comments - UVI concurred with the finding and stated that it will work with FSA on the recommendations. UVI provided corrective actions which should be considered by FSA in resolving this finding.

Finding 7: The Registrar's Office did not report student status changes in an accurate or timely manner

The Registrar's Office did not report student status changes in an accurate or timely manner for three of four student loan borrowers who graduated from our randomly selected universe of 50 students receiving Title IV funds. UVI had no established internal control procedures to assure timely reporting of changes in the students' enrollment statuses.

Federal regulations 34 C.F.R. § 685.309 state:

- (b) *Student status confirmation reports [SSCRs]*. A school shall— (1) Upon receipt of a student status confirmation report from the Secretary, complete and return

that report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who— (i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis.

Two students status changes were received by National Student Loan Data System (NSLDS) five months after graduation, but the statuses were recorded as “withdrawn,” not as “graduated.” One student received a Bachelor’s degree in May 2002 and now is currently enrolled in the graduate program. However, in NSLDS, the student is listed as “full time” undergraduate student. NSLDS does not have the student listed as “graduated” or in deferment.

Failure to report a change in a student’s status correctly and timely could result in a student not entering into repayment after the required grace period making loan collection more difficult.

Recommendation

We recommend that the Chief Operating Officer for FSA require UVI to:

7.1 Develop a procedure to identify all students who ceased to be enrolled (or failed to enroll) at least half time or changed their permanent addresses, and report them directly to ED, the lender, or the guarantee agency, as applicable.

UVI Comments - UVI concurred with the finding and stated that it will work with FSA on the recommendations. UVI provided corrective actions which should be considered by FSA in resolving this finding.

Finding 8: UVI did not comply with established due dates for submissions of its Single Audit Reports and is not financially responsible

UVI did not have a process to assure compliance with deadlines established by federal law for the submission of its annual Single Audit reports. As a result, UVI submitted all required reports late and, therefore, was not financially responsible for Title IV purposes.

“Except as provided by the Single Audit Act . . . an institution must submit annually to the Secretary its compliance audit and its audited financial statements no later than six months after the last day of the institution's fiscal year.” (34 C.F.R. § 668.23(b)(4))

As a public institution, UVI is bound by the requirements of the Single Audit Act and must submit its audits within nine months of the end of the period audited. (Single Audit Act Section 7502(h)(2)(B))

The regulations at 34 C.F.R. § 668.174(a)(3) provide that “[a]n institution is not financially responsible if the institution . . . [h]as been cited during the preceding five years for failure to

submit in a timely fashion acceptable compliance and financial statement audits . . .”

According to the Federal Audit Clearinghouse records, the Single Audits for fiscal years ended 1997 and 1999 were submitted but were not considered complete because of missing forms or missing components. As of January 26, 2005, these Single Audit reports were over six and four years late, respectively. The Federal Audit Clearinghouse’s records indicated that the Year 2000 audit was completed on November 14, 2003; the 2001 audit on March 18, 2004; the 2002 audit on September 22, 2004; and the 2003 audit on December 15, 2004. These Single Audit reports are approximately six months to two and a half years late.

UVI officials indicated that its CPA firms caused the delays. According to the Single Audits, UVI did not ensure that adequate accounting records existed and that the closing of its books was timely and accurate so that the audit could be started and completed expeditiously.

As a result of failing to submit its Single Audits in a timely manner, UVI is not financially responsible for Title IV purposes. When an institution is not financially responsible, the regulations at 34 C.F.R. § 668.171(e)(2) provide that the Secretary may “(2) For an institution that is provisionally certified, take an action against the institution under the procedures established in § 668.13(d).” The regulations at 34 C.F.R. § 668.13(d) provide for the revocation of an institution’s provisional certification to participate in the Title IV programs. UVI is currently provisionally certified. The regulations at 34 C.F.R. 668.175(f) give alternate standards that may be used by an institution that is not financially responsible to continue to participate in the Title IV programs under provisional certification.

