
Audit of the Title IV, Higher Education Act
Programs Administered by
Cleveland State University
Cleveland, Ohio

FINAL AUDIT REPORT



Control Number ED-OIG/A05-90054
September 2000

Our mission is to promote the efficient
and effective use of taxpayer dollars
in support of American education



U.S. Department of Education
Office of Inspector General
Chicago, Illinois

NOTICE

Statements that management practices need improvement, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determination of corrective action to be taken will be made by appropriate Department of Education officials.

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 general public to the extent information contained therein is not subject to exemptions in the Act.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

Dr. Claire Van Ummersen, President
Cleveland State University
2344 Euclid Avenue
Cleveland, Ohio 44115

SEP 28 2000

Dear Dr. Van Ummersen:

Enclosed is our final report (Control Number ED-OIG/A05-90054) entitled *Audit of the Title IV, Higher Education Act Programs Administered by Cleveland State University, Cleveland, Ohio*. The report incorporates the comments you provided in response to the draft audit 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 the audit:

Greg Woods, Chief Operating Officer
Student Financial Assistance
U.S. Department of Education
Regional Office Building, Room 4004
7th and D Streets, SW
Washington, D.C. 20002

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 the 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 Gerald Michalski, Acting Regional Inspector General for Audit, at 312-886-6503. Please refer to the above audit control number in all correspondence relating to this report.

Sincerely,

A handwritten signature in cursive script that reads "Lorraine Lewis".

Lorraine Lewis

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-1510

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

SEP 28 2000

TO: Greg Woods
Chief Operating Officer
Student Financial Assistance

FROM: Lorraine Lewis

A handwritten signature in cursive script that reads "Lorraine Lewis".

SUBJECT: FINAL AUDIT REPORT
Audit of the Title IV, Higher Education Act Programs Administered by Cleveland
State University, Cleveland, Ohio
Control Number ED-OIG/A05-90045

Attached is our subject report presenting our findings and recommendations resulting from our audit of the Title IV, Higher Education Act Programs administered by Cleveland State University, Cleveland, Ohio.

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

If you have any questions or wish to discuss the contents of this report, please contact Gerald Michalski, Acting Regional Inspector General for Audit, at 312-886-6503.

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

Attachment

Table of Contents

***Audit of the Title IV, Higher Education Act
Programs Administered by
Cleveland State University, Cleveland, Ohio
Control Number ED-OIG/A05-90054***

Executive Summary	1
Background	3
Audit Results	
The University Did Not Comply with Refund Requirements for Title IV, HEA Programs	5
The University Did Not Make Satisfactory Academic Progress Determinations	7
The University Did Not Accurately Account for Title IV, HEA Funds	9
Other Matters	
The Financial Aid Office Does Not Adequately Communicate Federal Work Study Eligibility to Other Offices	11
Objective, Scope, and Methodology	12
Statement on Management Controls	12
Appendix A	
Cleveland State University's Response	
Appendix B	
OIG Response to Cleveland State University's Response	
Attachment	

Executive Summary

Except for the deficiencies contained in this report, nothing came to our attention indicating Cleveland State University (University) had not administered the Title IV, Higher Education Act (HEA) programs in accordance with the applicable Title IV, HEA program requirements for the period July 1, 1998, through June 30, 1999 (1998-99 award year). We identified deficiencies related to (1) calculating accurate student refunds, making all refunds, and making refunds timely; (2) determining satisfactory academic progress (SAP); and (3) recording student account and general ledger transactions accurately. These deficiencies adversely affected the University's administration of the Title IV, HEA programs. The Chief Operating Officer for Student Financial Assistance should instruct the University to (1) refund to the U.S. Department of Education (ED) or return to lenders \$86,189; (2) make SAP determinations and refund to ED or return to lenders any funds disbursed to ineligible students; and (3) establish and implement policies, procedures, and controls to correct the deficiencies we identified.

The University Did Not Comply with Refund Requirements for Title IV, HEA Programs.

The University did not calculate accurate student refunds, make all required refunds, and make refunds timely. The University did not include tuition charges, reductions in tuition based on withdrawals, disbursements, and student payments recorded in 10 of 10 student accounts reviewed (100%) when calculating refunds. In addition, the University did not make refunds of \$10,954 (based on the University's calculated amounts) for 3 of 10 students in our sample (30%). We also found 13 refunds for 10 students were between 142 and 369 days late. Prior to our field work, the University had not developed and implemented policies and procedures to accurately analyze student account transactions when determining amounts needed to calculate refunds, and did not have adequate controls to ensure it makes all required refunds and makes refunds timely. In its response, the University claimed to have developed and implemented revised policies and procedures for the 1999-2000 year but was silent on whether it established the necessary controls.

We recommend that the Chief Operating Officer for Student Financial Assistance instruct the University to refund \$10,954 to ED or lenders as appropriate, review all 1998-99 award year refund calculations and refunds to determine if they were calculated correctly and made, and develop and implement controls to ensure it implements the new policies and procedures and it calculates accurate refunds, makes all required refunds, and makes refunds timely.

The University Did Not Make Satisfactory Academic Progress Determinations.

The University did not make SAP determinations for the 1998-99 award year because of problems implementing its new software. As a result, the University awarded and disbursed Title IV, HEA funds to students who failed SAP. We tested 120 students from a universe of 10,771 recipients. We found the University continued to receive Title IV, HEA funds totaling \$75,235 for 7 (5.8%) students who failed SAP. The Chief Operating Officer for Student Financial Assistance should instruct the University to make a SAP determination for all students and return to ED or lenders the amount of aid and loan interest and special allowance disbursed to or on behalf of all students, including the \$75,235 for the seven students identified, who did not meet SAP.

The University Did Not Accurately Account for Title IV, HEA Funds. The University's accounting records contained conflicting information for the Federal Supplemental Education Opportunity Grant (FSEOG), Federal Perkins Loan (Perkins), Federal Pell Grant (Pell), and Federal Work Study (FWS) programs, and the University did not record all transactions or record transactions separately in student accounts. The University did not maintain accurate accounting records due to (1) an incomplete understanding of the new software and a lack of training; and (2) a lack of adequate policies, procedures, and controls. Therefore, the University cannot give ED assurance that the program funds recorded as awarded and disbursed are accurate or that it recorded all account transactions and recorded each transaction separately. The Chief Operating Officer for Student Financial Assistance should instruct the University to complete proposed accounting record adjustments; and develop and implement policies, procedures, and controls to ensure it accurately maintains accounting records.

