
**MOUNT SENARIO COLLEGE'S ADMINISTRATION
OF THE TITLE IV, HEA PROGRAMS FOR THE
PERIOD JULY 1, 1998, THROUGH JUNE 30, 1999**

FINAL AUDIT REPORT



**Control Number ED-OIG/A05-90052
September 2000**

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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 the 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.

MEMORANDUM

TO: Greg Woods
Chief Operating Officer
Student Financial Assistance

FROM: Lorraine Lewis

SUBJECT: FINAL AUDIT REPORT
Mount Senario College's Administration of the Title IV, HEA Programs for the Period
July 1, 1998, Through June 30, 1999 ED-OIG/A05-90052

Attached is the subject report presenting our findings and recommendations resulting from our audit of the Title IV, Higher Education Act Programs administered by Mount Senario College, Ladysmith, Wisconsin.

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

Dr. Norman L. Stewart, President
Mount Senario College
1500 College Avenue West
Ladysmith, Wisconsin 54848

Dear Dr. Stewart:

Enclosed is our final report (Control Number ED-OIG/A05-90052) entitled *Mount Senario College's Administration of the Title IV, HEA Programs for the Period July 1, 1998, Through June 30, 1999*. If you have any 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
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,

Lorraine Lewis

Enclosure

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EXECUTIVE SUMMARY

The purpose of our audit was to determine whether Mount Senario College (College) administered the Title IV, Higher Education Act (HEA) programs according to applicable regulations and the HEA during the year ended June 30, 1999. Based on the deficiencies discussed in this report, the College did not administer the Title IV, HEA programs in accordance with applicable regulations or the HEA.

The College failed to meet the financial responsibility standards when it received a going concern opinion in its fiscal year 1999 Office of Management and Budget Circular A-133 (A-133) audit report, did not make timely refunds, and did not meet all its financial obligations. For two consecutive years, the College's financial responsibility composite score was below 1.5. Based on cash flow problems and a projected loss of \$480,000 for the year ending June 30, 2000, it is unlikely that the College will be able to improve its composite score to at least 1.5 and would fail financial responsibility based on the composite score for its fiscal year ended June 30, 2000.

We noted the following problems in addition to the financial responsibility issues discussed above:

- The College was not in compliance with the requirement to return credit balances to students in a timely manner.
- The College breached its fiduciary responsibility to the Secretary by using Federal Perkins Loan (Perkins) Federal Capital Contributions for other than their intended purpose.
- The College failed to deposit its Perkins Institutional Capital Contributions in a timely manner.
- The College did not have an accounting system that complied with the requirements in the regulations.
- The College had a policy for selecting Federal Supplemental Educational Opportunity Grant (FSEOG) recipients that did not comply with the regulations.

We recommend that the Chief Operating Officer for Student Financial Assistance require that the College:

- post an irrevocable letter of credit equal to a minimum of one-half the Title IV, HEA funds received during its most recently completed fiscal year or place the school on provisional certification and require an irrevocable letter of credit equal to a minimum of ten percent of the Title IV, HEA funds received during its most recently completed fiscal year if the College can demonstrate that it is current in all its debt payments and has met all its financial obligations;¹

¹ In determining the amount of the letter of credit needed to protect the Department under the second alternative, the Department should also take into account the refund letter of credit required by the College's failure to pay refunds on a timely basis.

- pay outstanding refunds of \$12,239;
- return credit balances of \$25,403 to students;
- calculate and deposit lost interest into the Perkins Fund;
- refund Federal Pell Grant (Pell) and FSEOG overpayments totaling \$3,300 to the U.S. Department of Education (ED);
- establish an accounting system that adequately accounts for Title IV, HEA funds; and
- establish and implement policies, procedures, and controls to ensure that the deficiencies noted in this report do not recur.

We also recommend that the Chief Operating Officer for Student Financial Assistance place the College on reimbursement.

The College did not submit any comments in response to our draft report.

