2016-650 Cash Management

Federal Pell Grant Program (CFDA 84.063)
Federal Direct Student Loans (CFDA 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2015-2016

Criteria: Title 34 Code of Federal Regulations (CFR) 668.162(b)(3) states that an institution must disburse the funds requested as soon as administratively feasible but no later than 3 business days following the date the institution received the funds.

Title 34 CFR 668.166(b) states that an institution may maintain an amount of excess cash for up to 7 days as long as the amount does not exceed 1% of the total amount of funds the institution drew down in the prior award year. The institution must immediately return any amount of cash over the 1% tolerance and any amount remaining in its account after the 7 day tolerance period to the Secretary of the United States Department of Education.

Condition: During our review of cash management at Central Connecticut State University (CCSU), we noted that due to a Federal Direct Student Loans (Direct Loan) drawdown made on June 15, 2016, excess cash of between \$203,691 and \$314,135 was on hand for 23 calendar days from June 15, 2016 through July 7, 2016 (Award #P268K160064).

During our review of cash management at Northwestern Connecticut Community College (NWCC), we noted the following exceptions:

- Due to federal Pell Grant Program (Pell) adjustments made on December 7, 2015, excess cash of \$258 was on hand for 30 calendar days from December 7, 2015 through January 6, 2016 (Award #P063P141220).
- Due to a Pell adjustment made on June 21, 2016 and a refund made on June 25, 2016, excess cash of between \$1,439 and \$5,223 was on hand for 16 calendar days from June 21, 2016 through July 7, 2016 (Award #P063P151220).
- Due to a Direct Loan drawdown made on September 29, 2015, excess cash of between \$17,993 and \$41,008 was on hand for 30 calendar days from September 29, 2015 through October 29, 2015 (Award #P268K161220).

Context: *CCSU:* The condition is an isolated instance. We reviewed all the university's drawdowns for the Direct Loan program during the audited period and only noted the above instance on non-compliance. The total net drawdowns for the Direct Loan program through June 30, 2016, were \$55,571,487.

NWCC: We reviewed all the college's drawdowns for the Pell and Direct Loan programs during the audited period and noted the above instances of non-compliance. The total net drawdowns for the Pell and Direct Loan programs through June 30, 2016, were $1,671,870 and $167,967, respectively.

Questioned Costs: *CCSU and NWCC:* There were no questioned costs.

Effect: These institutions were not in compliance with federal regulations governing cash management.

Cause: *CCSU:* We were informed that the condition occurred because the university made a posting error to the incorrect fund, which resulted in a drawdown for an amount greater than needed.

NWCC: The college did not follow established cash management procedures.

Prior Audit Finding: *CCSU and NWCC:* This was previously reported as finding 2015-650.

Recommendation: Central Connecticut State University and Northwestern Connecticut Community College should comply with the cash management provisions stipulated in Title 34 Code of Federal Regulations 668.166(b) by ensuring that federal cash drawdowns do not exceed the amounts necessary for immediate disbursement, and that any excess cash is returned within the timeframe established in the regulations.

Views of Responsible Officials:

CCSU: "We agree with this finding."

NWCC: "We agree with this finding."

2016-651 Student Eligibility

Federal Perkins Loan – Federal Capital Contributions (CFDA 84.038)
Federal Direct Student Loans (CFDA 84.268)
Federal Award Agency: United States Department of Education
Award Year: 2015-2016

Criteria: Title 34 Code of Federal Regulations (CFR) 685.200(a)(1) states that a borrower is eligible to receive federal Direct Student Loans (Direct Loan), if the student is enrolled or accepted on at least a half-time basis in a school that participates in the Direct Loan program.

Title 34 CFR 668.164(b)(3) stipulates that an institution may disburse Title IV, Higher Education Act program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

Condition: From a sample of 10 students who were selected for Return of Title IV Funds testing at Central Connecticut State University (CCSU), we noted that the university made a post-withdrawal disbursement of Direct Loan funds to an ineligible student. Upon our discovery, the university returned the funds to the Direct Loan program.

Context: Direct Loan funds were originated and disbursed to 6,787 students during the audited period. The condition appears to be an isolated instance. Our selection in this test, and other areas of testing did not disclose any other ineligible awards. The sample was not statistically valid.

Questioned Costs: Direct Loan (CFDA 84.268) $1,006. These funds were returned by the university on October 4, 2016.

Effect: The university disbursed funds to an ineligible student. Upon our discovery, the university rescinded the ineligible Direct Loan award.