The University's Response. The University did not concur with the refund findings and recommendations. The University did concur with our recommendation to return \$75,235 for seven students specifically identified as failing to meet the SAP policy, but it did not concur that it should make further SAP determinations. The University did not concur with the finding and recommendations to complete the reconciliation of accounting records. The University claimed to have reconciled its records, but did not provide adequate documentation to support its claim. The University's response indicated that it has implemented new policies and procedures to prevent some of the problems identified in this report. The University's response is included in its entirety in Appendix A. Our response to the University's response is included in Appendix B.

Background

Description of the University

The University is a public institution of postsecondary education located in Cleveland, Ohio. It was established as a state-assisted university in 1964. The University adopted the buildings, faculty, staff, and programs of Fenn College, a private institution of 2,500 students. In 1969 the University merged with the Cleveland-Marshall College of Law. It offers courses of instruction leading to both undergraduate and graduate degrees. The Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools accredits the University.

The University Implemented New Software

In 1998, the University began implementing new software from PeopleSoft™. The new software was purchased to administer the University's human resources, financial systems, and Title IV, HEA programs. The University implemented the student financial assistance module first, even though the manufacturer indicated that the other modules were fully production ready and could be implemented immediately. The manufacturer further indicated that the experience gained would shorten the implementation timeframe for the student financial assistance module. The Enrollment Services Associate Director told us the University implemented the new software without running it parallel with the old system. In addition, the University implemented the new software without adequate training or completely understanding it.

Program Participation, Authorizing Law, and Governing Regulations

During the period July 1, 1998, through June 30, 1999, the University participated in the Perkins, FWS, FSEOG, Federal Family Education Loan, and Pell programs. Title IV of the HEA, as amended, authorizes these programs. The programs are also governed by regulations contained in 34 Code of Federal Regulations (CFR) Parts 674, 675, 676, 682 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.

Funds Disbursed

The University expended Title IV, HEA funds totaling \$45,987,262 for the 1998-99 award year, consisting of Perkins funds totaling \$2,527,897; FWS funds totaling

\$612,399; FSEOG funds totaling \$639,795; Pell funds totaling \$6,299,737; and in Federal Family Education Loans totaling \$35,907,434 according to information in the National Student Loan Data System.

Audit Results

The objective of our audit was to determine whether the University administered the Title IV, HEA 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. We identified deficiencies related to (1) calculating accurate student refunds, making all refunds, and making refunds timely; (2) determining SAP; and (3) recording student account and general ledger transactions accurately. These deficiencies adversely affected the University's administration of the Title IV, HEA programs.

The University Did Not Comply with Refund Requirements for Title IV, HEA Programs

Noncompliance with Refund Requirements

The University did not calculate accurate student refunds, make all required refunds, and make refunds timely. According to 34 CFR 668.22(b), (c)&(d), an institution must make refund calculations that include tuition and fees, student payments, and aid received. In addition, 34 CFR 668.22(a)(1)&(j)(4) and 34 CFR 682.607(c)(1) require that an institution make a refund within 30 days of specified refund dates for the Campus-based and Pell programs and 60 days for the Federal Family Education Loan program, respectively.

Accurate Refunds Not Calculated

The University did not calculate accurate student refunds. We reviewed information for a sample of 10 of 441 students who received refunds for the 1998-99 award year. Our review disclosed significant differences between the amounts the University used to calculate refunds and the amounts recorded in all 10 students' accounts (100 percent error rate). The University did not include tuition charges, reductions in tuition based on withdrawal, disbursements, and student payments recorded in student accounts when calculating refunds.

Refunds Not Made

The University did not refund calculated amounts for all students who did not attend, withdrew, or dropped out. Our review disclosed the University did not make refunds of \$10,954 (based on the University's calculated amounts) for 3 of 10 students in our sample (30%). When the University does not make required refunds, students could default on loan balances which are too high.

Refunds Not Made Timely

The University did not always make refunds within the

required timeframes. We found that 13 refunds for 10 students tested were between 142 and 369 days late. When a loan refund is significantly late, the government or the student will incur unnecessary interest on the loan.

The University Lacked Refund Controls

Prior to our field work, the University had not developed and implemented (1) policies and procedures to accurately analyze student account transactions when determining amounts needed to calculate refunds, and (2) adequate controls to ensure it makes all required refunds and makes refunds timely. As a result, the University did not calculate accurate student refunds, make all required refunds, and make refunds timely. In its response, the University claimed to have developed and implemented revised policies and procedures for the 1999-2000 year, but was silent on whether it established the necessary controls.

Recommendations

We recommend that the Chief Operating Officer for Student Financial Assistance instruct the University to

- 1.1 refund \$10,954 to ED or lenders as appropriate;
- 1.2 review all 1998-99 award year refund calculations to determine if they were correct and, if not, recalculate them;
- 1.3 review all 1998-99 refunds to ensure it made or makes the appropriate refunds based on the correct refund calculations;
- 1.4 develop and implement controls to ensure it implements the new policies and procedures and it calculates accurate refunds, makes all required refunds, and makes refunds timely; and
- 1.5 have an independent accountant attest to the accuracy of the refund determinations.

Auditee's Response and Our Response

The University did not concur with the finding and recommendations. The University's response is included in its entirety in Appendix A. Our response to the University's response is included in Appendix B.

The University Did Not Make Satisfactory Academic Progress Determinations

SAP Determinations Not Made

The University did not make SAP determinations for the 1998-99 award year. According to 34 CFR 668.16(e), the University must apply reasonable standards for measuring whether its Title IV, HEA recipients are maintaining satisfactory progress in their educational programs. The University's SAP policy is published in its course catalog. (See Attachment)

Students Failed SAP and Continued to Receive Title IV Funds

We reviewed student information for 120 randomly selected students from a universe of 10,771 Title IV, HEA recipients and applied the University's SAP policy. We reviewed each student's cumulative grade point average for every term the student enrolled in courses. We compared the cumulative grade point average at the end of each term with CSU's SAP policy. If the student failed to meet the minimum SAP requirements, we looked at the next semester to see if the student again failed to meet the minimum requirements. According to CSU's SAP policy, if a student fails to meet SAP for two consecutive terms, the student will be subject to a probation/dismissal review by the Faculty Committee on Academic Standards and may lose Title IV, HEA eligibility. Our review disclosed that the University received \$24,901 of Pell and FSEOG and \$50,334 of Perkins and Federal Family Education Loans for 7 students (5.8%) who failed to meet SAP for two consecutive terms, but were not subject to a probation/dismissal review by the Faculty Committee on Academic Standards.

The University Is Developing New Process

The University started using PeopleSoft™ financial aid software for the 1998-99 award year. The University did not make SAP determinations because of problems implementing its new software. The Financial Aid Director told us that the University is developing a new SAP determination process (incorporating the published policies), which is in the testing phase. According to the University, it recognizes the importance of having controls in place to monitor academic progress and is taking steps to assure compliance.

