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Student Financial Aid (SFA) Cluster Presentation

With a focus on the following federal programs:

AL #84.007 Federal Supplemental Educational Opportunity Grants (FSEOG)

AL #84.033 Federal Work-Study Program

AL #84.063 Federal Pell Grant Program (Title IV Program)

Contact Us

Matt Laughlin, CPA
Principal

matt.laughlin@bradymartz.com
401 Demers Ave., Ste. 300
Grand Forks, ND 58201
(701) 775-4685

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Learning Objectives

1. To gain an understanding of federal requirements and how an auditor may test each requirement related the following programs:
    - Federal Supplemental Educational Opportunity Grants – AL #84.007
    - Federal Work-Study Program – AL #84.033
    - Federal Pell Grant Program – AL #84.063
2. To review the top ten school program review findings in the federal student aid program, provided by the Department of Education.

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While this presentation is an overview of specific federal programs and their respective compliance requirements within the SFA Cluster, each requirement also requires an auditor to test an internal control. Each internal control test would be tailored for each direct and material compliance requirement. Examples of internal controls are the following:

- Any report prepared by staff would be required to be *reviewed and approved by somebody else before being submitted or finalized.*
- Any type of calculation would be required to be *reviewed and approved before any eligible student is awarded financial assistance.*
- Any type of eligibility determination would be *reviewed and approved by somebody other than the person who did all the paperwork.*
- Approvals should be in the form of signatures/initials on the form or some other type of "paper trail" method that can be documented and proved that the internal control was performed. Verbal approval communication is an internal control, but not as strong as a signature/initials or an email correspondence of approval.
- The key item to note above is the separation of the work being done by one person and the review and approval is being done by another person. Furthermore, the review and approval is done before any type of submissions to ensure compliance with the original submission. Review and approval after a form has been submitted, and errors found, would not be an internal control since it was submitted in error and would result in a finding.

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Acronyms

Acronyms

ATM = Automated Teller Machine

COD = Common Origination and Disbursement system

ED = Department of Education

EFT = Electronic Funds Transfer

FASA = Free Application for Federal Aid

FSEOG = Federal Supplemental Educational Opportunity Grants

FWS = Federal Work Study

FPS = FASA Processing System

HCM = Heightened Cash Monitoring

HEA = Higher Education Act

IHE = Institution of Higher Education

ISIR = Institutional Student Information Records

JLD = Job Location and Development

NSLDS = National Student Loan Data System

OPM = Online Program Manager

PEP = Prison Education Program

URL = Uniform Resource Locator

SAP = Satisfactory Academic Progress

SFA = Student Financial Aid

SAI = Student Aid Index

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SFA Program Objective:

To provide financial assistance to eligible students attending eligible institutions of postsecondary education.

SFA Program Procedures:

- Responsibilities of the Institution:
- Determining student eligibility
- Verifying student date (when required)
- Calculating, as required, the amount of financial aid a student can receive
- Drawing funds from the federal government and disbursing SFA funds to students directly or by crediting students' accounts
- Making borrowers award of loan repayment responsibilities
- Submitting, as requested, data on borrowers listed on the National Student Loan Data System (NSLDS) roster.
- Returning funds to students and Title IV programs, as appropriate, if students withdraw, drop out, or are expelled from their program of study.
- Collecting SFA overpayments.
- Establishing, maintaining, and managing (including collecting loan repayments) a revolving loan fund for applicable programs.
- Reporting the use of funds.

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Federal Supplemental Educational Opportunity Grants (FSEOG) – AL #84.004

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Pell recipients who have the lowest SAI. Federal funds are matched with institutional funds. Title III and Title V institutions may obtain a waiver of the matching requirement under 34 CFR 676.21(b) of the FSEOG regulations.

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Federal Work-Study (FWS)– AL #84.033

The FWS program provides part-time employment to eligible undergraduate and graduate students who need earnings to help meet the costs of postsecondary education. This program also authorizes the establishment of the Job Location and Development program, the purpose of which is to expand off-campus part-time or full-time employment opportunities for all students, regardless of their financial need, who are enrolled in eligible institutions and to encourage students to participate in community service activities. Institutions that participate in the FWS program may also use their funds for the Work-Colleges program, whose purpose is to recognize, encourage, and promote the use of comprehensive work-learning programs as a valuable educational approach when it is an integral part of the institution's educational program and a part of a financial plan that decreases reliance on grants and loans and to encourage students to participate in community service activities.

Federal Pell Grant – AL #84.063

The Federal Pell Grant program provides grants to eligible students enrolled in eligible undergraduate programs and certain eligible post-baccalaureate teacher certificate programs and is intended to provide a foundation of financial aid. The program is administered by ED and postsecondary educational institutions. Maximum and minimum Pell Grant awards are established by statute, but the amount for which each student is eligible is based on Maximum or Minimum Pell Grant eligibility criteria or the student's SAI. ED provides funds to the institution based on actual and estimated Pell expenditures.

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2025 Compliance Supplement – "Matrix of Compliance Requirements"

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipemnt and Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y (HHS) N (ED)	N	Y	Y	N	N	N	N	N	Y	N	Y

<u>Legend</u>
Y = Direct and Material
N = Not Direct and Material
HHS = Department of Health and Human Services (AL #93.XXX)
ED - Department of Education (AL #84.XXX)

A: Activities Allowed or Unallowed

Compliance Requirement

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Compliance Requirement – A: Activities Allowed or Unallowed

Not direct and material for this presentation since our focus is only on Department of Education programs.

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B: Allowable Costs/ Costs Principles

Compliance Requirement

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Compliance Requirement – B: Allowable Costs/Costs Principles

Per the Matrix of Compliance Requirements, not direct and material.

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C: Cash Management

Compliance Requirement

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Compliance Requirement – C: Cash Management

Per the Matrix of Compliance Requirements, direct and material.

An institution requests funds from ED under the advance, reimbursement, or heightened cash monitoring payment methods. An institution's Program Participation Agreement will indicate whether the institution has been placed on the reimbursement or heightened cash monitoring payment method. An institution could have had more than one Program Participation Agreement during a given payment period in that it could have been placed on or taken off of the reimbursement or heightened cash monitoring payment method at any point during the fiscal year. Many institutions on the Advance method of payment elect to post Title IV disbursements prior to drawing funds from the G5 system.

G5 is the system through which institutions request and return Title IV funds. The G5 External Award Activity Report is a statement for an institution's G5 awards that displays both cumulative and detailed information on drawdown activity, refunds, adjustments, available balances, and authorization changes for each award.

Compliance with this requirement would require an institution to minimize time between funds transfer and disbursement, a disbursement of funds occurs on the date the institution credits a student's account or pays a student or parent directly with either Title IV funds or institutional funds used in advance of drawing down federal funds.

Compliance Requirement – C: Cash Management

Advance Payment Method:

This is the method used when an institution submits a drawdown request for funds utilizing ED's electronic grants management system, known as G5, that may not exceed the amount of funds needed to make immediate disbursements to eligible students and parents. If the request is accepted, ED initiates an electronic funds transfer to the institution's account. The institution must then disburse the requested funds no later than three business days following receipt of those funds from ED.

For institutions on the Advance Payment Method, any amount of Title IV funds not disbursed to recipients by the end of the third business day is considered excess cash. ED allows an institution to retain, for up to seven days, excess cash that does not exceed one percent of the total amount of funds drawn by the institution in the prior award year. The institution must return to ED any excess cash over the tolerable amount (one percent) and any amount remaining after the tolerance period (seven days). Questioned costs would be those in excess of the one percent threshold.