The regulations at 34 C.F.R. Part 668 Subpart G provide for the Secretary to take action to fine, limit, suspend or terminate any institution that “. . . violates any statutory provision of or applicable to Title IV of the HEA, [or] any regulatory provision prescribed under that statutory authority”

Recommendations

We recommend that the Chief Operating Officer for FSA:

- 8.1 Cite UVI for its recurring failure to make timely annual audit submissions and take action to allow UVI to continue participation in the Title IV programs only under the provisional certification requirements of 34 C.F.R. § 668.175(f). Alternatively, if UVI does not comply with the requirements of 34 C.F.R. § 668.175(f), take action under 34 C.F.R. § 668.13(d) to revoke UVI’s provisional certification as a result of its lack of financial responsibility.
- 8.2 Take appropriate action under 34 C.F.R. Subpart G to fine, limit, suspend, or terminate UVI as a result of its repeated non-compliance with 34 C.F.R. 668.23(b)(4).
- 8.3 Require UVI to establish processes that ensure the timely completion of the Single Audit.

UVI Comments - UVI concurred with the finding and stated that it will work with FSA on the recommendations. UVI provided corrective actions which should be considered by FSA in resolving this finding.

BACKGROUND

UVI is an instrumentality of the U.S. Virgin Islands Government. Because UVI was not organized as a self-sustaining entity, it receives substantial financial and other support from the U.S. Virgin Islands Government. In addition, the UVI is exempt from all taxes and special assessments of the U.S. Virgin Islands or any other taxing authority or body.

UVI is a higher education institution that offers four-year liberal arts degree and master degree programs in teacher education, business and public administration, and associates degrees in arts and occupational programs. The University operates through two campuses – one on the island of St. Thomas and one on St. Croix.

UVI had Pell funding totaling \$2,239,516 for 2001, \$2,461,444 for 2002 and \$2,565,781 for 2003. In addition, UVI made Direct Loans of \$1,115,381 in 2001, \$1,131,594 in 2002, and \$1,183,920 in 2003.

A January 5, 2005, letter from the FSA Chief Operating Officer to our Assistant Inspector General for Audit Services regarding the SFA Interim Audit Memorandum 05-02 of UVI, provided actions that were taken or are planned in the near future to assist UVI in achieving full compliance. The actions consisted of: placing UVI on Provisional Certification (ending March 31, 2006); transferring UVI to heightened cash monitoring 2 (February 2005); referring UVI to Administrative Actions and Appeals Division for Fine Assessment; and providing FSA Training (February 2005).

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of the audit was to determine if UVI administered the student financial assistance programs in compliance with Title IV of the HEA and applicable regulations. Specifically, we evaluated compliance with Title IV regulations governing return of Title IV funds, cash management, student credit balances, and student eligibility. Our audit covered the administration of the Title IV, HEA programs during the period July 1, 2000, through June 30, 2003.

To achieve the audit objective, we reviewed the UVI's policies, procedures and practices. We also reviewed data obtained from UVI's Financial Aid, Business, and Registrar's offices, ED's Grant Administration and Payment System (GAPS), ED's Direct Loan servicer and ED's NSLDS. We interviewed officials from the UVI's Financial Aid, Business, Registrar's, and Chancellor's offices. We reviewed the available Single Audit reports for the years ended June 30, 1999, 2000, and 2001.

To test UVI's cash management, we judgmentally selected seven large Pell draws from GAPS to determine when the funds were drawn and posted to student accounts. To determine whether credit balances existed, we analyzed all student accounts. We asked for a listing of student withdrawals from UVI, but found that the supplied data was incomplete. After evaluating student account and transcript data, we supplemented UVI's withdrawal universe. Withdrawals

then included students who received administrative withdrawals, those who did not follow official withdrawal procedures, and four who followed procedures, but were not included in the data provided by UVI.

UVI's initial responses to data requests for student account and transcript files also resulted in our receiving incomplete files due to an erroneous data extract. After we received a revised extract, we assessed the reliability of this computer-processed data and found it to be reliable for the purposes intended. We accomplished this by comparing NSLDS data to detailed extracts from UVI's electronic data system and to UVI's internal reconciliations.

We performed a student file eligibility review for 50 randomly selected students from a population of 1,887 students who were enrolled at UVI during the July 1, 2000 through June 30, 2003 period and who received Title IV funds during any of the three years.

We conducted the audit in accordance with generally accepted government auditing standards appropriate to the scope of the audit described above.