The University Did Not Make Satisfactory Academic Progress Determinations

Recommendations

We recommend that the Chief Operating Officer for Student Financial Assistance instruct the University to

- 2.1 make the required SAP determination for all students, and return to ED or lenders the amount of aid and loan interest and special allowance disbursed to or on behalf of all students, including the \$75,235 for the seven students identified, who did not meet SAP; and
- 2.2 have an independent accountant attest to the accuracy of the SAP determinations.

Auditee's Response and Our Response

The University concurred with our recommendation to return \$75,235 for seven students specifically identified as failing to meet the SAP policy but it did not concur that it should make further SAP determinations. The University's detailed response is included in its entirety in Appendix A. Our response to the University's response is included in Appendix B.

The University Did Not Accurately Account for Title IV, HEA Funds

Accounting Records Contain Conflicting Information

The University's accounting records contained conflicting information for the FSEOG, Perkins, Pell, and FWS programs, and the University did not record all Title IV, HEA transactions or record the transactions separately. According to 34 CFR 668.24(b), an institution must establish and maintain, on a current basis, financial records that reflect each program transaction and general ledger control accounts and related subsidiary accounts that identify each Title IV program transaction.

Awards and Disbursements Were Recorded Using New Software

For the 1998-99 award year, the University started using PeopleSoft™ financial aid software. The Financial Aid Office (FAO) used the new software to record Title IV, HEA awards and authorize payments. The Bursar's Office used it to record the Pell, FSEOG, and Perkins disbursements.

Conflicting Perkins, FSEOG, Pell, and FWS Information

Our review disclosed conflicting amounts in the FAO and Bursar's Office records and the general ledger for the Perkins, FSEOG, and Pell programs. The University proposed adjustments to reconcile the records and the general ledger for all three programs. However, as of the end of our field work on January 21, 2000, the University had made adjustments to reconcile the FSEOG program records, but had not made adjustments to reconcile the Perkins or Pell program records. We tested the FSEOG information for the 1999-2000 award year and found no differences between the amounts the FAO recorded as awards and the amounts the Bursar's Office recorded as disbursed. Therefore, it appears the University has corrected the systemic accounting problems that caused differences between the records for the three programs.

The Career Services Center and Financial Aid - Law office administered the off-campus FWS program. Information on wages in their records conflicted with the amount of off-campus FWS wages recorded in the general ledger. Subsequent to our field work, the University claimed to have reconciled the general ledger and supporting information to accurately reflect the Federal share of off-campus FWS wages. However, the University did not provide a copy of the general ledger to support it made the changes.

The University Did Not Record All Transactions or Recorded Each Transaction Separately

Our review of 10 student accounts, selected from a universe of 441 student accounts with refunds for the 1998-99 award year, disclosed that the University had not recorded all transactions or recorded each transaction separately. The University did not post 4 refund transactions to 3 student accounts until we questioned whether it had made the refunds. (The University had made the 4 refunds.) The University made 2 transactions as early as April 26, 1999, but did not post the transactions to the students' accounts until February 11, 2000. In addition, for 2 of the 10 accounts reviewed, the University combined both a tuition charge and a tuition credit into 1 transaction.

The University did not maintain accurate accounting records due to (1) an incomplete understanding of the new software and a lack of training, and (2) inadequate policies, procedures and controls. Therefore, the University cannot give ED assurance that the recorded program funds awarded and disbursed are accurate or that it recorded all account transactions and recorded each transaction separately.

Recommendations

We recommend that the Chief Operating Officer for Student Financial Assistance instruct the University to

- 3.1 complete the proposed adjustments and make corrections to the student records to ensure it recorded all transactions and recorded each transaction separately. The University should have an independent accountant attest to the accuracy of the adjustments; and
- 3.2 develop and implement policies, procedures, and controls to ensure it accurately maintains, on a current basis, financial records that reflect each program transaction and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction.

Auditee's Response and Our Response

The University did not concur with the finding and recommendations to complete the reconciliation of accounting records. The University claimed to have reconciled its records, but did not provide adequate documentation to support its claim. The University's response is included in its entirety in Appendix A. Our response to the University's response is included in Appendix B.

Other Matters

The Financial Aid Office Does Not Adequately Communicate Federal Work Study Eligibility to Other Offices

FAO Does Not Enter All Relevant Information

The University's FAO does not enter all relevant information into the PeopleSoft™ financial aid software that other offices rely on to administer the FWS program. According to 34 CFR 668.16(b)(3), an institution must communicate to responsible individuals all information received that bears on a student's eligibility for Title IV, HEA assistance. In addition, 34 CFR 668.16(b)(4) requires the institution to have written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance. The FAO receives students' acceptance or declination of FWS awards. However, the FAO did not enter the students' acceptance or declination into the PeopleSoft™ financial aid software.

Other Offices Rely on FAO Information to Administer FWS Program

Students applied through the Career Services Center and Financial Aid - Law office to obtain jobs. The University stated that the policy for these offices is to identify students that accepted their FWS award by reviewing the student information in the PeopleSoft™ financial aid software. However, our review disclosed 11 of 31 students we tested participated in the FWS program even though data in the PeopleSoft™ financial aid software did not indicate that the students accepted the FWS awards.

The University Lacks Controls and Written Procedures

FAO lacks management controls and written procedures to ensure it communicates students' FWS award status to the Career Services Center and Financial Aid - Law office. By relying on incomplete records, the University could provide FWS jobs to students who declined their FWS award.

Objective, Scope, and Methodology

The objective of our audit was to determine whether the University administered the Title IV, HEA 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 state and accrediting agency documents, placement and completion statistics, student complaints, Internet information, organizational charts, news articles, the University's Title IV, HEA budgets, written operating policies and procedures, the University's catalogs, and various ED accounting and administrative records. We also reviewed the 1997-98 audit report prepared in accordance with Office of Management and Budget Circular A-133 (unqualified opinion) and auditor working papers for the 1997-98 and 1998-99 audit reports. In addition, we reviewed 60 randomly selected student records from a universe of 10,771 Title IV, HEA recipients (we expanded our review to 120 randomly selected student records for SAP), 10 judgmentally selected student records from a universe of 441 students with refunds, and 31 randomly selected student records from a universe of 316 FWS recipients. We reviewed selected accounting records and reports for the 1998-99 and 1999-00 Title IV, HEA programs. We interviewed various University, external auditor, and ED personnel. In addition, we interviewed personnel from other universities about experiences implementing and using the PeopleSoft™ software.