BACKGROUND

The College is a private, non-profit, liberal arts college with a main campus in Ladysmith, Wisconsin, and 28 off-campus locations. It was established in 1930 when Eau Claire State Teachers College conducted extension courses for the Servants of Mary (Servite Sisters). In 1952, the College became a junior college affiliated with the College of St. Scholastica. Ten years later, the Servants of Mary established the College as a four-year college. The College became a non-sectarian institution in 1972, when a plan for the reorganization of the College was adopted by the Board of Trustees, and approved by the Servants of Mary. The College offers courses of instruction leading to both Associate and Baccalaureate degrees. It is licensed by the Wisconsin Department of Public Instruction and accredited by the North Central Association of Colleges and Schools.

During the period July 1, 1998, through June 30, 1999, the College participated in the Perkins, Federal Work Study (FWS), FSEOG, Federal Family Education Loan (FFEL), and Pell programs. The College's Fiscal Operations Report and Application to Participate indicated students received Title IV, HEA funds of \$1,090,631, consisting of Perkins totaling \$116,400, FWS totaling \$117,605, FSEOG totaling \$103,393, and Pell totaling \$753,233. According to the College's Fiscal Year 1999 A-133 audit report, the College received FFEL loans totaling \$2,544,320. Title IV of the HEA of 1965, as amended, authorizes these programs, and 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 668), and the institution must comply with the Institutional Eligibility regulations (34 CFR 600) to participate in these programs. All regulatory citations in the report are to the codification revised as of July 1, 1998.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether the College administered the Title IV, HEA programs according to applicable regulations and the HEA during the year ended June 30, 1999. We evaluated (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. Based on our work, we extended the audit period to include a review of documents before and after the year ended June 30, 1999.

To meet our objective, we reviewed state and accrediting agency documents; completion statistics; employee allegations; organizational charts; student budgets; College catalogs; various accounting and administrative records; the 1996, 1997, 1998 and 1999 A-133 audit reports; and working papers supporting the 1998 and 1999 A-133 audit reports. In addition, we reviewed files for (1) all 116 students who had outstanding credit balances as of January 4, 2000; (2) 70 randomly selected students from a universe of 424 on-campus Title IV, HEA recipients; (3) 50 randomly selected students from a universe of 141 off-campus Title IV, HEA

recipients; (4) all 27 students who had a zero grade point average for the Fall 1998 and Spring 1999 semesters and still received Title IV, HEA funds; (5) all 18 students the College identified as having withdrawn during the 1998-99 award year; (6) 13 judgmentally selected students who received FWS funds; and (7) 2 students judgmentally selected for interview. We also interviewed various College officials, the College's independent A-133 auditor, and ED personnel.

We extensively relied on computer-processed data contained in the College's computer based accounting system. The results of our data tests showed the system could not provide all requested data and contained conflicting data which casts doubt on the data's validity. However, when these data are reviewed in context with other available evidence, we believe the opinions, conclusions, and recommendations in this report are valid.

We conducted our on-site field work at the College's administrative offices in Ladysmith, Wisconsin from August 9, 1999, through January 14, 2000. We also visited seven of the College's off-campus locations during the week of November 29 through December 3, 1999. We performed our audit in accordance with government auditing standards appropriate to the scope of audit described above.

AUDIT RESULTS

The purpose of our audit was to determine whether the College administered the Title IV, HEA programs according to applicable regulations and the HEA during the year ended June 30, 1999. Based on the deficiencies discussed in this report, the College did not administer the Title IV, HEA programs in accordance with applicable regulations or the HEA.

FINDING 1-THE COLLEGE FAILED TO MEET THE FINANCIAL RESPONSIBILITY STANDARDS

The College's independent auditor issued a going concern opinion. In the College's fiscal year 1999 A-133 audit report, the College's independent auditor questioned the College's ability to continue as a going concern. The auditor based the opinion on several deficiencies included in the report. The auditor also projected the College would lose \$480,000 for the fiscal year ending June 30, 2000. According to 34 CFR 668.171(d)(1), the Secretary does not consider an institution to be financially responsible if, in its audited financial statements, the auditor expressed doubt about the continued existence of the institution as a going concern.