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Compliance Requirement – C: Cash Management

Heightened Cash Monitoring (HCM) Methods:

This is the method used when an institution must credit a student's account for the amount of Title IV funds the student is eligible to receive and pay the amount of any credit balance due before the institution submits a request for funds or seeks reimbursement. In other words, the "costs" that must be paid prior to a request for funds (HCM1) or a reimbursement (HCM2) are the amounts of the eligible disbursement and any credit balance. An institution's request may not exceed the amount of the disbursements the institution made to the students included in that request. While HCM is an ED prescribed payment method, for purposes of testing in using Part 3 of the Compliance Supplement, it would fall generally under the Reimbursement Payment method since the school must disburse funds before ED makes a payment.

- HCM 1 Payment Method: After making a disbursement to eligible students from institutional funds and submitting disbursement records to the Common Origination and Disbursement (COD) system, the institution draws down funds to cover those disbursements through G5 the same way as an institution on the Advance Payment Method.
- HCM2 Payment Method: After making disbursements to eligible students from institutional funds, a reimbursement payment request must be submitted for those funds the same way as an institution on the Reimbursement Payment Method (see Reimbursement Payment Method below). HCM2 differs from Reimbursement only to the extent that ED may modify the documentation required and the review procedures used to review the payment request.

Compliance Requirement – C: Cash Management

Reimbursement Payment Method:

This is the method used when an institution must credit a student's account for the amount of Title IV funds the student is eligible to receive and pay the amount of any credit balances due before the institution seeks reimbursement from ED for those disbursements. The reimbursement request must include supporting documentation for the disbursements. After the reimbursement request is approved, ED initiates an electronic funds transfer to the institution's account.

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E: Eligibility

Compliance Requirement

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Compliance Requirement – E: Eligibility

Overview: In the process of a student applying for ED federal financial aid, an Institutional Student Information Record (ISIR) is sent electronically to the institution and a FAFSA Submission Summary, or information on how to access the FAFSA Submission Summary, is sent to the student. The original ISIR or FAFSA Submission Summary for an award year may contain codes that relate to student eligibility requirements:

See 2024–25 FAFSA® Specifications Guide, Volume 7 – Comment Codes for the breakdown of codes.

If the original ISIR or FAFSA Submission Summary does not contain codes relating to those eligibility requirements, and the institution has no information indicating otherwise, the student can be considered to have met them.

Note: The ISIR Guide changes annually and should be obtained and reviewed at least on an annual basis.

Calculation of Benefits: The determination of need-based SFA award amounts is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the student's student aid index (SAI) (as computed by the FAFSA processing system (FPS) and included on the student's FAFSA Submission Summary/ISIR). An SAI less than 0 (can be as low as -1500) should be treated as a 0 in the need formula. Once a student is awarded any financial aid, to find remaining financial need one would use the following formula – COA minus SAI minus Other Financial Assistance (OFA) (§ 668.2) = remaining need. To avoid overpayments, need-based SFA awards, in general, cannot exceed the student's overall financial need. However, there are some circumstances where a student may be awarded a Pell Grant that exceeds their financial need.

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Compliance Requirement – E: Eligibility

These circumstances are as follows:

- Students eligible for a Pell Grant under the Minimum Pell Grant eligibility criteria (HEA Sec. 401(b)(1)(C)) may receive the Min Pell Grant amount, even if that amount exceeds the student's financial need.
- Students eligible for a Pell Grant under the Special Rule (HEA Sec. 401(c)) may receive the Max Pell Grant amount, regardless of financial need or calculated SAI.

Note: students receiving a Pell Grant under one of these specific circumstances may not receive any other need-based SFA award.

Non need-based SFA awards are not limited to financial need but cannot exceed the student's COA. To determine non need-based awards (unsubsidized aid), use the following formula – cost of attendance minus other financial assistance.

An institution may (1) exclude from both other financial assistance and the COA, financial assistance provided by a state if that assistance is designated by the state to offset a specific component of the COA; and (2) include a limited allowance for food and housing in a student's COA for students who are less than halftime students. In this context, a limited allowance for food and housing is an allowance for up to three semesters (or equivalent), with no more than two of the semesters being consecutive at any one institution.

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Compliance Requirement – E: Eligibility

For Title IV programs, the COA is generally the sum of the following: tuition and fees; an allowance for books, course materials, supplies, equipment, transportation, and miscellaneous personal expenses; an allowance for food and housing; when applicable, allowances for costs for dependent care; cost of obtaining a license, certification, or a first professional credential; costs associated with study abroad and cooperative education; costs related to disabilities; and fees charged for Federal student loans. There are exceptions for students attending less than halftime, correspondence students, and incarcerated students. The financial aid administrator also has authority to use professional judgment to adjust the COA or alter the data elements used to calculate the SAI on a case-by-case basis to allow for special circumstances.

A crossover payment period is one that includes both June 30 and July 1 overlapping two award years. If a student enrolls in a crossover payment period, the institution must consider the crossover payment period to occur entirely within one award year and must have a valid FAFSA Submission Summary or valid ISIR for the selected award year. The choice of which award year the institution assigns to a crossover payment period ("header" or "trailer") must be outlined in the institution's Pell Grant crossover payment period policy and can be made on a student-by-student basis. The crossover payment period may be assigned to a different award year for Pell Grant purposes than the award year used for the student's other Title IV aid for that period.

Compliance Requirement – E: Eligibility

Specific to Federal Pell Grant AL #84.063

Each year, Congress establishes the maximum Pell Grant amount. ED will announce the maximum Pell Grant award amount for the award year, as required, when the amount is available. The minimum Pell Grant award amount will be 10% of the maximum Pell Grant award amount for the award year. Both the maximum and minimum award amounts will be rounded to the nearest $5 (see Volume 7, The Federal Pell Grant Program of the FSA Handbook for 2024-25 for guidance on Max and Min Pell Grant eligibility, Calculated Pell Grant eligibility based on SAI, selecting formulas for calculating cost of attendance, prorating costs for programs less or greater than an academic year, and determining payment periods).

Federal Pell Grant Payment and Disbursement Schedules will be retired with the 2023–24 award year. Beginning with the 2024-25 award year, each student's Scheduled Award is one of the following:

- An automatic Maximum Pell Grant Award (Max Pell)
- SAI-calculated Pell Grant, determined by subtracting the student's SAI from the annual published Max Pell
- A Minimum Pell Grant Award (Min Pell)

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Compliance Requirement – E: Eligibility

Maximum and minimum Pell Grant eligibility are determined based on the following:

- Tax filing requirements
- Family size and composition (i.e., single parent or non-single parent)
- Poverty guidelines
- State of residency

If a student qualifies for a maximum Pell Grant, the SAI is not used to determine the amount of that grant. An SAI-calculated Pell Grant is determined by subtracting the student's calculated SAI from the annual published Max Pell. If the SAI-calculated Pell Grant is less than the published minimum Pell, the student is ineligible for an SAI calculated Pell Grant. However, the student may still be eligible for a minimum Pell if they meet the minimum Pell Grant eligibility requirements. The Scheduled Award should be rounded to the nearest $5, except when such rounding would exceed the student's Pell COA or the student's remaining lifetime eligibility, which is not being able to receive more than 6 scheduled awards (12 semesters, or the equivalent) as measured by the percentage of "lifetime eligibility used" (LEU) field in COD (tracked by ED).