We conducted fieldwork at UVI offices in St. Thomas, VI, from November 12 through November 20, 2003, from January 21 through January 29, 2004, from March 22 through March 25, 2004, from July 13 through July 15, 2004, and from August 9 through August 13, 2004.

STATEMENT ON INTERNAL CONTROLS

As part of our review we gained an understanding of the system of internal controls, policies, procedures, and practices applicable to the UVI's administration of the Title IV programs. For the purpose of this report, we assessed and classified the significant controls into the following categories:

- Cash management;
- Student eligibility;
- Credit balances; and
- Return of unearned Title IV funds.

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the internal controls. However, our assessment disclosed significant internal control weaknesses that adversely affected UVI's ability to administer the Title IV programs. These weaknesses included outdated and nonexistent written procedures, and the inefficient coordination between the offices responsible for identifying withdrawn students and the office responsible for the return of Title IV calculations. These weaknesses and their effects are fully discussed in the AUDIT RESULTS section of this report.

Attachment A



University of the Virgin Islands

Historically American. Uniquely Caribbean. Globally Interactive.

Office of the President

March 17, 2005

Daniel P. Schultz
Regional Inspector General for Audit
U.S. Department of Education
Office of the Inspector General
75 Park Place, 12th Floor
New York, New York 10007

Re: ED-OIG A02-E0003 Audit Report

Dear Mr. Schultz,

In response to your request for comments regarding the above mentioned audit, please find enclosed the University's written comments. The University is aware of the seriousness of these findings and has been working with the FSA to resolve these issues.

As of this date, the Mid-Atlantic School Participation Team has transferred the University to the Heightened Cash Monitoring 2 system of payment (HCM2). The University understands the implications of this action and has formed a task force to address and implement change necessary for compliance.

As a small HBCU institution, nearly forty-five percent of our students receive and depend upon financial aid to further their academic endeavors. It is up to our institution to ensure that the continued flow of financial aid is available while maintaining and monitoring compliance.

We appreciate the review of the draft report and look forward to receiving the final report.

Sincerely,

A handwritten signature in blue ink, appearing to read "LaVerne Ragster".

LaVerne Ragster, Ph.D.
President
University of the Virgin Islands
2 John Brewer's Bay
St. Thomas, VI 00802-9990

cc: Vincent Samuel, VP Administration and Finance
Henry Smith, Ph.D., Acting Provost

Finding 1: UVI provided Title IV funds to students who had their academic records deleted.

Response: The University concurs with the finding and will work with FSA on the recommendations.

Action: Student class rosters will be issued to all faculty members listing all registered students. Upon completion, rosters will be returned to the Registrar's Office verifying students registered and attending, annotating discrepancies in registration and the last date of "known attendance". The data will be summarized and the information forwarded to the Financial Aid office and the Accounting office.

The classifications used on the roster will include:

- Students registered and not attending with last day of attendance
- Students registered having never attended
- Students registered having official class and university withdrawals
- Students not registered and attending

Rosters will be issued to the faculty from the Registrar's office two times during the first month of classes, at midterm and during the final week of the semester. These rosters will have a completion and return date of one week from the distribution date. The Provost will receive a listing from the Registrar's office showing faculty that have not complied with the one week deadline. Delinquent faculty will be notified by the Provost's office and follow up will continue until there is 100% compliance. The Final Grade Report Memo will be modified to instruct faculty to identify students receiving Failure (F) grades and annotate that the grade was based on academic failure or no attendance. This information will also be forwarded to the Accounting office and the Financial Aid office.

Finding 2: UVI failed to administer the return of Title IV funds

Response: The University concurs with the finding except as noted below and will work with the FSA on the recommendations.

All students potentially eligible for return of Title IV were not always identified. The auditors reference four students who received Title IV funds and withdrew from all courses and whose names did not appear on the Accounting office's list. After review of these four students, the Accounting office did complete a return of Title IV for one of the students, the return was inputted into the subsidiary ledger of the student and returned to the department(see attachment 2-a).

