



Dr. Bruno Bondavalli, Acting President
St. Augustine College
1333 W. Argyle
Chicago, IL 60640

Dear Dr. Bondavalli:

This ***Final Audit Report*** (Control Number ED-OIG/A0590053) presents the results of our audit of St. Augustine College's (College) administration of the Federal Student Financial Assistance (SFA) programs for the 1998-99 award year.

AUDIT RESULTS

During the period July 1, 1998, through June 30, 1999, the College generally administered the SFA programs in accordance with applicable program requirements. However, the College awarded and disbursed \$33,994 of Federal Supplemental Educational Opportunity Grant (FSEOG) funds to non-Federal Pell Grant (Pell) recipients even though it did not award and disburse FSEOG funds to all Pell recipients with need.

According to Title 34 of the Code of Federal Regulations (CFR) 676.10(a), in awarding FSEOG, an institution shall select those students with the lowest expected family contributions (EFC) who will also receive Pell in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Pell recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest EFCs who will not receive Pell.

The College's procedures for awarding FSEOG do not comply with Federal regulations. The College's primary basis of selection is students having unpaid tuition and fees. The College first awards FSEOG to Pell recipients who have unpaid tuition and fees. Next, the College awards FSEOG to non-Pell recipients with unpaid tuition and fees. If any funds remain, the College awards FSEOG to Pell recipients with unmet financial need. As a result, the College does not award FSEOG to all Pell recipients with the lowest EFCs.

The College agreed with the finding. Its comments are attached.

Recommendations

We recommend that the Chief Operating Officer for SFA instruct the College to:

1. refund \$33,994 to the U.S. Department of Education for FSEOG funds disbursed to ineligible students for the year ending June 30, 1999; and
2. modify its procedures to ensure that it awards FSEOG to all Pell recipients with the lowest EFCs prior to awarding FSEOG to non-Pell recipients.

BACKGROUND

On October 7, 1980, the Illinois State Board of Higher Education granted operating authority to the College, the first bilingual institution of higher education in Illinois. The College is a private, nonprofit institution of postsecondary education located in Chicago, Illinois. It offers programs that lead to Associate of Arts and Associate of Applied Science degrees, one program leading to a Bachelor of Science degree, as well as several non-degree certificates. The College operates a branch campus in Aurora, Illinois, plus two additional locations in Chicago, Illinois.

During the period July 1, 1998, through June 30, 1999, the College participated in the Federal Work-Study, FSEOG, and Pell programs. Title IV of the Higher Education Act of 1965 (HEA), as amended, authorizes these programs, and the programs are also governed by regulations contained in 34 CFR Parts 675, 676, and 690, respectively. In addition, these programs are subject to the provisions contained in the Student Assistance General Provisions regulations (34 CFR Part 668), and the institution must comply with the Institutional Eligibility regulations (34 CFR Part 600) to participate in these programs. All regulatory citations in this report are to the codification revised as of July 1, 1998.

The College's Fiscal Operations Report and Application to Participate disclosed SFA expenditures totaling \$2,422,883 (Pell - \$2,181,982; FSEOG - \$122,804; and Federal Work-Study - \$118,097) during the 1998-99 award year.

AUDIT SCOPE AND METHODOLOGY

The objective of our audit was to determine whether the College administered the SFA programs according to applicable regulations and the HEA during the 1998-99 award year. Specifically, we evaluated the areas of (1) management controls and reliability of computer-processed data, (2) institutional and program eligibility, (3) cash management and financial responsibility, and (4) selected administrative and compliance requirements.

To meet our objective, we reviewed written operating policies and procedures, the most recent audit reports prepared in accordance with Office of Management and Budget Circular A-133, State and accrediting agency documents, class schedules and calendars, the College's catalog, 100 randomly selected student files from a universe of 1,272 SFA recipients, and selected accounting records for the SFA programs. We also interviewed various College personnel.

We conducted our field work at the College's administrative offices in Chicago, Illinois, from August 3, 1999, through October 1, 1999. We performed our audit in accordance with government auditing standards appropriate to the scope of audit described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our audit, we made an assessment of the College's management control structure, policies, procedures, and practices applicable to the SFA programs. The purpose of our assessment was to assess the level of control risk, that is, the risk that material errors, irregularities, or illegal acts may occur. We performed the control risk assessment to assist us in determining the nature, extent, and timing of our substantive tests needed to accomplish our audit objective.

To make our assessment, we identified significant controls and classified them into the following categories:

- C Institutional and Program Eligibility
- C Student Eligibility and File Maintenance
- C Cash Management

Due to inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the control structure. However, we identified one material weakness that adversely affected the College's ability to administer the SFA programs. The material weakness related to improper awarding of FSEOG funds discussed above.

ADMINISTRATIVE MATTERS

In a letter dated February 29, 2000, you agreed with the finding. 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 the audit:

Greg Woods, Chief Operating Officer
Student Financial Assistance
U.S. Department of Education
Regional Office Building, Room 4004
7th and D Streets, S.W.
Washington, D.C. 20202-5132

Office of Management and Budget Circular A-50 directs Federal agencies 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 greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. ?552), reports issued by the Office of Inspector General are available, if requested, to members of the press and the general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions or wish to discuss the contents of this report, please contact Richard J. Dowd, Area Manager, Chicago, Illinois, at 312-886-6503. Please refer to the audit control number in all correspondence relating to this report.

Sincerely,

Lorraine Lewis

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

MAR - 8 2000

THE INSPECTOR

MEMORANDUM

T Greg Woods
Chief Operating Officer

FRO Lorraine Lewis *Lorraine Lewis*

SUBJECT: FINAL AUDIT REPORT
Audit of St. Augustine College's Administration of the Federal Student Financial Assistance Programs

Attached is our subject report presenting our findings and recommendations resulting from our audit of St. Augustine College's administration of the Federal Student Financial Assistance

In accordance with the Department's Audit Resolution Directive, you have been designated as the action of official responsible for the resolution of the findings and recommendations in this

If you have any questions or wish to discuss the contents of this report, please contact Richard J.

Please refer to the above audit control number in all correspondence relating to this report.

Attachme