Refunds not paid timely. The College's A-133 audit reports disclosed that the College had a problem paying refunds timely for several years. According to 34 CFR 668.22(h)(iv) and 34 CFR 682.607(c)(1), an institution must pay Perkins, FSEOG, and Pell refunds within 30 days of specified refund dates and FFEL refunds within 60 days of specified refund dates. For the years ended June 30, 1996, 1997, 1998, and 1999, the independent auditor reported that the College did not pay refunds timely to lenders for 6 of 12 (50 percent), 7 of 21 (33.3 percent), 7 of 20 (35 percent), and 9 of 13 (69.2 percent) students, respectively, selected for refund

testing. In addition, in the 1997 report, the auditor disclosed that the College did not pay refunds to lenders for 2 of the 21 (9.5 percent) students selected for refund testing.

During our review of files for 122 students who received Title IV, HEA funds during the year ended June 30, 1999, we found the College did not pay refunds timely for 13 of 14 (93 percent) students selected for refund testing. In addition, we identified 4 students for whom the College did not pay refunds to lenders totaling \$4,843. Although the students' detailed student statements indicated the College made the refunds on December 10, 1998, January 13, 1999, and June 21, 1999 (2 refunds), it could not provide us canceled checks. We also identified 4 students for whom the College should have prepared refund calculations but did not. After we informed the College, it made the refund calculations and determined 3 of the students were owed refunds totaling \$7,396. The College provided no evidence that it paid the calculated refunds.

Failure to make timely refunds is a violation of 34 CFR 668.173. As a consequence of this violation, the Secretary requires an institution to post an irrevocable letter of credit equal to 25 percent of the refunds it made or should have made in the most recently completed fiscal year.

The College has not been meeting its obligation to pay outstanding liabilities. According to 34 CFR 668.171(a)(3), an institution must meet all its financial obligations. In the A-133 audit report for the fiscal year ended June 30, 1999, the independent auditor disclosed that the College did not make timely payments of payroll taxes withheld from employees. The College's legal firm, in a letter to the independent audit firm, indicated the Internal Revenue Service was seeking unpaid taxes of \$19,843 and penalties and interest of \$108,289 as of October 20, 1999. According to the auditor, the College did not make the tax payments because it needed the money to pay utilities, payroll, and other critical items deemed necessary for the College to remain functional. The independent auditor also reported that the College had not remitted four months of retirement contributions totaling \$16,301 to the pension fund. These amounts include both deductions from the employees, as well as the College's matching contribution.

During our audit, we found that the College was not meeting other financial obligations. It had not paid bills from its law firm (\$21,388) or a local hotel (\$456), and had not paid the current installment on a long-term loan from a foundation (\$15,000). In addition, the College waited over a year to pay a vendor for a \$2,708 computer to be used on a Federal grant project even though it drew down the Federal funds.

The College is in the zone alternative for financial responsibility. According to 34 CFR 668.171, an institution's equity, primary reserve, and net income ratios must yield a composite score of at least 1.5. For schools with a composite score below 1.5, the regulations provide an alternative under which they can be considered financially responsible. Under 34 CFR 668.175, an institution with a composite score from 1.0 to 1.4 can continue to participate in the Title IV, HEA programs as a financially responsible institution under the zone alternative for three consecutive years. At the end of the third year, an institution's composite score must

be at least 1.5. The College's independent auditor reported composite scores of 1.1 and 1.0 for fiscal years 1998 and 1999, respectively. Based on the fiscal condition of the College and the independent auditor's projection of a loss of \$480,000, it appears unlikely that the College will be able to raise the composite score to 1.5 at the end of its fiscal year 2000. If the College is unable to raise its composite score to at least 1.5, it will continue to fail to meet the financial responsibility standards for participation in the Title IV, HEA programs.

