Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

ALLOPATHIC MEDICINE HEALTH PROFESSIONS STUDENT LOANS PROGRAM AT BOSTON UNIVERSITY

BOSTON, MASSACHUSETTS

JUNE GIBBS BROWN
Inspector General

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A-05-98-00045

DEPARTMENT OF HEALTH AND HUMAN SERVICES
REGION V
105 W. ADAMS ST.
CHICAGO, ILLINOIS 60603-6201

OFFICE OF
INSPECTOR GENERAL

October 9, 1998

Common Identification No. A-05-98-00045

Charles Terrell
Associate Dean for Student Affairs
Boston University Medical Center
715 Albany Street, A-401
Boston, MA 02118-2526

Dear Mr. Terrell:

This letter report provides the results of our audit of the Allopathic Medicine Health Professions Student Loans (HPSL) Program at Boston University. The HPSL program was implemented through the Public Health Service Act. The Health Resources and Services Administration (HRSA) has overall management responsibilities for the program at the Federal level.

We determined that the University was appropriately using HPSL funds to provide loans to eligible medical students, with the exception of one loan, and was generally in compliance with regulations concerning the administration of loans. However, our audit revealed that the University was carrying uncollectible loans in their accounting records.

We are recommending that the University reimburse the HPSL fund $17,354 for a loan inappropriately used to reduce a non-medical school loan. We are also recommending that the University reimburse the HPSL fund $40,170 for loans that were not referred to HRSA for write-off approval in accordance with HRSA's Student Financial Aid Guidelines and the Code of Federal Regulations 42 CFR Part 57.210.

In a letter dated September 17, 1998, Boston University agreed to reimburse the HPSL fund $17,354 for the loan that was used as payment on a non-medical school loan. The University concurred with our recommendations regarding three uncollectible loans totaling $18,455. One additional loan totaling $5,592 was repaid to the HPSL fund through the borrower's final disposition of bankruptcy. The University was not in agreement with our recommendation that they reimburse the HPSL fund for nine loans discharged through bankruptcy totaling $16,123. The full text of the University's comments is attached as an appendix to this report.

INTRODUCTION

Background

In response to an anticipated national shortage of doctors, nurses and health professionals, the

Congress established HPSL through Public Law 88-129 in 1963. The legislation authorized funds for use by educational institutions in making long-term, low-interest loans to eligible students. To be eligible for the programs, students must have a need for financial assistance and be taking courses to become a physician, osteopath, dentist, optometrist, pharmacist, podiatrist or veterinarian.

In 1992 the Health Professions Education Extension Amendments (Public Law 102-408) established new requirements for the use of HPSL funds for allopathic and osteopathic medical schools. Effective July 1993, new medical and osteopathic students who receive HPSL funds are required to practice primary health care.

The Allopathic Medicine program at Boston University has received $1.9 million in Federal funding. The program has provided HPSL and primary care loans to more than 1,000 students. The total dollar amount of loans provided to students exceeds $7 million. The amount of the loan pool continues to increase due to the addition of interest income earned on student loans.

Scope of Audit and Methodology

Our audit was performed in accordance with generally accepted government auditing standards. Our objectives were to determine that (i) interest income earned on HPSL invested balances was properly credited to the HPSL loan pool, (ii) excess cash from the HPSL account was not being maintained, (iii) the amounts and use of primary care loans were appropriate, (iv) the recipients of primary care loans were complying with their primary care service obligation, and (v) the university was not carrying uncollectible loans in its accounting records. To achieve our audit objectives, we interviewed university officials, researched applicable laws and program regulations, reviewed accounting data and student files, and performed other auditing procedures as considered necessary.

We reviewed accounting records to document the amount reported as Investment Income on the Fiscal Year (FY) 1997 Annual Operating Report. Accounting records and a review of prior loan activities were used to assess the validity of data reported in the Excess Cash Work Sheet section of the FY 1997 Annual Operating Report.

We selected a random sample of 30 primary care loan accounts to review the dollar amount of the loan, the use of third and fourth year student loans to repay outstanding medical school loans, and the compliance with the primary care service obligation. A separate random sample of 100 HPSL borrowers was drawn for a review of uncollectible accounts. Additional reviews included 24 loans that were past due for more than 120 days and 13 loans which were classified as retired due to bankruptcy or in bankruptcy.

The period covered by our audit for investment income and excess cash was limited to the 1997 Fiscal Year corresponding to the Annual Operating Report. The period for our review of primary care loans was July 1, 1993 through December 31, 1997, while our review of the extent of uncollectible loans covered the period August 1, 1985 through December 31, 1997.

We conducted our field work at the University's Student Loans and Collections office and Residency Planning and Practice Management office in Boston, Massachusetts. Field work was performed during the month of May 1998.