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Compliance Requirement – E: Eligibility

Steps to determine Pell awards that an institution must perform are as follows:

- Determine the student's enrollment intensity (enrolled credits divided by the school's definition of full-time credits). Note that for nonterm credit and clock hour programs, students are always considered to be full-time (100% enrollment intensity) for Pell Grant purposes except to the extend that fewer cost of attendance components are included in the calculation of a Pell Grant award for less than half-time students.
- Calculate the cost of attendance. This is always based on the cost for a full-time enrollment intensity for a full academic year. If the student is enrolled in a program or enrollment period that is longer or shorter than an academic year, the costs must be prorated so that they apply to one full academic year. There are two allowable proration methods. Costs can be on an actual cost-per-student basis or an average cost for groups of similar students. If the student is enrolled less than half-time, the student's COA must include any components (tuition and fees; books, course materials, supplies, and equipment; and transportation) normally applied to students who are enrolled less than half-time, along with any other components (disability expenses, etc.) that are not expressly prohibited for less than half-time students (e.g., miscellaneous personal expenses). May also include an allowance for living expenses, including food and housing costs, for up to three semesters, or the equivalent, with no more than two semesters being consecutive.
- Determine the Scheduled Award, based on the cost of attendance calculated above, Max or Min Pell eligibility criteria, and SAI.
- Determine the payment period. For term programs, standard or nonstandard, the payment period is the term.

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Compliance Requirement – E: Eligibility

Steps to determine Pell awards that an institution must perform are as follows:

- Calculate the payment for the payment periods. The calculation of the payment for the payment period may vary depending on the formula used, the length of the program compared to the academic year, and whether the institution uses an alternative calculation for students who attend summer terms or for students enrolled in correspondence courses
- Disburse funds at prescribed times

Pell Grant eligibility for dependents of certain deceased service members and public safety officers:

- The child of a parent or guardian who died in the line of duty while either (a) serving on active duty as a member of the U.S. Armed Forces on or after September 11, 2001; or (b) actively serving as and performing the duties of a public safety officer.
- Less than 33 years old as of the January 1 prior to the award year for which the applicant is applying (e.g., for the 2024–25 award year, a student must be less than 33 years old as of January 1, 2024, to be eligible).

In the situation above, eligible students will have a Scheduled Award equal to a maximum Pell Grant award, regardless of SAI or financial need. Other aid for these students will be based on their calculated SAI.

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Compliance Requirement – E: Eligibility

Pell Grants for Confined or Incarcerated Individuals:

Effective July 1, 2023, the FAFSA Simplification Act added a new HEA section 483(t)(3), which requires confined or incarcerated individuals who otherwise meet Pell Grant eligibility requirements to be enrolled in an eligible Prison Education Program (PEP) in order to receive Pell funds (Note: the law does not require a school to make changes to existing postsecondary educational programs in correctional facilities unless the school seeks to make those programs eligible for Pell Grant funds).

For a confined or incarcerated individual enrolled in an eligible PEP, a Federal Pell Grant cannot exceed the cost of attendance (as defined in section 472 of the HEA) at the institution the student attends. If an institution determines that a student’s Federal Pell Grant exceeds the cost of attendance for that year, the institution must reduce the amount of the Federal Pell Grant until the Federal Pell Grant does not exceed the cost of attendance and does not result in a Title IV credit balance. If a confined or incarcerated student’s Pell Grant, combined with any other financial assistance, exceeds the student’s cost of attendance, the financial assistance other than the Pell Grant must be reduced by the amount that the total financial assistance exceeds the student’s cost of attendance. If the student’s other financial assistance cannot be reduced (there is a statutory prohibition against reducing Veterans Administration educational grants, for example), the student’s Pell Grant must be reduced by the amount that the student’s total financial assistance exceeds the student’s cost of attendance. Effective July 1, 2023, all confined or incarcerated students must be enrolled in an eligible PEP in order to receive Pell funds.

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Compliance Requirement – E: Eligibility

Specific to FSEOG AL # 84.007 and Work-Study AL #84.063

The maximum amount that can be awarded under the campus-based programs is equal to the student's financial need (COA minus SAI) minus aid from other SFA programs and other resources. For programs of study or enrollment periods less than or greater than an academic year, the COA for campus-based aid is based on the student's actual costs for the period for which need is being analyzed, rather than being prorated to the costs for a fulltime student for a full academic year. The financial aid administrator has discretion in awarding amounts from each program, subject to certain limitations.

The FSEOG program provides grants to eligible undergraduate students who have not previously earned a bachelor's or first professional degree. Priority is given to Pell Grant recipients who have the lowest SAIs. The institution decides the amount of the grant, which can be up to $4,000 but not less than $100, for an academic year. The maximum amount may be increased to $4,400 for a student participating in a study abroad program that is approved for credit by the student's home institution.

Summary of Eligibility Testing for AL # 84.007, AL #84.033, & AL #84.063

Requirements	PELL	FWS	FSEOG
1. A regular student enrolled or accepted for enrollment in an eligible program (34 CFR 600.2, 668.32(a)(1)(i), 690.75, 675.9, 676.9, 685.200, 686.11, 20 USC 1070h; 42 CFR 57.206(a) and 57.306(a), 42 USC 293a(d)(2))[1] unless meeting an exception.	x	x	x
2. The institution has resolved all ISIR codes as applicable.	x	x	x
3. Has financial need and total awards do not exceed need (34 CFR 675.9(c), 676.9(c), 685.200(a)(2)(i), 690.63, 20 USC 1070a, 42 CFR 57.206(b) and 57.306(b); 42 USC 293a(d)(2)); 42 USC 297n-1(c)(2))	x[2]	x	x
4. Must maintain good standing, or satisfactory academic progress (34 CFRs 668.16, 668.32(f), 668.34, 690.75, 675.9, 676.9, 685.200, 686.11, 20 USC 1070h; 42 CFR 57.306; 42 USC 293a(d)(2))	x	x	x
5. Has a high school diploma, its recognized equivalent, or another indication of high school completion status, or qualifies for one of the ability-to-benefit (ATB) alternatives(34 CFR 668.32(e), 690.75, 675.9, 676.9, 685.200, 686.11, 20 USC 1070h)	x	x	x
6. Is not enrolled in either an elementary or secondary school (34 CFR 668.32(b))	x	x	x
7. For an undergraduate student, has not completed coursework for a first baccalaureate (34 CFR 668.32(c))[5]	x		x
8. An undergraduate student has received for award year, a FAFSA Submission Summary or determination of eligibility or ineligibility for a Federal Pell Grant (34 CFR 676.10, 685.200(a)(1)(iii), 690.75, 20 USC 1070h)	x		x
9. Is enrolled or accepted for enrollment as an undergraduate student at the institution (34 CFR 676.9(b), 690.75(a)(2))	x		x
10. If the student is a confined or incarcerated individual as defined in 34 CFR 600.2, is enrolled in an eligible prison education program as defined in § 668.236	x	x	x
11. If the student is not a regular student enrolled or accepted for enrollment in an eligible program (see item 1 above), the student is enrolled half-time in preparatory coursework necessary for enrollment in an eligible program for not longer than one consecutive 12-month period (34 CFR 668.32(a)(1)(ii)), 685.203(a)(6)			