To achieve our audit objective, we relied in part on computer-processed data contained in the University's PeopleSoft™ student recipient data base. We assessed the reliability of the relevant general and application controls and found them to be adequate. We tested the accuracy, authenticity, and completeness of the data by comparing source records to computer data, comparing computer data to source records, and testing the processing of computer data. Based on these tests and assessments, we concluded that the data were sufficiently reliable to be used in meeting the audit's objective.

We conducted our field work at the University's administrative offices in Cleveland, Ohio, from October 4, 1999, through January 21, 2000. 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 University's management control structure, policies, procedures, and practices applicable to the Title IV, HEA 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 the assessment, we identified the significant Title IV, HEA management controls and classified them into the following five categories: Institutional Eligibility, Program Eligibility, Student Eligibility, File Maintenance, and Cash Management.

Because of 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, our assessment disclosed significant weaknesses in the University's system of management controls. These weaknesses had a material effect in the University's ability to administer the Title IV, HEA programs according to the law and regulations. See Audit Results for descriptions of the weaknesses.

BRUSTEIN & MANASEVIT

ATTORNEYS AT LAW
3105 SOUTH STREET, N.W.
WASHINGTON, D. C. 20007
(202) 965-3652
FAX # (202) 965-8913
EMAIL ADDRESS: bruman@bruman.com
INTERNET: www.bruman.com

August 25, 2000

VIA OVERNIGHT DELIVERY

Mr. Gerald Michalski
Acting Regional Inspector General for Audit
U.S. Department of Education
Office the Inspector General
111 N. Canal Street, Suite 940
Chicago, IL 60606

RE: Comments to Draft Audit Report; Audit of the Title IV Higher Education Programs Administered by Cleveland State University; Control Number ED-OIG/A05-A0054 (June 2000)

Dear Mr. Michalski:

This letter constitutes the formal written comments of Cleveland State University ("the University" or "CSU") to the draft audit report issued by the Office of the Inspector General ("OIG") on June 23, 2000 and received by the institution on June 28. We again express appreciation for the cooperative spirit that has characterized this audit process and that was specifically exhibited during our visit to Chicago to review the OIG's work papers relating to this audit. We also wish to take this opportunity to again articulate the University's firm commitment to assuring full compliance with its responsibilities under the Title IV federal student financial aid programs ("Title IV"), and to assure you that we accord great importance to the following matters raised by the draft audit report. CSU is pleased to report significant progress in improving its administration of the Title IV programs, and respectfully offers the following comments to the draft findings and recommendations.

I. Draft Audit Finding: The University Did Not Comply with Refund Requirements for Title IV, HEA Programs

The OIG draft report concludes that CSU did not calculate accurate student refunds, make all required refunds, and make refunds in a timely manner for the 1998-99 program year. The report further states that CSU lacks appropriate refund policies, procedures and controls. While the University acknowledges that refunds were not always completed within prescribed timeframes, it disagrees with the OIG's revised refund calculations, which are based on incorrect

**Cleveland State University
Comments to OIG Draft Audit Report (ED-OIG/A05-A0054)
August 25, 2000
Page 2 of 10**

methodologies and misinterpretations of data. In addition, CSU has developed and implemented revised refund policies, procedures and controls effective with the 1999-2000 program year.

- A. OIG's calculations are based on incorrect methodologies or misinterpreted data, resulting in the appearance that additional refunds are owed.¹

Without the benefit of long-term CSU experience, the OIG's refund calculations inadvertently contain a number of errors. As an initial matter, the draft report's methodology does not accurately incorporate the following definitions as used in the University's refund process:

- "Item Term" – the originating term a transaction is assigned
- "Account Term" – the item term is posted to the appropriate account term
- "Posted Date" – the date a transaction is posted to the student's account

A proper understanding and application of these terms is critical when writing a query to extract information from a student's account. For example, the Posted Date and the Item Term must be used to obtain the term with which the item corresponds. The following OIG query, however, sorts on the Account Term and then Posted Date:

```
PRIVATE.QUERY.STUFIN_ACCT_DET40 – DETAIL LINE ITEMS FOR STU FIN - Query

SELECT A.EMPLID, A.ITEM_NBR, A.LINE_SEQ_NBR, A.ACCOUNT_NBR, A.ACCOUNT_TERM,
TO_CHAR(A.POSTED_DATE, 'YYYY-MM-DD'), TO_CHAR(A.POSTED_DATETIME, 'YYYY-MM-
DD-HH24.MISS.'000000'), A.OPRID, A.LINE_STATUS, A.LINE_ACTION, A.PAYMENT_ID_NBR,
A.DESCR, A.ITEM_TYPE_CD, A.LINE_AMT, A.ITEM_TERM, B.ACAD_YEAR,
B.ITEM_AMT, A.BUSINESS_UNIT
FROM PS_ITEM_LINE_SF A, PS_ITEM_SF B
WHERE A.EMPLID IN
('1001122', '2001300', '2001745', '2002533', '2003145', '2004544', '2009264', '2010883', '2011281', '2015768', '20220
12', '2023602', '2023883', '2024101', '2025100', '2025272', '2026402', '2026668', '2027180', '2027287', '2027376', '202
9966', '2034080', '2036972', '2039806', '2040431', '2040976', '2044069', '2044418', '2046781', '2047779', '2050802', '2
053535', '2053888', '2056331', '2056812', '2058398', '2058667', '2060017', '2061305')
AND A.BUSINESS_UNIT = B.BUSINESS_UNIT
AND A.ITEM_NBR = B.ITEM_NBR
ORDER BY 1, 4, 5, 7

(Source: Work Paper C-3019b)
```

To obtain more accurate results from the institutional database, the query should have been constructed to first sort data by Posted Date and then by Item Term.

¹ Except where otherwise indicated, tables in this section referred to as "OIG Calculations for Student XXXXXXXX" are excerpted from an audit spreadsheet (file name: "WrkpapersStuAcctAnal.xls") provided by the OIG at the University's request.

Cleveland State University
Comments to OIG Draft Audit Report (ED-OIG/A05-A0054)
August 25, 2000
Page 3 of 10

When auditing a student's account, the Posted Date must also be considered along with the Item Term to determine the appropriate term to which the item actually applies. In the following example, the payment shown was grouped into the Fall Semester 1998 activity when it was actually part of the Spring Semester 1999 activity:

Example: OIG calculations for student Personal Identifier Removed

Term	Due Date	Actual Bill Date	Item Effective Date	Posted Date Time	Item Amount	Item Type
Fall Semester 1998	1/23/99	11/22/99	1/23/98	01/23/1999 3:47:09PM	\$3,441.80	CSU Check Issued

The checks issued during this time period (January 23, 1999) were actually for the Spring Semester 1999 Financial Aid expenses even though the term is erroneously identified in the database as Fall Semester 1998. To the extent that OIG refund calculations relied only on the term identified, without inquiring into what term was actually relevant, the calculations would be inaccurate.