RESULTS OF AUDIT

With the exception of the one loan inappropriately used to reduce a non-medical school loan and the uncollectible loan write-offs, the Allopathic Medicine HPSL Program at Boston University was generally in compliance with program regulations. The University is currently crediting the HPSL loan pool for interest income earned on HPSL invested funds and is not retaining excess cash from the HPSL program. The annual awards for primary care loans were appropriate, and the recipients were complying with their primary care service obligations. However, one of the primary care loans provided to third and fourth year medical students was used to reduce a non-medical school loan. Additionally, the University was carrying uncollectible loans in their accounting records that were not submitted to HRSA for write-off approval.

Investment Income

Interest earned from HPSL invested funds is currently being reinvested into the HPSL program. During FY 1997, $23,677 was recorded as investment income on the Annual Operating Report.

Prior audit work performed by our office identified investment income on idle HPSL program funds that was not credited to the HPSL and Nursing Student Loan (NSL) fund accounts. The HRSA hired a contractor in 1988 to review the records of all schools which had received cumulative HPSL/NSL awards in excess of $500,000. The result of the review was a calculation of the amounts of interest earned, but not credited, to the funds for the years beginning FY 1965. As a result of the HRSA initiative, the University has refunded $60,000 of investment income to the HPSL program.

Excess Cash

The University was not retaining excess cash from the HPSL program. In fact, according to the documentation used to prepare the FY 1997 Annual Operating Report, the University reported a negative amount of excess cash.

Primary Care Loans--Loan Amounts

The dollar amount of loans and use of the loans provided to primary care loan borrowers were allowable, with the exception of one loan used to reduce a non-medical school loan. The Public Health Service Act provides for primary health care loan amounts above the annual limits when loans are made to third and fourth year students and are used to pay the balances of loans obtained for attendance at the school of medicine. We determined that one primary care loan, in the amount of $44,650, was partially used to pay off loans obtained to pursue a Master of Public Health degree. The amount of $17,354 used to pay off loans that were incurred when the student was obtaining the Master of Public Health degree is unallowable. The portion used to pay off a loan incurred while the student was obtaining a medical school degree is allowable.

Primary Care Loans--Compliance

Medical students who received primary care loans were complying with their primary care service obligations.

Uncollectible Loans

The University was carrying uncollectible loans in their accounting records that should have been submitted to HRSA for write-off approval. HRSA's Student Financial Aid Guidelines and 42 CFR 57.210 requires schools to request permission to write-off uncollectible loans within 30 days of the determination that the loan is uncollectible or reimburse the fund in the full amount of the principal, interest and penalty charges that remain uncollectible. We identified 13 uncollectible loans that the University should have requested write-off approval.

Thirteen loans totaling $40,170 should have been submitted to HRSA for write-off approval as the University became aware that the loans were uncollectible. Two loans exceeding the ten-year repayment period, one loan in bankruptcy and ten loans retired due to bankruptcy had outstanding balances of $12,541, $5,592, and $22,037, respectively. Since the 30 day period to request write-off approval had lapsed, the university is responsible for reimbursing the HPSL fund the outstanding balance of the loans.

Recommendations

We recommend that the University reimburse the HPSL fund $17,354 for the primary health care loan that was inappropriately used as payment on a non-medical school loan. We recommend that the University reimburse the HPSL fund $40,170 for loans that were not referred to HRSA for write-off approval within the required 30 day period.

University Comments

In a letter dated September 17, 1998, Boston University agreed to reimburse the HPSL fund $17,354 for the loan that was used as payment on a non-medical school loan. Further, the University concurred with our recommendations to reimburse the HPSL fund $12,541 for the two loans exceeding the ten-year repayment period and $5,592 for the one loan paid in full through the final disposition of the bankruptcy. For the ten loans retired due to bankruptcy, the University concurred that one loan of $5,914 should be reimbursed to the HPSL fund. The University was not in agreement with our recommendation to reimburse the HPSL fund for the remaining nine loans retired due to bankruptcy. The University stated that records for these loans, totaling $16,123, have been discarded. HPSL regulations only require that records be retained for a period of five years after a loan has been retired. The university indicates that there is a reasonable basis for allowing the costs associated with the loans discharged in bankruptcy.

OIG Comments

Although the University provided its rationale for making loans to repay outstanding non-medical school loans, we are of the opinion that the loans were unallowable and, therefore, the University should reimburse the HPSL fund for loans amounting to $17,354. We agree with the University's position to reimburse the HPSL fund $12,541 for two loans exceeding the ten-year repayment period, $5,592 for one loan paid in full through the final disposition of the bankruptcy, and $5,914 for one loan retired due to bankruptcy. We do not support the University's position that the nine retired bankruptcy loans, totaling $16,123, are not be subject to reimbursement. The University states that they do not have records to support the granting of write-off approval from HRSA. Without write-off approval, the loans are the responsibility of the University. We recommend that the University reimburse the HPSL fund for the nine loans discharged through bankruptcy.