Requirements	PELL	FWS	FSEOG
12. If the student is not a regular student enrolled or accepted for enrollment in an eligible program (see item 1 above), the student is enrolled or accepted for enrollment as at least a half-time student (except for TEACH) at an eligible institution in a program necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state (34 CFR 668.32(a)(1)(iii))	x	x	
13. Is an undergraduate student enrolled or accepted for enrollment at the institution (34 CFR 668.32(a), 675.9(b), and 685.101(b))	x	x	x
14. Is a graduate or professional student enrolled or accepted for enrollment at the institution (34 CFR 668.32(a), 675.9(b), and 685.101(b))		x	
15. Is enrolled or accepted for enrollment, on at least a half-time basis in an institution that participates in the Direct Loan Program (34 CFR 668.32(a)(2), 685.200(a)(1)(i))			
16. Parents can receive a PLUS loan if the parent does not have an adverse credit history and conditions in items 2, 4, 5, 10, and 14 above are met by the parent and the student otherwise meets all student eligibility requirements (34 CFR 668.32 and 685.200(c)(2))			
17. Students met FSEOG selection criteria (34 CFR 676.10)			x
18. Has signed a TEACH Grant agreement to serve or repay (34 CFR 686.11(a)(1)(ii) and 668.12)			
19. Is enrolled in a TEACH Grant-eligible institution in a TEACH Grant-eligible program (34 CFR 686.11(a)(1)(iii))			
20. Is completing coursework and other requirements necessary to begin a career in teaching or plans to complete such coursework and requirements prior to graduating (34 CFR 686.11(a)(1)(iv))			
21. For the purposes of a student in a first post-baccalaureate program, has not completed the requirements for a post-baccalaureate program as described in 34 CFR 686.2(d) (34 CFR 668.32(c)(4)(ii))			
22. If in the first year of an undergraduate program, the student has a final cumulative secondary school GPA upon graduation of at least a 3.25; a cumulative GPA of at least 3.25 based on courses taken at the institution through the most-recently completed payment period; or a score above the 75th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate admissions test, which may not include a placement test (34 CFR 686.11(a)(1)(v)(A) and (E))			

Requirements	PELL	FWS	FSEOG
23. If beyond the first year of an undergraduate program, the student has a cumulative GPA of at least 3.25 as determined by the institution, through the most recently completed payment period; or a score above the 75th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate, admissions test, which may not include a placement test (34 CFR 686.11(a)(1)(v)(B) and (E))			
24. If the student is a graduate student during the first payment period, a cumulative undergraduate GPA of at least 3.25; if the student is a graduate student beyond the first payment period, a cumulative graduate GPA of at least 3.25 through the most-recently completed payment period; or a score above the 75th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate, graduate, or post-baccalaureate admissions test, which may not include a placement test (34 CFR 686.11(a)(1)(v)(C), (D), and (E))			
25. If the student is a current or former teacher or a retiree, the student is applying for a grant to obtain a master's degree or pursuing certification through a high-quality alternative certification route (34 CFR 686.11(b)(2))			
26. The student who received a Pell Grant under the Special Rule (HEA Sec. 401(c)) is eligible if he or she was the child or a parent or guardian who died in the line of duty while either (a) serving on active duty as a member of the U.S. Armed Forces on or after September 11, 2001; or (b) actively serving as and performing the duties of a public safety officer; AND was less than 33 years old as of the January 1 prior to the award year for which the applicant is applying. (20 USC 1070h)	X		

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F: Equipment & Real Property Management

Compliance Requirement

Compliance Requirement – F: Equipment & Real Property Management

Per the Matrix of Compliance Requirements, not direct and material.

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G: Matching, Level of Effort, Earmarking

Compliance Requirement

Compliance Requirement – G: Matching, Level of Effort, Earmarking

Per the Matrix of Compliance Requirements, not direct and material.

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H: Period of Performance

Compliance Requirement

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Compliance Requirement – H: Period of Performance

Per the Matrix of Compliance Requirements, not direct and material.

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I: Procurement & Suspension & Debarment

Compliance Requirement

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Compliance Requirement – I: Procurement & Suspension & Debarment

Per the Matrix of Compliance Requirements, not direct and material.

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J: Program Income

Compliance Requirement

Compliance Requirement – J: Program Income

Per the Matrix of Compliance Requirements, not direct and material.

L: Reporting

Compliance Requirement

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Compliance Requirement – L: Reporting

Federal reporting requirements are broken down into 3 categories, Financial Reporting, Performance Reporting, and Special Reporting. Below is the breakdown of each category.

Financial Reporting:

- SF-270, Request for Advance or Reimbursement – No applicable for testing purposes
- SF-271, Outlay Report and Request for Reimbursement for Construction Programs – Not applicable for testing purposes
- SF-425, Federal Financial Report – Not applicable for testing purposes
- Common Origination and Disbursement (COD) System: Required to test
    - Testing origination and disbursement data, auditors are reviewing to ensure the data ED has categorized as accepted or accepted with correction. Institutions must report student disbursement data within 15 calendar days after the institution makes a disbursement or becomes aware of the need to make an adjustment to previously reported student disbursement data or expected student disbursement data. Institutions may do this by reporting once every 15 calendar days, bi-weekly, or may set up their own system to ensure that changes are reported in a timely manner.

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Compliance Requirement – L: Reporting

- Key items auditor test on origination records to ensure compliance for the fiscal year are as follows:
  - Award amount
  - Enrollment date
  - Verification status code (when the applicant is selected for verification)
  - Transaction number
  - Cost of attendance
  - Academic start date and academic end date.
- Key items auditor test on disbursement records to ensure compliance for the fiscal year are as follows:
  - Disbursement date
  - Amount

Performance Reporting

- No reports listed in the Compliance Supplement that are applicable for auditors to test

Compliance Requirement – L: Reporting

Special Reporting:

- ED From 646-1, Fiscal Operations Report and Application to Participate (FISAP)
  - Key Line Items – The following line items contain critical information that an auditor will be testing:
    - Part II (Application), Section D, Line 7: Total number of students for schools with a traditional calendar
    - Part II (Application), Section D, Lines 9-20: Total number of students for schools with a non-traditional calendar
    - Part II (Application), Section E, Line 22: Total tuition and fees
    - Part II (Application), Section E, Line 23: Total Federal Pell Grant expenditures
    - Part II (Application), Section F, Lines 25-39: Information on eligible aid applicants
    - Part III (Perkins): Section A, Line 1.1 Cash on hand and in depository
    - Part IV (FSEOG): Section C, Lines 12-14: Funds to FSEOG recipients
    - Part V (FWS): Section C, Lines 12-14: Total compensation for FWS
- Special Reporting for Federal Funding Accountability and Transparency Act – No applicable for testing purposes

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M: Subrecipient Monitoring

Compliance Requirement

Compliance Requirement – M: Subrecipient Monitoring

Per the Matrix of Compliance Requirements, not direct and material.