The OIG refund calculations also misapply certain fee adjustments for students who added or dropped courses during the term or refund period. CSU students may register for classes and add/drop at various times during the term or refund period. A "system fee calculation" that runs after the drop/add will only show the net fees at the time of the calculation and not the actual fees (including prior drop/add adjustments) charged to the student. Because the OIG examined only the net fees (\$426.58 in the example below) and compared this to the University calculation of actual fees (\$1066.45 in example below), the OIG arrived at the conclusion that a refund was owed to the student. However, when the actual fees are adjusted to include drop/add credits, the two amounts reconcile.

Example: OIG calculations for student Personal Identifier Removed

Term	Due Date	Actual Bill Date	Item Effective Date	Posted Date Time	Item Amount	Item Type
Spring Semester 1999	1/14/99	8/2/99	3/20/99	08/07/1999 1:58:20PM	\$420.00	Undergraduate - Tuition R
Spring Semester 1999	1/14/99	8/2/99	3/20/99	08/07/1999 1:58:20PM	\$5.76	University Technology Fee
Spring Semester 1999	1/15/99	8/2/99	3/20/99	08/07/1999 1:58:20PM	\$2.82	University Technology Fee

Cleveland State University calculations:

Original Tuition Fees 7 cr. hrs.	\$1050.00	
Original Technology Fees 7 cr. hrs.	\$ 16.45	
Fee Credit - Dropped 7 to 0 hrs at 60%	\$ 630.00-	} OIG audit does not take } these two adjustments into } consideration.
Tech Fee Cr. - Dropped 7 to 0 hrs at 60%	\$ 9.87-	
TOTAL NET FEES	\$ 426.58	

Cleveland State University
Comments to OIG Draft Audit Report (ED-OIG/A05-A0054)
August 25, 2000
Page 4 of 10

Additionally, if the Registrar's office processes a student's course drop and assigns the drop with a date prior to the beginning of the term, fees for that dropped class are not associated with the fees originally assessed. The OIG calculations did not include the backdated drops when determining the amount of original fees assessed (\$2850.00 from the example below) where CSU does include the backdated drops in its calculations (\$1950.00 from the example below).

Example: OIG calculations for student Personal Identifier Removed

Term	Due Date	Actual Bill Date	Item Effective Date	Posted Date Time	Item Amount	Item Type
Fall Semester 1998	3/23/99	3/25/99	3/23/99	03/23/1999 7:45:52PM	\$150.00	Undergraduate - Tuition R
Fall Semester 1998	8/29/98	9/24/98	8/14/98	08/14/1998 9:42:56AM	\$2700.00	Undergraduate - Tuition R
Fall Semester 1998	9/10/98	9/24/98	8/27/98	08/27/1998 5:35:55PM	(\$300.00)	Undergraduate - Tuition R
Fall Semester 1998	9/12/98	9/24/98	9/9/98	09/09/1998 5:19:39AM	(\$800.00)	Undergraduate - Tuition R

Cleveland State University calculations:

Original Fees assessed	\$2700.00	
Additional Fees	\$ 150.00	
2 cr. hrs. dropped retroactively @ 100%	\$ 300.00-	} OIG audit erroneously
4 cr. hrs. dropped retroactively @ 100%	\$ 600.00-	} excludes these amounts b/c
TOTAL	\$1950.00	} of the back-dated postings

In light of these inadvertent but significant methodological errors, CSU does not concur with the OIG's finding that it failed to calculate accurate student refunds and make all required refunds. Nevertheless, CSU has already engaged the accounting firm PriceWaterhouseCoopers ("PWC") to review refund calculations made for the same 1998-99 program year. That engagement specifically relates to a Preliminary Audit Determination letter issued by the Student Financial Assistance Programs ("SFAP") on May 12, 2000, and clearly overlaps with the refund issues raised by the OIG's draft report.

B. Untimely refunds were largely caused by problems associated with PeopleSoft software implementation.

Although CSU disagrees with the OIG's revised refund calculations, the University acknowledges that it did not make all 1998-99 program year refunds in a timely matter. The delay in completing required refunds was largely due to problems with the PeopleSoft software implementation. As discussed with the audit survey team (see Work Paper C-5022), the majority of data transfer problems were between the bursar and financial aid office. The software's coding simply did not work properly within the CSU system. Another PeopleSoft software

**Cleveland State University
Comments to OIG Draft Audit Report (ED-OIG/A05-A0054)
August 25, 2000
Page 5 of 10**

glitch created Pell awards exceeding actual authorization, which CSU staff had to correct either manually or with other third-party software (see Work Paper C-5012). These and other software problems, outside of CSU's direct control, clearly affected the University's ability to timely process financial aid refunds. In fact, the U.S. Department of Education's Institutional Participation and Oversight Service ("IPOS") apparently concluded that the vast majority of CSU's problems during the 1998-99 program year were related to bringing the PeopleSoft systems online, rather than any significant institutional weaknesses. See Work Paper B-5009.

In hindsight, it is probably unfortunate that CSU chose to obtain and implement the first commercially available PeopleSoft financial aid package, rather than waiting for the software to be fully "market tested" by other institutions. CSU was not the only Title IV institution to make that decision, however, and not the only campus to experience significant problems. The University of ██████████, for example, apparently encountered many problems making loan adjustments and expressed its opinion to the OIG that the software was simply not ready for commercial release (see Work Paper B-6006). Although the PeopleSoft implementation in 1998-99 caused great disruption to the processing of refunds and other financial aid matters, CSU has made great strides towards fully remediating the many problems that began in that program year. Significant improvements were made during the 1999-2000 academic year, and we are optimistic that refunds will be processed on time in the coming semester (Fall 2000).

C. CSU has adopted and implemented revised policies and procedures for Title IV refunds and repayments.

The draft report states that CSU lacks appropriate refund policies, procedures and controls. Since the time of the audit, however, the University has developed and implemented an enhanced set of policies and procedures applicable to Title IV refunds and repayments. Those policies and procedures were put into effect for the 1999-2000 year (see Attachment 1). The University is currently finalizing its policies and procedures to implement the new Return of Title IV Funds regulations beginning with the Fall 2000 semester. These policies and procedures were developed with significant assistance from Ms. Anne Sturtevant of Financial Aid Services, Inc., a highly qualified independent consultant hired to assist the University in improving its financial aid administration. In fact, Ms. Sturtevant has served as the interim director of CSU's financial aid office since January 2000. She has also provided invaluable staff training and assistance in coordinating financial aid functions with other University functions. Ms. Sturtevant has been a tremendous asset to CSU and we have seen an exponential improvement in our financial aid administrative capacity under her interim direction.