Action: The University has reviewed the flow of the official withdraw information between the Registrar's office and the Accounting office and has determined that the Accounting office should not be doing the calculation of Return of Title IV. The University as of Summer semester 2005 has assigned the return of Title IV calculation to the Financial Aid office,

which is under the same component as the Registrar's office. This reassignment of the process will minimize delays in the flow of information and increase the accuracy of the information transmitted. As a second check, the Accounting office has built a database that shows all official withdrawals, academic or administrative. This is run once a week and compared to the student subsidiary ledger to determine if a return of Title IV calculation has been completed. If there is no adjustment to the student's award amount, the Accounting office will notify the Financial Aid office for follow up. The Financial Aid office and the Registrar's office will work cooperatively in obtaining the necessary documents and completing the calculation.

The Director of Financial Aid will be responsible for training the necessary staff on the correct procedures with respect to return of Title IV funds. The Financial Aid office upon completion of the return of Title IV funds template will enter the information into the student ledger system. A copy of the student's ledger will be printed showing the adjustment to Title IV awarded; this will be reviewed for accuracy and attached to the template as backup. A copy of the return calculation, the subsidiary ledger and the withdraw slip or roster showing unofficial withdraw will be sent to the Accounting office for review. The Accounting office will review these documents for accuracy of the calculation and data input into the student system, which feeds into the financial system. Should there be a discrepancy in the calculation, a copy of the documents will be forwarded to the Director of Financial Reporting and Analysis for review and final determination.

Comments: The University has been working with the FSA to resolve the audit findings and we have calculated FY 2000-2001 and 2001-2002 Title IV Returns for those students for whom we had no calculation on file or the calculation was done late. The Department has requested interest to be paid on the late calculations for fiscal year 00-01 in the amount of \$212.34. We are currently working with the FSA to resolve fiscal years 01-02 and 02-03 audit findings.

Finding 3: UVI did not identify students who failed to follow official withdraw procedures and may have been eligible for return of Title IV funds.

Response: The University concurs with the finding except as noted below and will work with the FSA on the recommendations.

Fifty two students received a total of \$124,618 in Title IV funds and failed all course.

The auditor's results showed fifty two students that had all F's and received Title IV funds for various semesters. Upon review of this listing, the University found two students who did not receive all F's for the semester in question and their transcripts are attached (attachment 3-a).

Action: Please refer to Finding 1.

Comments: The University submitted a spreadsheet containing all students who receive zero cumulative credits (all F's) during the Fall 2000 and Spring 2001 semesters. These students

also did not return to the University after the semester. The University is still working with the FSA on the resolution of this issue.

Finding 4: UVI did not always have the necessary documentation required for students who receive administrative withdrawals.

Response: The University concurs with the finding and will work with FSA on recommendation.

Action: The University has modified the Administrative withdrawal policy and procedures. A student may request and receive an administrative withdrawal from the Provost for medical, personal hardship or military service. It is up to the Provost to determine if the reason and supporting documentation is sufficient to grant an administrative withdraw. Completed and signed Administrative Withdrawal forms with supporting documentation will be forwarded to the Registrar's office. The Provost forwards the administrative withdrawal information to the Registrar's office no later than the first day of the following semester to be applied to the student's records. The withdrawal information will be entered into the student's academic transcript and the withdrawal form and supporting documentation will be placed in the student's academic file. A copy of the Administrative Withdraw form (not the supporting documentation) will be forwarded to the Financial Aid office to complete the Return of Title IV calculation.

In the event of extenuating circumstances, a student may request approval of an administrative withdraw by the Provost after the required first day of the next semester, which the Provost submits to the Registrar's office. This would require the Registrar's office to change the withdraw code from academic withdraw to administrative withdraw. This process would have no impact on the return of Title IV calculation since the roster would have already shown the student as withdrawn and the calculation would have been completed at that time.

Finding 5: UVI did not properly monitor credit balances.

Response: The University concurs with the finding and will work with the FSA on recommendations.

Action: The University has revised the policy and procedures for monitoring Title IV credit balances as of September 2004. The Accounting office has built a database that shows outstanding credit balances by term this is run once a week. This information is compared to the student's subsidiary ledger to determine the cause of the credit balance. When the credit balance is attributed to Title IV funds a check is cut and distributed to that student.

Beginning in Fall semester 2005, the Accounting office will distribute to all students receiving financial aid a letter authorizing the University to apply outstanding credit balances to future or prior period institutional charges (attachment 5-a). The signing of this form will be voluntary and the student or parent may modify or rescind the authorization at any time.