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N: Special Tests & Provisions

Compliance Requirement

Compliance Requirement – N: Special Tests & Provisions

1. **Institutional Rights:**

- An institution is not an eligible institution under 34 CFR 600.7(a)(1) if in its latest complete award year:
  - More than fifty percent of the institution's courses were correspondence courses.
  - Fifty percent or more of the institution's regular enrolled students were enrolled in correspondence courses.
  - More than twenty-five percent institution's regular enrolled students were incarcerated.
  - More than fifty percent of its regular enrolled students had neither a high school diploma nor the recognized equivalent of a high school diploma, and the institution does not provide a four-year or two-year education program for which it awards a bachelor's degree or an associate degree, respectively.
- If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:
  - Obtain written representation from management that state whether the school offered correspondence courses, provided education to incarcerated students, or (if the school does not provide a four-year bachelor's or two-year associate degree) had students that had neither a high school diploma nor the recognized equivalent.
  - Once the above representation has been confirmed, test to substantiate the institution's calculation of the ratios for its latest complete award year and determine if the ratios are below the established thresholds by testing the population of regular students, correspondence students, incarcerated students, and students that had neither a high school diploma nor the recognized equivalent that the institution used for the calculations for proper classification and re-calculate the institution's rations.

Compliance Requirement – N: Special Tests & Provisions

2. **Verification:**

- An institution is required to establish written policies and procedures that incorporate the provisions of 34 CFR 668.51 through 668.61 for verifying application information for those applicants selected for verification by ED. The institution shall require each applicant whose application is selected by ED to verify the information required for the Verification Tracking Group to which the applicant is assigned. However, certain applicants are excluded from the verification process. These are listed below:
    - The applicant dies.
    - The applicant does not receive assistance under the title IV, HEA program for reasons other than failure to verify FASA information.
    - The applicant is eligible to receive only unsubsidized student financial assistance.
    - The applicant who transfers to the institution, had previously completed verification at the institution from which he or she transferred, and applies for assistance based on the same FAFSA information used at the previous institution, if the current institution obtains a letter from the previous institution—
        - Stating that it has verified the applicant's information.
        - Providing the transaction number of the applicable valid ISIR.
    - Unless the institution has reason to believe that the information reported by a dependent student is incorrect, it need not verify the applicant's parents' FAFSA information if
        - The parents are residing in a country other than the United States and cannot be contacted by normal means of communication;
        - The parents cannot be located because their contact information is unknown and cannot be obtained by the applicant; or Both of the applicant's parents are mentally incapacitated.

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Compliance Requirement – N: Special Tests & Provisions

- Unless the institution has reason to believe that the information reported by an independent student is incorrect, it need not verify the applicant's spouse's information if—
  - The spouse is deceased;
  - The spouse is mentally incapacitated;
  - The spouse is residing in a country other than the United States and cannot be contacted by normal means of communication; or
  - The spouse cannot be located because his or her contact information is unknown and cannot be obtained by the applicant.

- If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:
  - A sample of applications could be selected that were selected for verification by ED and could review the student aid files for those applications to ascertain that the that the institution (1) obtained acceptable documentation to verify the information required for the Verification Tracking Group to which the applicant is assigned; (2) matched information on the documentation to the student aid application; (3) if necessary, submitted data corrections to the FPS and recalculated awards and (4) correctly coded the student's verification status in COD for Pell Grants.

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Compliance Requirement – N: Special Tests & Provisions

3. Disbursements to or on Behalf of Students:

- An Institution must define the payment period for each program. There are three types of payment periods that an institution may use—payment periods that measure progress in credit hours and use standard terms; payment periods that measure progress in credit hours and use non-standard terms; and payment periods that measure progress in credit hours and do not have academic terms or for a program that measures progress in clock hours (34 CFR 668.4 Payment period). An institution may make early, late, or retroactive disbursements under limited circumstances provided for at 34 CFR 668.164 sections (i), (j), and (k). For purposes of testing Title IV deadlines or timeframes, "days" refers to calendar days unless the requirement specifies "business days".

- The payment period for a student enrolled in an eligible program that measures progress in credit hours and has standard academic terms (semesters, trimesters, or quarters) or has non-standard terms that are substantially equal in length, is the academic term . (Non-standard terms are substantially equal in length if no term is more than two weeks of instructional time longer than any other term.

- The payment period for a Pell Grant student enrolled in an eligible program that measures progress in credit hours and uses non-standard terms that are not substantially equal in length is the academic term.

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Compliance Requirement – N: Special Tests & Provisions

- To disburse Pell funds, the institution must have received a valid ISIR from the FPS by the earlier of the student's last date of enrollment or the deadline date established by the secretary in a notice published in the Federal Register (the deadline date is normally in the month of September following the end of the award year). Late disbursements of Pell for students that are now ineligible (e.g., no longer enrolled) are allowed if, before the date the student became ineligible, an ISIR or FAFSA Submission Summary was processed that contained an official SAI. The institution has discretion in disbursing funds within a payment period but generally must disburse the full amount before the end of the payment period.
- When making a late disbursement or retroactive payment of Pell for a completed period, an institution determines a student's enrollment intensity for the completed period based only on the hours completed by the student for that period. The institution must review and document the student's eligibility before it disburses funds each payment period.
- If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:
  - For a sample of student disbursements, identify the student's payment period and each disbursement date. Ascertain if the disbursement was made in accordance with the disbursement timing requirements and if the amount credited (charged) to student ledger accounts complied with the requirements for allowable current year and prior year charges.

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Compliance Requirement – N: Special Tests & Provisions

- Determine whether the institution's policies and procedures provide for determining a student's eligibility at the time of disbursement.
- For the disbursements selected in step a., determine whether the institution provided notification to the student of the amount and type of Title IV funds they are expected to receive and how and when those disbursements will be made.
- For Direct Loan or TEACH grant disbursements selected in step a., determine if the institution provided timely notification to the student of (1) the date and amount of the disbursement; (2) the student/parent's right to cancel; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel.
- For a sample of students with a credit balance, determine if the credit balance was paid to the student or parent borrower (1) within 14 days or (2) if the institution obtained an authorization to hold credit balances and was not on the reimbursement or heightened cash monitoring payment methods, by the end of the loan period or last payment period in the award year for which the funds were awarded.

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Compliance Requirement – N: Special Tests & Provisions

4. **Using a Servicer or Financial Institution to Deliver Title IV Credit Balances to a Card or Other Access Device:**

   An institution may enter into an arrangement with a servicer or a financial institution to make a direct payment of FSA credit balances to students through electronic funds transfer to a bank account designated by a student or parent, to issue a check payment to the student or to use an access device such as a debit, demand, or smart card provided by the servicer or its financial partner. The regulations define an access device as a card, code, or other means of access to a financial account, or any combination thereof, that may be used by a student to initiate electronic fund transfers.

   Regulations at 34 CFR 668.164(e) and (f) establish two different types of arrangements between schools and financial account providers: Tier One arrangements and Tier Two arrangements. The type of arrangement determines the provisions that are applicable to the school.

   - Tier One Arrangement - an arrangement between a school and a third-party servicer, under which the servicer performs one or more of the functions associated with processing direct payments of Title IV funds on behalf of the school, and the school or third-party servicer makes payments to one of the following:
     - One or more financial accounts that are offered to students under the contract;
     - A financial account where information about the account is communicated directly to students by the third-party servicer, or the school on behalf of or in conjunction with the third-party servicer; or
     - A financial account where information about the account is communicated directly to students by an entity contracted or affiliated with the third-party servicer.

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Compliance Requirement – N: Special Tests & Provisions

- Tier Two Arrangement - an arrangement between a school and a financial institution, or entity that offers financial accounts through a financial institution, under which financial accounts are offered and marketed directly to students.