D. Comments to specific recommendations

Recommendations:

- 1.1 refund \$10,954 to the U.S. Department of Education or lenders as appropriate;
- 1.2 review all 1998-99 award year refund calculations to determine if they were correct and, if not, recalculate them;
- 1.3 review all 1998-99 refunds to ensure CSU made or makes the appropriate refunds based on the correct refund calculations;
- 1.4 develop and implement policies, procedures and controls to ensure CSU calculates accurate refunds, makes all required refunds, and makes refunds timely; and
- 1.5 have an independent accountant attest to the accuracy of the refund determinations.

Comments:

As described above, the OIG refund calculations are based on flawed methodologies and misinterpretations of data. Requiring any refunds based on those calculations is therefore inappropriate. Furthermore, since the University has already engaged PriceWaterhouseCoopers to conduct a comprehensive review of 1998-99 refunds for a separate but overlapping audit response,² we respectfully suggest that the OIG accept that independent review as satisfying recommendations 1.2 and 1.3, above. The PWC review now in progress will also include an attestation to the accuracy of the refund determinations, thereby also fulfilling recommendation 1.5.

In response to recommendation 1.4, we reiterate that CSU has already developed and implemented enhanced policies and procedures for Title IV refunds and repayments, which went into initial effect for the 1999-2000 program year. The policies and procedures are included with this response as **Attachment 1**. The University will utilize the U.S. Department of Education's Return of Title IV Funds software as part of its procedures for 2000-2001.

II. Draft Audit Finding: The University Did Not Make Satisfactory Academic Progress ("SAP") Determinations

A. SAP policies and procedures are in effect at CSU

Cleveland State University fully understands the importance of strict compliance with the laws and regulations governing satisfactory academic progress ("SAP") of federal financial aid recipients, as referenced in the draft report. Historically, the academic units of the University notified the financial aid office and bursar when a student's poor academic performance subjected that student to dismissal, or potential dismissal, from CSU. The financial aid office

² See Preliminary Audit Determination Letter: ACN 05-1999-08484, issued by the U.S. Department of Education, Student Financial Assistance Programs, on May 12, 2000.

**Cleveland State University
Comments to OIG Draft Audit Report (ED-OIG/A05-A0054)
August 25, 2000
Page 7 of 10**

also ran a query to identify students that may be ineligible for continued financial aid (see Work Paper C-5008). The financial aid office would then notify the student that his or her financial aid was subject to cancellation, and that the student could appeal the SAP determination. See **Attachment 2** (sample notification letters relating to students' academic dismissal and SAP determinations). While CSU acknowledges that these procedures were not consistently performed, we do not believe it is accurate to state that "the University did not make SAP determinations."

During the 1999-2000 academic year, the University modified its existing SAP policy, and implementing the new policy to be effective as of the end of 1999-2000. A copy of the new SAP policy is included with this response as **Attachment 3**.

B. The SAP errors identified by the draft report are *de minimus* and do not require an expanded review.

In order to determine whether CSU complied with SAP requirements, the OIG reviewed information for 120 randomly selected students. That review disclosed only seven students (**5.8 percent** of the sample) who failed to satisfy SAP, resulting in \$75,235 of ineligible Title IV disbursements. According to the U.S. Department of Education's internal program review manual, "an error rate of any deficiency greater than **10 percent** warrants a more complete review of the statistical sample for that award year." *Program Review Guide* (July 1994 ed.), page 3-4. The SAP error rate identified at CSU is clearly far less than the prescribed threshold, and any further review is therefore unwarranted.

C. Comments to specific recommendations

Recommendations:

- 2.1 return \$75,235 to the U.S. Department of Education or lenders as appropriate;
- 2.2 make a SAP determination for each student not tested by the OIG, and return to the U.S. Department of Education or lenders the amount of aid disbursed to students who did not meet SAP; and
- 2.3 have an independent accountant attest to the accuracy of the SAP determinations.

Comments:

The University agrees to return \$75,235 for the seven students specifically identified by the draft report as failing to meet the SAP policy (recommendation 2.1). CSU does not concur, however, with recommendations 2.2 and 2.3 since the SAP error rate is significantly below the threshold established by the Department's own program review criteria, as discussed above.

III. Draft Audit Finding: The University Did Not Accurately Account for Title IV, HEA Funds

The draft report identifies areas where the OIG claims that CSU failed to accurately account for Title IV funds. Specifically, the report states that certain Title IV amounts (FSEOG, Pell, Perkins, and FWS) recorded by the bursar and financial aid office conflicted with the University's general ledger, that it received \$49,270 in Pell funds that were not disbursed to students, that FWS wage records in the Career Services Center conflicted with the financial aid office, and that the University failed to record all Title IV transactions separately. For the reasons stated below, CSU does not agree with these findings.

A. The University appropriately reconciled the Perkins, Pell and FSEOG amounts for the 1998-99 program year.

The draft report states that Title IV records in the bursar and financial aid offices conflicted, at least upon initial review by the OIG, with data in the University's general ledger. The report further indicates that while CSU completed adjustments to reconcile the FSEOG program records, no such adjustments were made to the Perkins or Pell programs prior to the conclusion of the audit survey. However, the University has now corrected the accounting problem that caused the differences between records in the three programs, and appropriately reconciled the financial data for each. General ledger excerpts indicating each reconciliation are included with this response as **Attachment 4**.

B. CSU properly transferred \$49,270 in Pell funds from 1998-99 to 1999-2000 using the EDCAPS/GAPS system.

The draft audit claims that the EDCAPS/GAPS system showed the University had received \$49,270 in excess Pell funds for the 1998-99 award year. Although CSU informed the OIG auditors that such funds were properly reprogrammed for use in the following year, the draft report states that CSU failed to provide documentation supporting that claim. The University is therefore providing supporting documentation with this response as **Attachment 5**. This documentation includes (1) a "screen shot" from EDCAPS/GAPS showing the transfer from CSU's "Pell 1999" account to its "Pell 2000" account, and (2) a journal entry from CSU's general ledger indicating the transfer.

C. CSU properly reconciled FWS amounts in the Career Services Center's wage records and the University's general ledger.

The draft report also states that FWS amounts in the Career Services Center's wage records conflicted with FWS amounts in general ledger. Although a reconciliation did resolve this conflict, the University allegedly failed to provide the OIG audit team with documentary evidence of the reconciliation. CSU is therefore providing that supporting documentation with this response as **Attachment 6**.