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Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this report. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG/OAS reports issued to the Department's grantees and contractors are made 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 which the Department chooses to exercise. (See

45 CFR Part 5.) To facilitate identification, please refer to Common Identification Number A-05-98-00045 in all correspondence to this report.

Paul Swanson
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:
Chief, Cost Advisory and Audit Resolution Branch
Division of Grants and Acquisition Management
Health Resources and Services Administration
Parklawn Building, Room 13A-27
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APPENDIX

BOSTON MEDICAL CENTER

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Office of Residency
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Charles Terrell
Associate Dean

September 17, 1998

Mike Barton
Senior Auditor
DHHS/OIG/Audit Services
280 North High Street, Room 710
Columbus, Ohio 43215

RE: Common Identification No. A-05-98-00045

Dear Mr. Barton:

These written comments are in response to the draft letter resulting from your May 1998 audit of the Allopathic Medicine Health Professions Student Loans (HPSL) Program at Boston University. We are pleased that you have determined "that the University was appropriately using HPSL funds to provide loans to eligible medical students, with the exception of one loan, and was generally in compliance with regulations concerning the administration of loans." As to the one loan mentioned and your Recommendation that the University reimburse the HPSL fund $7,354, we are in accordance with your findings and will reimburse the fund.

As to the Recommendation "that the University reimburse, the HPSL fund $17,354 for a loan inappropriately used to reduce a non medical school loan," our position is as follows:

We are gratified that, with the exception of one instance, the audit found the School's awarding of Primary Care Loans (PCL) and tracking of recipients' training/practice activities to be in full compliance with federal legislation and regulations. The School does acknowledge that a portion ($17,354) of one 'Super PCL' was used to repay a private loan incurred by a student while she was enrolled in a Master of Public Health degree program.

As the student received the M.P.H. degree at Boston University Medical Center immediately preceding her entrance into the M.D. program; as she began to take courses towards her M.D. degree while registered as an M.P.H. student; and as School of Public Health academic programs fall under the umbrella of the School of Medicine at Boston

University, it was our judgement that this action was in compliance with federal regulations.

We do acknowledge, however, that the student was registered exclusively in the M.P.H. program during the time she received the private loan in question, and we recognize that our interpretation of the regulations in this case differ from yours.

We do believe, however, that in this case we acted in good faith, and were making every effort to provide the greatest benefit to the student within the scope of federal law. The private loan in question was significantly more expensive than loans the student incurred during the last four years of her Boston Medical Center career, and the lender of this loan was at the time demanding payments which the borrower could not reasonably make. In our final analysis, we feel that our action benefited the student substantially and was well within the spirit and intention of the PCL program. However, we do accept responsibility for our particular interpretation of regulations and will reimburse our HPSL account in the amount of $17,534, if you still require, after reading this response.

As to the Recommendations that the University reimburse the HPSL fund $40,170 "for loans not referred to HRSA for write off approval..."our position is as follows:

"Two loans exceeding the ten year period, totaling $12,541.00 should be bought back." Please be advised that this has already occurred. One loan was bought back in December, 1997 and the other loan bought back in conjunction with FY98 year-end.

"One loan in bankruptcy totaling $5,592.00 should be bought back" This loan was listed as a pending Chapter 13 bankruptcy and in conjunction with that procedure it was paid in full through the final disposition of said bankruptcy in July, 1997.

"Ten loans retired through bankruptcy totaling $22,037.00 should be bought back." Nine of the loans in question, totaling $16,122.98 were discharged to bankruptcy over ten years ago. There are no folders in storage and according to HPSL regulation 57215(b), (c) we are required to retain repayment records for five years after a loan has been retired. Therefore, there were no records to indicate whether or not these loans were submitted to HHS for write-off approval. Because we are not required to hold such records beyond the five year period and due to the fact that we are and have been aware of the write-off request requirement, we believe that there is reason to doubt the above conclusion.

The last loan, totaling $5,914.00 was not submitted because it is the belief of our attorneys that the full amount of the bankruptcy would be recovered from the debtor, though, to date, several promises regarding additional payment have been broken. Therefore, we agree that this loan should be bought back and any future payments will reimburse the funds from which this buyback occurs.

We look forward to your reply..

Cordially,

Charles Terrell
Associate Dean for Student Affairs
Boston University Medical Center

cc: Kathy-Ann Carter, Associate Director, Office of Student Financial Management, BUMC
Aram V. Chobanian, Provost, Boston University Medical Center (BUMC)
Desh Hindle, Director, Office of Student Financial Management/Office of Residency Planning and Practice Management, BUMC
Vincent Simonelli, Director, Student Loans and Collections, Boston University
Barbara Tarnow, Executive Director, Office of Financial Assistance, Boston University
Ryan Williams, Director, Enrollment Services, Office of Financial Assistance, Boston University

Enclosures (6)