Cause: We were informed that the condition occurred when an individual who originated and disbursed the loan did not confirm that the student was enrolled at the university.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: Central Connecticut State University should only award and disburse federal Direct Student Loans to eligible students that are enrolled at the university at the time of disbursement.

Views of Responsible Officials:
"We agree with this finding."

2016-652 Student Eligibility - Federal Supplemental Educational Opportunity Grants

Federal Supplemental Educational Opportunity Grants (CFDA 84.007)
Federal Award Agency: United States Department of Education
Award Year: 2015-2016

Background: We compared the list of all students that received a Federal Supplemental Educational Opportunity Grant (FSEOG) to those students who also received a federal Pell Grant (Pell). We had identified a number of students that were status was not reported in a timely manner. In this instance, the student was academically dismissed from the university on June 3, 2016 and was subsequently reported as withdrawn to the NSLDS on September 6, 2016. The delay was 35 days.

From a sample of 10 students that separated from Central Connecticut State University (CCSU), we noted 1 instance in which the student's enrollment information, as reported to the NSLDS, was not accurate. In this instance, the student's effective withdrawal date was incorrectly reported and the student's enrollment status was never updated to reflect the student's graduation.

From a sample of 10 students that separated from Eastern Connecticut State University (ECSU), we noted 2 instances in which the student's enrollment information, as reported to the NSLDS, was not accurate. In these instances, the students' effective withdrawal dates were incorrectly reported.

From a sample of 10 students that separated from Middlesex Community College (MXCC), we noted the following:

- Two instances in which student enrollment information, as reported to the NSLDS, was not accurate. In both instances, the student enrollment status was never updated to reflect the students' graduation.
- One instance in which student enrollment information, as reported to the NSLDS, was not reported in a timely manner. The student graduated from the institution on January 6, 2016 and was subsequently reported as graduated to the NSLDS on June 15, 2016.

Context:

UCONN: This condition appears to be an isolated incident. The university reported 3,278 students that separated during the 2015-2016 award year. We were unable to determine how many of those students were academically dismissed. Three of the 10 students were academically dismissed. Our sample was not statistically valid.

CCSU: While the noted condition appears to be a systemic issue, it does not appear to affect the entire population of graduated students (1,053 students graduated during the 2015-2016 award year). This specific condition appears to be isolated to those students for which there was a delay between the last semester attended and the degree being awarded. Our sample included 5 students for which a degree had been awarded. Our sample was not statistically valid.

ECSU: Based upon the university's response the condition noted does not appear to be a systemic issue. The university reported 757 students that separated during the 2015-2016 award year. Our sample contained a total of 10 students, 5 of which had a status of withdrawn. Our sample was not statistically valid.

MXCC: While the noted condition appears to be a systemic issue, it does not appear to affect the entire population of graduated students (439 students graduated during the 2015-2016 award year). This specific condition appears to be isolated to those students for which there was a delay between the student's last semester attended and the degree being awarded. Our sample of 10 students included 5 who had been awarded a degree. Our sample was not statistically valid.

Questioned Costs: *UCONN, CCSU, ECSU and MXCC:* There were no questioned costs.

Effect: Enrollment information was not provided to the NSLDS for certain students in a timely and/or accurate manner.

Cause: *UCONN:* We were informed that the university's enrollment reporting service provider was provided the enrollment information but it did not get reported to the NSLDS.

CCSU: Procedures for reporting enrollment changes when there is a break in enrollment between the last semester attended and the time a degree is awarded were not established.

ECSU: Established procedures for reporting enrollment changes were not followed.

A member of the registrar's staff incorrectly withdrew these students. This mistake created an enrollment record for the subsequent semester of attendance that was transmitted to the NSLDS.
MXCC: In the first 2 instances, we were informed that the college's enrollment reporting service provider was provided the enrollment information but it did not get reported to the NSLDS.

In the second condition, we were informed that the fall 2015 semester was the first time the college offered a fall graduation. It appears when the college submitted its 2015-2016 award year enrollment schedule with its service provider, they inadvertently did not include the degree verify file for the graduation that occurred subsequent to the fall 2015 semester.

Prior Audit Finding: *UCONN and MXCC:* This finding has not been previously reported.

CCSU and ECSU: This was previously reported as finding 2015-658.

Recommendation: The University of Connecticut, Central Connecticut State University, Eastern Connecticut State University, and Middlesex Community College should implement procedures to ensure that enrollment status changes are accurately and timely submitted to the National Student Loan Data System in accordance with federal regulations.