D. Comments to specific recommendations

Recommendations:

- 3.1 return to the U.S Department of Education the \$49,270 not disbursed to students;
- 3.2 complete the proposed adjustments and make corrections to student records to ensure CSU recorded all transactions and recorded each transaction separately. The University should have an independent accountant attest to the accuracy of the adjustments; and
- 3.3 develop and implement policies, procedures, and controls to ensure CSU accurately maintains, on a current basis, financial records that reflect each program transaction and general ledger control account and related subsidiary accounts that identify each Title IV, HEA program transaction.

Comments:

Since the University has demonstrated the proper transfer of \$49,270 in Pell funds through the EDCAPS/GAPS system, CSU disagrees with recommendation 3.1. Similarly, the various documents included with this response (set forth above) should satisfy the concerns underlying recommendation 3.2, and there is little if any basis for requiring an independent attestation to these reconciliations. In addition, the University has already developed and implemented appropriate policies and procedures for reconciling Title IV financial aid accounts, per recommendation 3.3. Those procedures are included as **Attachment 7** to this response.

IV. Other Draft Audit Matters: The Financial Aid Office Does Not Adequately Communicate Federal Work Study Eligibility to Other Offices

The draft report states that CSU's financial aid office does not enter all relevant data into the PeopleSoft financial aid software that other offices, including the Career Services Center, rely on to administer the FWS program. While the University acknowledges that its problems in implementing PeopleSoft did cause some lapses in FWS information being properly entered into the financial aid system during the 1998-99 academic year, FWS award acceptance could still be verified through written correspondence or telephone calls between the relevant University offices. We therefore disagree with the broad assertion of this finding. Moreover, despite the difficulties related to PeopleSoft, the OIG report does not recommend any specific action regarding the University's FWS program administration.³

³ We also noted, during our review of work papers at the Chicago Regional Office, that the audit team formally concluded CSU properly complied with FWS laws and regulations. See Work Paper F-5001 (the audit team's conclusion was redacted from the released document, although we were permitted to visually inspect the work papers in their entirety).

Cleveland State University
Comments to OIG Draft Audit Report (ED-OIG/A05-A0054)
August 25, 2000
Page 10 of 10

V. Conclusion

CSU has recognized and continues to recognize its responsibility to continuously improve and correct any deficiencies in its administration of the Title IV financial aid programs. Therefore, notwithstanding our disagreement with many of the findings and recommendations contained in the draft audit report, we view the audit process as an opportunity to proactively enhance the institution's policies and procedures, and to ultimately improve the delivery of federal financial aid to eligible CSU students. We look forward to working closely with all relevant offices of the U.S. Department of Education to attain that goal.

Thank you for the opportunity to comment on the draft audit report, and please contact us if you would like any additional information.

Sincerely,



Leigh M. Manasevit
Jonathan D. Tarnow
Counsel to Cleveland State University

c: Claire Van Ummersen, President
Nancy J. Cribbs, University Counsel

Attachments (7)

The University's response included seven attachments. We included the seven attachments with the printed version of this report. However, because of their size, we did not include them with this electronic version. Contact the Office of Inspector General, Chicago, Illinois to obtain printed copies of the seven attachments.

OIG Response to Cleveland State University's Response

I.A. OIG's calculations are based on incorrect methodologies or misinterpreted data, resulting in the appearance that additional refunds are owed.

Improper Queries – We ran queries to obtain a database of transactions to be reviewed and tested and did not rely exclusively on the results of these queries to make our refund findings. We transferred the transactions into spreadsheets where we sorted them to identify all transactions for the semester in which the student withdrew or dropped out. We then compared the identified transactions with the transactions the University used to calculate refunds. We identified differences between the transactions we identified and the transactions the University used to calculate refunds for all ten students in our sample. Because we used spreadsheets to sort the data obtained through the query process and make our analysis, the order of data obtained through queries was not relevant.

Term Identification - The University's response stated, "To the extent the OIG relied only on the term identified, without inquiring into what term was actually relevant, the calculations would be inaccurate." We did not rely only on the term identified but also upon the ITEM TERM for the students' transactions. The University's response also indicates the POSTED DATE must be considered to determine the appropriate term to which the transaction applies. We disagree. The date a transaction is posted is not necessarily an indicator of the period to which it applies. The University was still making changes to the student accounts for the 1998-99 period at the time of our field work in February 2000. If the term identified and ITEM TERM are incorrect as the University may be suggesting, then the University does not meet the requirement to maintain adequate accounting records (34 CFR 668.24(b)).

Misapplied Fee Adjustments - The example cited in the University's response is one of the cases of combined transactions reported in the finding titled The University Did Not Accurately Account for Title V, HEA Funds. Combining transactions does not comply with 34 CFR 668.24(b). In addition, because the individual transactions, which the University claims it combined, are not maintained in the students' accounts, we cannot determine if the combined transactions are reliable data. We based our analysis on the transactions recorded in the accounting records.

Dropped Class Fees - When reviewing the students' accounts, we could not distinguish the dropped class fees in the University's example from other tuition credit transactions for students who drop out after beginning classes. Therefore, if these transactions are indeed for students who withdrew prior to beginning the course, they are not adequately identified as required in 34 CFR 668.24(b). Because these transactions cannot be separately identified, we cannot determine if the University correctly calculated the refund.

The University's response addresses only three of the ten refunds in the finding and did not change our position as stated above. Therefore, we have no basis for changing the report as the University requested in its response.

I.B. Untimely refunds were largely caused by problems associated with PeopleSoft software implementation.

The University agrees that it did not make all refunds timely. In addition, the University's response identifies the problem as the implementation of the PeopleSoft software. The University made the decisions regarding purchasing and implementing the software and was responsible for the administration of the Title IV, HEA programs. We made no change to the report based on the University's response.

I.C. CSU has adopted and implemented revised policies and procedures for Title IV refunds and repayments.

We reviewed the University's new policies and procedures and they appear adequate. However, the University's response does not address the controls needed to ensure the new policies and procedures work correctly. Based on the University's response, we changed the recommendation for developing and implementing new policies and procedures.

I.D. Comments to specific recommendations

Because the University's response does not support changing our methodology for reviewing refund calculations, we did not change recommendation 1.1. In addition, the University's most recent A-133 audit reported a problem with refunds. That audit finding overlapped part of our finding. This is a matter for audit resolution. Therefore, we did not change our recommendations, except the wording in recommendation 1.4 to stress the controls the University needs for the new policies and procedures.

II.A. SAP policies and procedures are in effect at CSU

The discussion referred to in the University's response does not support the University's statement that it ran a query to identify students who were not making SAP. The discussion explains the SAP process, but does not indicate the University in fact followed the process. According to the Financial Aid Director at the time of our review, the University had not made SAP determinations for the 1998-99 award year. The recommendation to make the SAP determinations as required by 34 CFR 668.16(e) is based on the Financial Aid Director's statement and our sampling.