Recommendations

We recommend that the Chief Operating Officer for Student Financial Assistance require that the College:

- 1.1 post an irrevocable letter of credit equal to a minimum of one-half of the Title IV, HEA funds received during its most recently completed fiscal year or place the school on provisional certification and require an irrevocable letter of credit equal to a minimum of ten percent of the Title IV, HEA funds received during its most recently completed fiscal year if the College can demonstrate that it is current in all its debt payments and has met all its financial obligations;²
- 1.2 pay outstanding refunds of \$12,239;
- 1.3 meet its financial obligations; and
- 1.4 establish policies, procedures, and controls to ensure it calculates refunds and pays them timely.

We also recommend that the Chief Operating Officer

- 1.5 place the College on reimbursement.

FINDING 2-CREDIT BALANCES NOT PAID TO STUDENTS TIMELY

The College did not pay credit balances to students timely. According to 34 CFR 668.164(e), when the total amount of all Title IV, HEA program funds credited to a student's account exceeds the amount of tuition and fees, room and board, and other authorized charges, the institution must pay the student or parent the resulting credit balance no later than 14 days after the credit balance occurred or 14 days after the first day of class if the credit balance occurred on or before the first day of class. The College provided us a January 4, 2000, credit balance report listing 116 students who had outstanding credit balances. We reviewed the report and found 90 (78 percent) students with credit balances totaling \$25,403 that had been outstanding from 15 to 202 days, with an average of 89 days. According to 34 CFR 668.165(b)(iii), if an institution gets written authorization, it can hold credit balances on behalf of students instead of disbursing them to the students. We were told that the College did not obtain written authorizations to hold the credit balances.

² In determining the amount of the letter of credit needed to protect the Department under the second alternative, the department should also take into account the refund letter of credit required by the College's failure to pay refunds on a timely basis.

Recommendations

We recommend that the Chief Operating Officer for Student Financial Assistance require that the College:

- 2.1 pay credit balances of \$25,403 to students; and
- 2.2 establish policies, procedures, and controls to ensure that it pays credit balances to students timely.

FINDING 3-PERKINS FEDERAL CAPITAL CONTRIBUTIONS NOT USED FOR THEIR INTENDED PURPOSES AND INSTITUTIONAL CAPITAL CONTRIBUTION NOT MADE TIMELY

The College drew down \$44,767 of Perkins Federal Capital Contributions that it did not use to make loans. According to 34 CFR 674.18(a), an institution shall deposit the funds it receives under the Perkins program into the Perkins Fund. Instead, the College deposited the Perkins funds into its Federal account, and then transferred the Perkins funds to various operating accounts to pay operating expenses. According to 34 CFR 668.161(b), Title IV, HEA funds are held in trust for the intended student beneficiaries; an institution may not use or hypothecate Title IV, HEA funds for any other purpose. By using the funds for operating expenses the College breached its fiduciary responsibility required by 34 CFR 668.82 (a) & (b)(1) and 34 CFR 668.163(e). Later, it paid the money back by making three transfers totaling \$33,575 from operating accounts to the Perkins Fund and one transfer of \$11,192 from an operating account to FSEOG (in essence, transferring this amount from Perkins to FSEOG without going through the Perkins account). In effect, the College used Perkins funds for short-term, interest free loans.

The College drew down the \$44,767 of Perkins funds in December 1998 (two requests) and March, May, and early June 1999 (one request each month), but did not deposit any Institutional Capital Contribution at the time of the draw downs. Instead, it waited until June 30, 1999, and made one lump sum deposit. According to 34 CFR 674.19(c), an institution is required to deposit its Institutional Capital Contribution into the Perkins Fund prior to or at the same time it deposits any Federal Capital Contribution. The College's Perkins fund would have earned additional interest had the matching contribution been made timely.

Recommendations

We recommend that the Chief Operating Officer for Student Financial Assistance require that the College:

- 3.1 calculate and deposit lost interest into the Perkins Fund; and
- 3.2 establish policies, procedures, and controls to ensure that it uses funds for their intended purposes and deposits Institutional Capital Contribution timely.