A school must disclose conspicuously on its Web site the contract(s) establishing the Tier One or Tier Two arrangement, except for any portions that, if disclosed, would compromise personal privacy, proprietary information technology, or the security of information technology or of physical facilities.

Schools have a series of obligations to ensure that students are protected when they enter into a Tier One or Tier Two arrangement:

- Student Choice – All Tier One and Tier Two schools must establish a selection process under which the student chooses one of several options for receiving payments by electronic funds transfer.
- Student Consent – For all Tier One and Tier Two arrangements, in any instance where an access device is provided to a student and that access device does not serve an institutional purpose other than electronic fund transfers, such as a student ID card, it is the institution's responsibility to ensure that the student's consent has been obtained before the access device is validated, even if the consent is obtained through the financial institution, allowing the student to access the financial account.
- Terms and Conditions – All Tier One and Tier Two schools must inform the student of the terms and conditions of the financial account before the financial account is opened.

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Compliance Requirement – N: Special Tests & Provisions

- Credit Cards and Extending Credit – All Tier One and Tier Two schools must ensure that financial accounts are not marketed or portrayed as, or converted into, credit cards.
- Student Costs – All Tier One and Tier Two schools must ensure that the student does not incur any cost for opening the financial account or initially receiving an access device.
- Student Access – Tier One schools and any Tier Two schools above the credit balance threshold must ensure that the student has access to the funds in the financial account through surcharge-free Automated Teller Machines (ATMs) sufficient in number and housed and serviced such that Title IV funds are reasonably available to students, including at the times the school or its third party servicer makes direct payments into them.
- Best Financial Interest of Students – Tier One schools and any Tier Two schools above the credit balance threshold must ensure that the terms of the accounts offered pursuant to the arrangement are not inconsistent with the best financial interests of the students opening them.

If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:

- For any arrangements that the institution has with an outside entity to make direct payments of Title IV credit balances by EFT, obtain the full contract (including all attachments, appendices, affiliation agreements, and addendums) and any promotional materials provided by the entity to the school. Determine whether the arrangement is a Tier One Arrangement or a Tier Two Arrangement.

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Compliance Requirement – N: Special Tests & Provisions

- For institutions with any Tier Two arrangements, confirm that the institution performed the required annual credit balance threshold calculation to determine if they were above or below the credit balance threshold and evaluate the annual calculation for accuracy.
- For institutions with any Tier One or Tier Two arrangement:
  - determine whether the school established a selection process under which the student chooses an option for receiving payments by electronic funds transfer.
  - For a sample of students for whom a financial account under the arrangement was opened and the access device does not serve an institutional purpose other than electronic fund transfers, determine whether the school informed the student of the terms and conditions of the financial account and obtained the student's consent before the access device was validated.
  - Through review of the contract between the school and servicer determine that:
    - The financial account or access device is not marketed or portrayed as, or converted into, a credit card; and
    - The student would not incur costs for opening the account or receiving the access device
  - Determine whether the school contract(s) establishing the arrangement between the school and financial account provider exist on the school's website.
  - Obtain documentation to determine if the school provided a URL for the contract to ED for publication in the Cash Management Contracts Database.

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Compliance Requirement – N: Special Tests & Provisions

- For institutions with any Tier One arrangement or a Tier Two arrangement above the credit balance threshold:
  - Through review of the contract between the school and servicer
    - Determine that students would have access to the funds through surcharge-free ATMs, including at the times payments are made; and
    - Determine that the contracts make provisions for termination of the arrangement by the school based on i) complaints received from students or (ii) a determination by the school that the fees assessed under the arrangement are not consistent with or are higher than prevailing market rates.
  - Through review of the latest due diligence review performed by the school, determine that the school is ascertaining whether the fees imposed under the arrangement are consistent with or below prevailing market rates through its due diligence reviews at least every two years.
  - Determine whether all required cost information related to the arrangement existed on the school's website and that the cost information was updated within 60 days after the end of each award year.
  - Obtain documentation to determine if the school provided a URL for the cost information to ED for publication in the Cash Management Contracts Database.

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Compliance Requirement – N: Special Tests & Provisions

- For institutions with any Tier One arrangement, through review of the contract between the school and servicer, determine that the student (1) would not be extended any credit with the financial account; (2) would not incur costs for conducting point-of-sale transactions and balance inquiries, or as overdraft fees; and (3) would be provided access to funds up to the account balance without charge during the student's entire period of enrollment.

5. Return of Title IV Funds:

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date.

A student is considered to have withdrawn from a payment period or period of enrollment if the student does not meet one of the withdrawal exemptions outlined in 34 CFR 668.22(a)(2)(ii)(A)) link below:

https://www.ecfr.gov/current/title-34/subtitle-B/chapter-VI/part-668/subpart-B/section-668.22 and also:

- For credit hour programs, a student is considered to have withdrawn if the student does not complete all the scheduled days in the payment period or period of enrollment. For clock hour programs, a student is considered to have withdrawn if the student does not complete all the clock hours and weeks of instructional time in the payment period or period of enrollment.

Compliance Requirement – N: Special Tests & Provisions

- For a student in a standard or non-standard-term program, excluding a subscription-based program, is considered to have withdrawn if he or she is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending unless the student is on an approved leave of absence.
- For a student in a subscription-based or a non-term program, the student is unable to resume attendance within a payment period or period of enrollment for more than 60 days after ceasing attendance, unless the student is on approved leave of absence.
- For a student in a subscription-based or a non-term program, the student is unable to resume attendance within a payment period or period of enrollment for more than 60 days after ceasing attendance, unless the student is on approved leave of absence.

If an institution is required to take attendance, the withdrawal date is the last date of academic attendance, as determined by the institution from its attendance records. An institution is required to take attendance if:

- The institution is required to take attendance for some or all of its students by an entity outside of the institution (such as the institution's accrediting agency or state agency).
- b. The institution itself has a requirement that its instructors take attendance; or
- c. The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program or a portion of that program (34 CFR 668.22(b)(3)).

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Compliance Requirement – N: Special Tests & Provisions

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours, or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

The institution must return the lesser of (1) the total amount of unearned Title IV assistance to be returned as described above, or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.

The amount a student is responsible for returning is calculated by subtracting the amount of unearned aid that the institution is required to return from the total amount of unearned Title IV assistance to be returned. However, the student need only return 50 percent of the total grant assistance that was disbursed (and that could have been disbursed) for the payment period or period of enrollment. After the 50 percent rule is applied, a student does not have to return an overpayment amount of $50 or less.

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Compliance Requirement – N: Special Tests & Provisions

Returns of Title IV funds must be distributed in the order prescribed below. The prescribed order must be followed regardless of the institution's agreements with other state agencies or private agencies.

- Unsubsidized Federal Direct Stafford Loans
- Subsidized Federal Direct Stafford Loans
- Federal Direct PLUS
- Federal Pell Grant
- Iraq and Afghanistan Service Grant
- Federal Supplemental Educational Opportunity Grants
- Teacher Education Assistance for College and Higher Education Grants

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:

- Create a sample of students who ceased attendance during a payment period or period of enrollment (including those who met one of the withdrawal exemptions), dropped, on a leave of absence, never began attendance or terminated during the audit period ascertain if returns of Title IV funds were properly calculated.