The signed forms will be submitted and maintained at the Accounting office by award year. At the end of each award year the Accounting office will review and disburse outstanding Title IV credit balances.

Comments: The University has submitted to FSA a review of 2000-2001 and 2001-2002 fiscal years credit balances by term. This review showed: when the credit balance occurred, program that caused the credit balance, date paid to the student or an indication that it was absorbed. For FY 2000-2001 the FSA required the University to formulate a policy for timely payment of Title IV credit balances. This was completed by the University, as shown above, and no additional corrective measures were required. The University is still working with the FSA to resolve 2001-2002 and 2002-2003 credit balance audit findings.

Finding 6: UVI's Satisfactory Academic Progress Policy was not uniformly applied.

Response: The University concurs with the finding and will work with the FSA on the recommendations.

Action: When comparing the Registrar's office and the Financial Aid office procedures with respect to satisfactory academic progress (SAP), it was apparent that the Registrar's office's was more stringent. The Registrar's office monitored SAP on a semester basis, while the Financial Aid office did it yearly per 34 C.F.R 668.34(e). The Financial Aid office has been working with Information Technology to rewrite the annual report program to run by semester. In doing this process, they are also addressing weaknesses within the program that are not compliant with the institutional policy. This program update has an anticipated completion date of April 2005.

A review of the Institutional Satisfactory Academic progress policies for completeness and accuracy will be completed by the Director of Admissions, the Registrar and the Director of Financial Aid. Changes to the policies will be reflected in the 2005-2006 Catalog.

Finding 7: The Registrar's Office did not report student status changes in an accurate or timely manner.

Response: The University concurs with the finding and will work with the FSA on the recommendations.

Action: The University's processing of the SSCR was modified in May 2003. The report was placed under the responsibility of the Registrar and changed from a manual data collection operation to an electronic process. Since the change in processing, the report meets or exceeds the recommended 30 day completion from receipt to return to the Secretary. This finding was not reoccurring in the 2003 Single Audit and, as of this date, the University has no indication that it will be a finding in 2004.

With respect to the graduate students being classified as "withdrawn" instead of "graduated", the Banner System was modified in 2004 to correct a problem that had previously caused a number of graduated students to have a status of withdrawn. The University is confident that this is no longer an issue.

Finding 8: UVI did not comply with established due dates for submission of its Single Audit Reports and is not financially responsible.

Response: The University concurs with the finding and will work with the FSA on the recommendations.

The University had several external and internal influences that caused it to not be in compliance with the Single Audit Act. In 1999 there was an unexpected change in external auditors that impacted the University's ability to submit the audit timely. The new auditor's unfamiliarity with the University's operations, coupled with the lateness with which the audit commenced, contributed significantly to the tardiness. The University during this time also experienced a high turnover in the Federal Contracts and Grants Office which impacted adversely on the completion of the Single Audit. The University takes full responsibility for the lateness and has taken the necessary steps to minimize future delays in the publishing of our Single Audit.

The University has taken several actions over the last two years to improve the timeliness of its Single Audit Reports. There has been strong leadership and top down support in completion of this task. The University has increased resources, both staff and other resources, to help in the timely completion of the audit. This effort has resulted in the University submitting five Single Audits to the Federal Clearinghouse in a little over two years. The University Board of Trustees approved the creation of an Internal Auditor position which the University is currently in the process of filling.

With respect to the 1999 Audit Report, the University has submitted the missing components to the Federal Clearinghouse and anticipates completion by the end of March 2005. Arthur Anderson, LLP was the University's auditor for the 1997 Audit Report and the University has been unsuccessful at obtaining the SF-SAC form that needs to be signed and filed with the Federal Audit Clearinghouse. Currently, the University, with the exceptions noted above, has no outstanding Single Audits. As of the date of this letter, the University is scheduled to complete the 2004 Single Audit within the nine months following the end of the fiscal year, per the Single Audit Act guidelines.

The University management, with input from our external auditor, plans to implement a corrective action plan that will address the causes of the late submittals, identify effective solutions and a process for implementing these solutions. This collaborative process is to begin in July 2005 and will be an on-going communication process between the external auditors and the University management.