FINDING 4-ACCOUNTING SYSTEM WAS INADEQUATE

The College's accounting system was inadequate to properly account for Title IV, HEA funds. According to 34 CFR 668.24 (b)(2), an institution is required to establish and maintain, on a current basis, financial records that reflect each Title IV, HEA program transaction, and general ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity. The College's accounting system did not comply with the regulation because it did not reflect each Title IV, HEA transaction and did not include general ledger control accounts or related subsidiary accounts for Title IV, HEA funds. As a result, the system did not provide the data needed to properly administer the Title IV, HEA programs and adequately account for Federal funds. Specific accounting deficiencies we identified were:

1. The accounting system software, using a procedure called "balance roll forwards," summarized a student's financial transactions posted during a term into a single transaction year-end date. The College then purged the individual transactions from the system, thereby losing detailed accounting information. Before the "balance roll forwards" procedure took place, the College printed each student's detailed statement. It was supposed to place the print-outs in the students' files. However, during our file review, we found 4 of 122 files did not include the statements. In the 1999 audit report, the independent auditor reported the detailed statements for 2 of 26 students tested were missing.
2. The College could not document that it returned to the Federal account overpayments totaling \$3,300 it made to three students. The accounting records showed that one student received three \$1,500 Pell disbursements instead of two, one received two \$1,500 Pell disbursements instead of one, and the third student received three \$300 FSEOG disbursements instead of two. According to the College's Chief Financial Officer, the accounting records were incorrect. He said that the extra disbursements had been returned, but the accounting records did not reflect the return because of incorrect coding.
3. The College could not provide us detailed Perkins, FSEOG, and Pell disbursement information for June 1999. The independent auditor reported that loan detail information for June 1999 was unavailable. According to the College's Chief Financial Officer, the information was not available because of problems with the accounting system software.

4. Based on our review of 122 student files, we found instances where data in various accounting records did not always agree, were not always accurate, and were not always supported. For example, we found three instances where disbursements recorded on detailed student statements and included in monthly disbursement and refund reconciliation statements did not agree with disbursements included on the student award master list. In addition, we found four instances where outstanding balances on students' detailed student statements were not correct based on the detailed transactions included on the statements. Although detailed student statements showed the College made required refunds, we found four instances where the College could not provide supporting documents, such as canceled checks, to verify it actually made the refunds.
5. The College operated its own work study program in addition to the FWS program. It used a single payroll account to pay Federal and institutional work-study recipients. The underlying records did not specify which program the students were working in. As a result, the accounting system did not provide a clear audit trail of FWS recipients and how much they received.
6. Within specified parameters, the regulations allow institutions to transfer funds between Title IV, HEA programs. We were told the College transferred funds from Perkins to FSEOG, which is an allowable use of Perkins funds. However, the accounting records did not provide an audit trail so we could verify the assertion.
7. In the 1999 A-133 audit report, the independent auditor disclosed that the general ledger computer system had several shortcomings. It could not generate financial statements, a working trial balance, or accounts payable information for a given date once the date had passed. Accounts payable testing for the fiscal year actually was based on data for the day the auditor selected the sample, not the last day of the year.

Recommendations

We recommend that the Chief Operating Officer for Student Financial Assistance require that the College:

- 4.1 establish an accounting system that adequately accounts for Title IV, HEA funds; and
- 4.2 return \$3,000 of Pell and \$300 of FSEOG to ED.

FINDING 5-POLICY FOR SELECTING FSEOG RECIPIENTS DID NOT COMPLY WITH THE REGULATIONS

The College's policy for determining FSEOG awards did not comply with the regulations. According to 34 CFR 676.10(a)(1), when an institution is selecting among eligible students for FSEOG awards, the institution must select those students with the lowest expected family contribution who will also receive Pell. The College did not follow this guidance. Its policy at the time of our audit excluded an entire category of students, the off-campus students, from being considered for FSEOG awards. Our file review verified this exclusion. We found that none of 50 randomly selected off-campus students received FSEOG awards. This number included 8 Pell recipients who had zero expected family contributions, 6 of whom had unmet need after all aid was awarded.