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Compliance Requirement – N: Special Tests & Provisions

- If the student's enrollment status (or enrollment intensity for Pell Grant funds) is correct (official or unofficial withdrawal or enrolled or graduated only if the student met the requirements for one of the withdrawal exemptions).
- Whether the calculation is calculated accurately.
- For instances in the sample tested where a return of Title IV was required, trace the return of Title IV funds to disbursement and accounting records (including canceled checks to ED and students) to verify that returned Title IV funds were applied to programs in the required order and were timely.
- For instances of where students who received Title IV assistance, for which no return of Title IV funds were made, review academic and enrollment records (including class attendance records if they are required) to ascertain whether the students sufficiently completed the payment or enrollment period to earn the Title IV funds received (earned 100% of Title IV funds received if completed more than 60% of the payment period/period of enrollment) or met one of the withdrawal exemptions.
- For instance, the student or parent was eligible for a post-withdrawal disbursement, ascertain if appropriate notification of the post-withdrawal disbursement was given to the student or parent.

6. NSLDS Reporting:

Institutions are required to report enrollment information under the Pell Grant and the Direct Loan and FFEL programs via the NSLDS (OMB No. 1845-0035), although FFEL loans are no longer made or a part of the SFA Cluster, a student may have a FFEL loan from previous years that would require enrollment reporting for that student.

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Compliance Requirement – N: Special Tests & Provisions

Institutions are responsible for accurately reporting all Campus-Level Record data elements. ED considers the following data elements to be high risk:

- OPEID Number – This is the OPEID for the location that the student is actually attending.
- Enrollment Effective Date – The date that the current enrollment status reported for a student was first effective.
- Enrollment Status – The student's enrollment status as of the reporting date; fulltime (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (G), withdrawn (W), deceased (D), never attended (X) and record not found (Z).
- Certification Date – The Date enrollment certified by institution. At a minimum, institutions are required to certify enrollment every 60 days or every other month.

Institutions are responsible for accurately reporting all Program-Level Record data elements. ED considers the following data elements to be high risk:

- OPEID Number – This is the OPEID for the location that the student is actually attending.
- CIP Code – The Classification of Instructional Programs (CIP) is a set of codes that define fields of study.
- CIP Year – Year for the corresponding CIP code.
- Credential Level – Indicates the level of a credential the student will receive for the program the student is attending, for example undergraduate certificate, associate degree, or bachelor's degree.
- Published Program Length Measurement – The institution identifies whether the Published Program Length is in days, weeks, or years.

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Compliance Requirement – N: Special Tests & Provisions

- Published Program Length – Published Program Length should be reported based on the definition of “normal time” to completion, as follows:
    - If the institution has published, in its catalog, on its website, or in any promotional materials, the length of the program in weeks, months, or years, the program length reported must a be the same as the program length that the institution has published.
    - If the institution has not published a program length and the program is an associate or bachelor’s degree program, the program length to be reported should be two years (associate) or four years (bachelor), respectively, unless the academic design of the program makes it longer or shorter than the typical program length.
    - For all other programs for which the institution has not published a program length, the program length is based on the institution’s determination of how long, in weeks, months, or years, the program is designed for a full-time student to complete.
- Program Begin Date – The Program Begin Date is the date the student first began attending the program being reported.
- Program Enrollment Status – The student’s enrollment status as of the reporting date; full-time (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (G), withdrawn (W), deceased (D), never attended (X) and record not found (Z).
- Program Enrollment Effective Date – The date when the student's current program status first took effect.

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Compliance Requirement – N: Special Tests & Provisions

If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:

- Identify a population of Pell and Direct Loan students from the institution's records that had a reduction or increase in attendance levels impacting enrollment status, graduated, withdrew, dropped out, or enrolled but never attended during the audit period and for whom the institution was required to report such change in enrollment status from the beginning of the institution's fiscal year up to the last regularly scheduled Enrollment Roster From the population identified, select a sample of students and compare the data in the student's NSLDS Enrollment Detail to the students' academic files and other institutional records and verify. that the institution is accurately reporting the significant Campus-Level and Program-Level enrollment data elements that ED considers high risk.
- For instances in the sample tested in procedure a. above where a Direct Loan was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or a student who is enrolled at the institution and who received a loan under Title IV has changed his or her permanent address, determine whether the institution reported the change in its next updated Enrollment Reporting Roster file.

Compliance Requirement – N: Special Tests & Provisions

7. Student Loan Repayments:

Not direct and material for this presentation. This special test only applies to HHS programs (93.XXX).

8. Incentive Compensation:

According to 34 CFR 668.14(b)(22)(i), an institution agrees in its Program Participation Agreement that "[i]t will not provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of title IV, HEA program funds."

A commission, bonus, or other incentive payment is a sum of money or something of value, other than a fixed salary or wages, paid to or given to a person or an entity for services rendered.

If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:

- Identify those positions within the institution's admissions/recruiting, financial aid, and registrar offices (or the equivalent of those offices) involved in recruitment, enrollment, admissions, or securing financial aid activities (covered positions) and those entities the institution contracts with to recruit, admit, or enroll students into any program offered by the institution, including OPM agreements (covered entities).

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Compliance Requirement – N: Special Tests & Provisions

- Determine whether the institution's written policies and procedures, compensation plans, performance plans, contracts, or other documentation or guidelines for evaluating and compensating covered positions or covered entities indicate a potential incentive compensation violation.
- For any covered position or covered entity from above where the auditor determined documentation reviewed indicated a potential incentive compensation violation, test performance, compensation, and payment records for a sample of employees in those covered positions and a sample of covered entities to determine whether the employees or entities received incentive compensation based on success in recruiting, admitting, or enrolling students in any program offered by the institution or for the awarding of Title IV funds.
- If the institution has tuition sharing with an entity that provides recruiting services as part of a bundle of services, review the institution's records identified in procedure c for evidence that the contracted entity is related to the institution.
- If the institution has tuition sharing with an entity that provides recruiting services as part of a bundle of services, review the institution's records identified in procedure c for evidence that the contracted entity is related to the institution.

9. Program Eligibility:

An Educational program is a legally authorized postsecondary program of organized instruction or study that leads to an academic, professional, or vocational degree, or certificate, or other recognized educational credential, or is a comprehensive transition and postsecondary program. Program eligibility is evaluated based on two measures: intensity of content (clock hours and credit hours) and time (academic years and weeks of instructional time).

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Compliance Requirement – N: Special Tests & Provisions

A clock hour offered in a classroom setting is a period of time consisting of a 50- to 60- minute class, lecture, or recitation in a 60-minute period. A clock hour in a faculty supervised laboratory, shop training, or internship is 50 to 60 minutes in a 60-minute period . A clock hour for a program offered through correspondence is sixty minutes of preparation in a correspondence course.

Unless a program is required to use the clock to credit hour conversion, a credit hour is an amount of student work defined by an institution, as approved by the institution's accrediting agency or State approval agency, that is consistent with commonly accepted practice in postsecondary education.

A program is Title IV-eligible if it is provided by an institution that participates in one or more of the Title IV programs and meets the requirements described in 34 CFR 668.8. The first and most important requirement for an eligible program is that it must be included in an institution's accreditation and authorized by the State.

A small number of institutions offer approved comprehensive transition and postsecondary programs and teacher certification programs where the institution does not award a credential. Please see the Federal Student Aid Handbook, Volume 2 for more information about these types of programs.