The documents provided with the University's response (Appendix A, Attachment 3) were not given to us during our field work even though the dates show they were prepared prior to the completion of our field work. In addition, we provided the University with a written preliminary description of the finding prior to leaving the audit site. The University responded, in writing, but did not provide any documents indicating it made any SAP determinations. If the University had provided the documents, we would have tested the application of the SAP policy and procedures to ensure SAP determinations were complete or accurate. Therefore, we made no change to the report.

II.B. The SAP errors identified by the draft report are *de minimus* and do not require an expanded review.

The OIG review of 120 student records was not a statistically valid sample and we made no projection to the whole population. Our review of SAP records was only to determine if there were students who did not meet the University's SAP policy and continued to receive Title IV, HEA funds. OIG audits are governed by the Government Auditing Standards, not the Program Review Guide as suggested in the University's response. Our work satisfies the fifth field work standard for evidence of an audit finding effect. The University's argument that, based on criteria in the Program Review Guide, we cannot recommend further work is without merit because, as discussed above, the Financial Aid Director stated the University had not made SAP determinations for the 1998-99 award year. Because the University did not provide evidence that it made SAP determinations, we made no change to the report.

III.A. The University appropriately reconciled Perkins, Pell and FSEOG amounts for the 1998-99 program year.

Perkins Program - As of the end of our field work, the University was proposing adjustments to the general ledger and to the Bursar's Office records. The University's response states it reconciled the Perkins program, and referred to Attachment 4, pages 1-2, to support its statement. However, the attachment shows journal entries dated November 1999, and the program had not been reconciled at that time. In addition, the attachment does not show that the University made the adjustments it proposed for the general ledger, and the University did not provide any documentation to support that it made adjustments to the Bursar's Office records. Therefore, we cannot determine if the FAO, Bursar's Office, and general ledger records reconcile.

Pell Program - The University proposed adjustments to the 1998-99 FAO, Bursar's Office, and general ledger records. However, Attachment 4, page 3, of the response only shows that the adjustments were made to the general ledger. It does not support that the adjustments were made to the FAO and Bursar's Office records. Therefore, we cannot determine if the FAO, Bursar's Office, and general ledger records reconcile.

III.B. CSU properly transferred \$49,270 in Pell funds from 1998-99 to 1999-2000 using the EDCAPS/GAPS system.

We reviewed the documentation in the University's response and agree that the University properly transferred \$49,270 of Pell funds. Based on the University's actions after our field work, we removed the finding on excess Pell funds and the associated recommendation.

III.C. CSU properly reconciled FWS amounts in the Career Services Center's wage records and the University's general ledger.

We provided the University with a written preliminary description of the finding prior to leaving the audit site. The University responded in writing and provided documents indicating it reconciled the general ledger and the supporting information. The

transactions provided in Attachment 6 to the University's response were not the adjustments in the reconciliation previously provided.

III.D. Comments on specific recommendations

We removed recommendation 3.1 as discussed above (III.B.). However, we made no changes to recommendation 3.2 because the University's response did not support it made adjustments to reconcile the general ledger and the supporting information. Attachment 7 to the University's response contains a procedure for determining if the records reconcile. It does not document that the University developed and implemented policies, procedures, and controls to ensure it accurately maintains financial records that reflect each program transaction. Therefore, we did not change recommendation 3.3.

IV. Other Draft Audit Matters: The Financial Aid Office Does Not Adequately Communicate Federal Work Study Eligibility to Other Offices

Other matters represent minor issues brought to the auditee's attention to surface policies, procedures, or practices, that, if changed, could result in better administration of the Title IV, HEA programs. We make no recommendations because the decision to take action is left to the University. We made no change to the report based on the University's response.

Academic Standing

Good Standing

To be in good academic standing, students must maintain the minimum cumulative average required for the number of credits completed. Academic action is taken if the cumulative average falls below the minimum required for the number of credits completed, if a term average is below 1.00, or if a second consecutive term average below 2.00 is earned when a student has completed over 60 credits.

Academic standing shall be determined, and appropriate academic action shall be taken, at the completion of each term for each student. Grades of I (Incomplete) shall be omitted from this determination.

Required Minimum Averages

Credits (Higher of Earned Attempted)	Minimum Cumulative Average
1-15	1.50
16-30	1.60
31-45	1.75
46-60	1.90
Above 60	2.00

Academic Warning

Students with a term or cumulative average of less than 2.00, but not subject to probation, will have the notation "academic warning" on their grade form. This notation is not an academic action and will not appear on the permanent record.

Probation

Academic action will be taken on the basis of a student's performance at the completion of each semester. Students will be placed on probation by the Registrar the first time they fail to maintain the appropriate minimum average as listed in the box above.

However, students who earn a term average below 1.00 are subject immediately to probation/dismissal review rather than being placed on probation. Students will be removed from probation if they earn the required grade point average.

Probation/Subject to Dismissal Review

Students who do not meet the requirements for good standing the second time will be subject to probation/dismissal review by the Faculty Committee on Academic Standards of their college. This committee authorizes the Registrar to assign continued probation or dismissal.

If the average earned in any term is below 1.00, regardless of whether the student has had a previous probation, a student is subject to probation/dismissal review.

Special Probation for Re-Admitted Students

CSU students who are re-admitted after dismissal are on special probation for at least one term or until their GPA reaches 2.00.

To avoid being subject to dismissal again during the probationary period, students must achieve a term average of at least 2.00 until a GPA of at least 2.00 is reached.

During the probationary period when their GPA is below 2.00, a higher term average may be set by the Committee on Petitions as a condition of re-admission. After the GPA of a special probation student reaches the level of 2.00, it must be maintained at this level until graduation.

Distribution Schedule
Control Number OIG/A05-A0054

	<u>Copies</u>
Auditee	1
Action Official	1
<p>Greg Woods, Chief Operating Officer Student Financial Assistance Department of Education ROB-3, Room 4004 7th and D Streets, SW Washington, DC 20202-5132</p>	
Other ED Offices	
General Manager for Schools, Student Financial Assistance	1
Chief Financial Officer, Student Financial Assistance	1
Director, Case Management & Oversight, Schools, Student Financial Assistance	1
Area Case Director, Chicago Case Team, Case Management & Oversight, Schools, Student Financial Assistance	1
General Counsel, Office of the General Council	1
Office of Public Affairs	1
Secretary's Regional Representative, Region V	1
OIG	
Inspector General	1
Deputy Inspector General	1
Assistant Inspector General for Investigation	1
Assistant Inspector General for Audit (A)	1
Deputy Assistant Inspector General for Audit (A)	1
Director, Student Financial Assistance, Advisory and Assistance Team	1
Regional Audit Offices	6