The College's policy was further flawed regarding the categories of on-campus students to be considered for FSEOG awards. The policy established three categories of on-campus students: (1) dependent student with an expected family contribution less than 1,000, (2) single independent student with an expected family contribution less than 1,300, and (3) married independent student or single independent student with a child with an expected family contribution less than 200. As written, this policy excludes married independent students or single independent students with child(ren) who have lower expected family contributions than dependent students who receive consideration for FSEOG. Schools are allowed to create categories for awarding FSEOG, and, in certain circumstances, a student with a higher expected family contribution may receive FSEOG while a student with a lower expected family contribution may not. However, the regulations do not allow a school to create a category that will always exclude certain groups of students from being considered for FSEOG.

Our file review of on-campus students disclosed that the end result of the College's selection process did not always meet the requirements of the regulations. We found that 5 Pell recipients out of 70 randomly selected on-campus students did not receive FSEOG even though each one had a zero expected family contribution and unmet need after all aid was awarded. At the same time, 9 students with expected family contributions greater than zero received FSEOG funds.

According to the College's Financial Aid Director, the College gave priority for FSEOG awards to on-campus students because they pay higher tuition per credit hour, and the typical off-campus student works full-time and attends school part-time. According to its response to our finding point sheet, the College's policy now has six categories, three for on-campus students and three for off-campus students. However, the College did not provide a copy of this policy and did not provide documentation to support that it had started making FSEOG awards to off-campus students.

Recommendation

We recommend that the Chief Operating Officer for Student Financial Assistance require that the College:

- 5.1 establish and implement policies, procedures, and controls to ensure that it awards FSEOG in a manner that complies with the regulations.

OTHER MATTERS

STUDENTS WORKED FWS JOBS DURING SCHEDULED CLASS HOURS

FWS time sheets sometimes showed students worked during scheduled class hours. We judgmentally selected for review 13 students who received FWS funds for the year ended June 30, 1999, and found that 11, or 85 percent, submitted time sheets that reported they worked during scheduled class hours.

According to 34 CFR 675.1(a), FWS funds are intended to help students meet the cost of attending postsecondary education. However, it appears that students may be cutting class to earn these funds. Cutting class to work appears to be contrary to the purpose of the FWS program.

The College's Work-Study Handbook included a statement that students may not work during scheduled class time. However, the College did not ensure that the control was followed. In response to our finding point sheet, the College stated the supervisor is responsible for checking the time cards to be sure students are not working during class time.

The College should establish and implement controls to ensure that supervisors review time cards to ensure students do not work during scheduled classes.

LOAN COUNSELING NOT ALWAYS DOCUMENTED

Contrary to the regulations, the College could not always document that it performed initial entrance and exit counseling for FFEL recipients. According to 34 CFR 682.604(f)&(g), a school shall conduct initial counseling with each borrower prior to releasing the first disbursement unless the borrower has received a prior loan, and shall conduct exit counseling with each borrower shortly before the borrower ceases at least half-time study at the school. If a borrower withdraws without the school's prior knowledge, or fails to attend an exit counseling session as scheduled, the school shall mail written counseling material to the borrower. We reviewed files for 100 FFEL recipients and found 3 did not document initial entrance counseling and 13 did not document exit counseling.

We believe the College's failure to document some initial and exit counseling occurred because it does not have written policies and procedures for loan counseling. In response to a finding

point sheet, a College official stated the College does not certify new loans until initial counseling documentation is in the student file, and they send an information packet via certified mail to students who do not attend an exit counseling session. However, the response did not include documentation to support that the College has established this policy.

The College should establish and implement written policies and procedures for documenting loan counseling.

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 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.

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, we identified several material weaknesses that adversely affected the College's ability to administer the Title IV, HEA programs. These material weaknesses are discussed in the AUDIT RESULTS section of this report.

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