Some institutions offer Prison Education Programs to otherwise eligible confined or incarcerated students. Otherwise, eligible confined or incarcerated students must be enrolled in an eligible PEP in order to receive Pell funds.

Compliance Requirement – N: Special Tests & Provisions

If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:

- Through inquiries of management, observations, and review of State and accrediting agency approval documents and school marketing material, identify any direct assessment programs offered by the institution. Review approval letter to determine whether ED has approved the institution's first direct assessment program at each credential level.
- Through inquiries of management, observations, and review of State and accrediting agency approval documents and school marketing material, identify any Title IV eligible program offered in credit hours that does not meet one of the exceptions described in the link below:

  https://www.ecfr.gov/current/title-34/subtitle-B/chapter-VI/part-668/subpart-A/section-668.8
- For the sample of programs identified above, using the correct number of credit hours (as determined in the credit hour test above), evaluate each program's eligibility.
- Through review of ED approvals, identify any short-term programs (at least 300 clock hours but less than 600 clock hours) and substantiate the school's calculation of its completion and placement rates by (1) selecting a random sample of the regular students who were enrolled during the award year for which the most recent completion rate was calculated and testing to verify if each student in the sample was included appropriately in each step of the rate's calculation, as described in 34 CFR 668.8(f); and (2) selecting a random sample of the students who graduated during the award year for which the most recent placement rate was calculated and testing to verify if each student in the sample was included appropriately in each step of the rate's calculation.

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Compliance Requirement – N: Special Tests & Provisions

10.Gramm-Leach-Bliley Act-Student Information Security:

The Gramm-Leach-Bliley Act requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data.

If an auditor determines this test to be direct and material, the items below are examples of how an auditor could audit this test to ensure the institutions is in compliance with this requirement:

- Verify that the institution has designated a Qualified Individual responsible for implementing and monitoring the institution’s information security program.
- Verify that the institution has a written information security program and that the written information security program addresses the remaining six required minimum elements.

11.Federal Perkins Loan Liquidation:

Not direct and material for this presentation. *This special test only applies to Federal Perkins Loan Program AL #84.038.*

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Top 10 Findings From the Most Recent School Year (FY22) Researched

According to the

US Department of Education

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1. Student Status – Inaccurate/Late Reporting

Findings under this heading may cover a variety of violations, including:

- Inaccurate reporting of student enrollment status and effective dates.
- Failure to report last date of attendance/changes in student enrollment status.
- Inaccurate reporting of program–level data.
- Late reporting of specific student information.
- Late submission of NSLDS enrollment roster file.

2. Loan Discharge

Findings in this area are typically related to closed school loan discharges and occasionally to false certification discharges. If a finding in this area is included in the program review report, the Department may require the IHE to repay the cost of loan discharges.

Top 10 Findings From the Most Recent School Year (FY22) Researched According to the US Department of Education

3. Return to Title IV (RT2T4) Calculation Errors

Findings under this heading may cover a variety of violations, including:

- Incorrect number of days or clock-hours used in term/payment period.
- Incorrect withdrawal date.
- Incorrect aid used as “could have been disbursed”.
- Incorrect Post-Withdrawal Disbursement.
- Mathematical and rounding errors.
- Incomplete R2T4 policy.

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7. Inaccurate Recordkeeping

Findings under this heading may cover a variety of violations, including:

- Late or unmade submission of disbursement records to COD;
- Disbursement amounts and dates on student ledger do not match records reported to COD,
- Inaccurate and incomplete Student Account Statements/ledgers (e.g., student not charged for courses, multiple transactions for single-term course charges, Title IV disbursements missing from ledger, ledgers just list all charges, no running balances);
- Inaccurate/missing Federal Work-Study Program timesheets;
- Failure to comply with Zone Alternative Requirements, including Heightened Cash Monitoring requirements which require IHE's to disburse Title IV funds first and issue credit balances to student before requesting funds from the Department;
- Failure to reconcile Title IV accounts monthly;
- Failure to properly identify Title IV bank accounts;
- Inadequate Fiscal Audit Trail - transactions on general ledger accounts could not be traced to a subsidiary accounts;
- Excess Cash (drawing down more Title IV funds than needed to disburse to students);
- Inaccurate audit trail of Return of Funds (date on ledger is earlier than date funds returned to Department through G5); and
- Information reported on the Fiscal Operations Report and Application to Participate (FISAP) does not match IHE's financial records.

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8. Satisfactory Academic Progress Policy (SAP) Not Adequately Development/Monitored

The most common findings include:

- Inadequate SAP Policy – A SAP policy may be inadequate because one or required elements is missing from the policy, for example:
  - Qualitative component: "C" grade or equivalent by end of 2nd year.
  - Consequences of not meeting SAP and conditions for regaining eligibility.
  - Qualitative, pace of completion, maximum timeframe, reestablishing aid eligibility; or o Treatment of incompletes, withdrawals, repetitions, or transfer credits from other IHEs.
- Failure to Apply SAP Policy – This type of SAP finding may result from an IHE’s failure to consistently apply their existing policy or a failure to apply the policy altogether.
- Incorrect SAP Assessments – This finding may result when an IHE fails to perform SAP assessments in alignment with the end of Title IV payment periods (for example, students placed on SAP warning at monthly checkpoints instead of at end of PP; SAP checked every term for a nonterm program). Other omissions may include an IHE’s failure to include courses a dropped by a student (after any “drop/add” period ends) as attempted credits.
- Insufficient or Missing Documentation to Support SAP – Such findings may result when an IHE fails to document that it completed an SAP assessment.

Top 10 Findings From the Most Recent School Year (FY22) Researched According to the US Department of Education

9. Lack of Administration Capability

Findings under this heading may cover a variety of violations, including (but not limited to), failures to:

- Designate a capable individual/inadequate number of persons to be responsible for administering the Title IV programs.
- Communicate to the individual responsible for administering the Title IV programs, all information received by any institutional official that bears on a student's eligibility.
- Develop written procedures regarding the administration of the Title IV programs.
- Establish a system of internal controls that includes adequate checks and balances.
- Divide the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student.
- Establish and maintain required records.
- Establish, publish, and apply reasonable standards for measuring whether a student is maintaining satisfactory academic progress.
- Develop and apply an adequate system to identify and resolve discrepancies in the information received with respect to a student's application for financial aid under the Title IV programs.
- Provide adequate financial aid counseling to eligible students.
- Provide all program and fiscal reports and financial statements required for compliance.
- Develop and follow procedures to evaluate the validity of a student's high school completion.

Top 10 Findings From the Most Recent School Year (FY22) Researched According to the US Department of Education

10.Ineligible Student – High School Student

To be considered capable of administering a Title IV, HEA program, an IHE must develop and follow procedures to evaluate the validity of a student's high school completion if the institution or the Secretary has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education. 34 C.F.R. § 668.16(p). The Department identified several instances where IHEs improperly relied upon invalid credentials issued by high school diploma mills in an attempt to establish a student's eligibility to receive Title IV, HEA program funds.

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Works Cited

- 2025 OMB Compliance Supplement – Student Financial Aid Assistance Cluster

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BradyMartz

Questions

Contact Us

Matt Laughlin, CPA
Principal

matt.laughlin@bradymartz.com
401 Demers Ave., Ste. 300
Grand Forks, ND 58201
(701) 775-4685

BradyMartz

BradyMartz

Thank You