Views of Responsible Officials:

UCONN: "We agree with this finding. After being made aware of the one student issue, which is attributed to human error, steps were taken to update the student's status in the National Student Clearinghouse (NSC). UConn staff reviewed the entire dismissed student population statuses in NSC and reaffirmed internal procedures. This internal review of students and procedures was completed on September 19, 2016. See the separate corrective action plan."

CCSU: "We agree with this finding. See the separate corrective action plan."

ECSU: "We agree with this finding. See the separate corrective action plan."

MXCC: "We agree with this finding. Middlesex CC believed that once the file was sent to our third-party service provider for processing that it was the service providers responsibly to report all information to the NSLDS. See the separate corrective action plan."

2016-657 Special Tests - Student Loan Repayments

Federal Perkins Loan – Federal Capital Contributions (CFDA 84.038)
Federal Award Agency: United States Department of Education
Award Year: 2015-2016

Criteria: Title 34 Code of Federal Regulations (CFR) 674.31(b)(2) states that repayment begins 9 months after the borrower ceases to be at least a half-time regular student at the institution.

Title 34 CFR 674.42(b) requires an institution to conduct exit counseling with the borrower either in person, by audiovisual presentation, or electronically, shortly before the student ceases to be enrolled on at least a half-time basis. If a borrower withdraws without the institution's prior knowledge or fails to complete an exit counseling session, the institution must provide the exit counseling material to the borrower within 30 days.

The 2015-2016 Federal Student Aid (FSA) Handbook states that a Perkins borrower is entitled to an initial grace period of 9 consecutive months after dropping below half-time enrollment. If the borrower returns to school on at least a half-time basis before the 9 months has elapsed, the initial grace period has not been used. The borrower is entitled to a full initial grace period of 9 consecutive months from the date that he or she graduates, withdraws or drops below half-time enrollment again.

The FSA Handbook further states that a grace period is always day specific, an initial grace period begins on the day after the day the borrower drops below half-time enrollment.

Condition:

We selected 10 borrowers at the University of Connecticut (UCONN) who entered repayment during the audited period and noted the following:

- In 3 instances in which the university was aware that the borrower was graduating, exit counseling was not conducted before the end of the semester. The exit counseling was initiated between 39 and 55 days after the end of the semester.
- In 7 instances, the university reported the incorrect separation date to its third party service provider. In all 7 instances, the separation dates reported were 1 day later than the actual separation dates.

From a sample of 10 borrowers at Central Connecticut State University (CCSU) who entered repayment during the audited period, we noted the following:

- In 7 instances in which the university was aware that the borrower was graduating, exit counseling was not initiated before the end of the semester. The exit counseling was initiated between 25 and 169 days after the end of the semester.
- In 9 instances, the borrower's separation date was reported incorrectly to the service provider. In 5 of these instances, there were delays to the repayment process of between 5 and 101 days.

From a sample of 10 borrowers at Eastern Connecticut State University (ECSU) who entered repayment during the audited period, we noted the following:

- In 1 instance in which the University was aware that the borrower was graduating, exit counseling was initiated 7 days after the end of the semester.
- In 3 instances, the borrower's separation date was reported incorrectly to the service provider, which caused the grace period to be incorrect. In 2 of these instances, there were delays to the repayment process of 22 and 219 days. In the other instance, the borrower was put into repayment status 145 days early.

From a sample of 10 borrowers at Southern Connecticut State University (SCSU) who entered repayment during the audited period, we noted 10 instances in which the university reported the incorrect separation date to its third-party service provider, which caused the grace period to be incorrect. The delays ranged from 14 to 114 days late.

Context:	*UCONN:* The first condition appears to be isolated to graduate students and students who applied for graduation late. The second condition appears to be systemic because it was university policy to report the student's withdrawal date as the end of the commencement weekend, instead of the last day of the semester. The university reported 932 students that entered repayment during the audit period. Our sample was not statistically valid.
	CCSU: Based on discussions with university staff and a review of their policies and procedures, these findings appear to be systemic. The university reported 289 students that entered repayment during the audit period. Our sample was not statistically valid.
	ECSU: Based on discussions with university personnel and a review of the policies and procedures, these conditions appear to be isolated instances. The university reported 153 students that entered repayment during the audit period. Our sample was not statistically valid.
	SCSU: Based on discussions with university personnel and review of the policies and procedures, this condition at that period of time, appears to be systemic. The university had 116 students enter repayment during the audited period. Our sample was not statistically valid.
Questioned Costs:	*UCONN, CCSU, ECSU and SCSU:* There were no questioned costs.
Effect:	These institutions were not in compliance with the federal due diligence requirements designed to promote timely and responsible repayment of loans.
Cause:	*UCONN:* The university's procedures are not in compliance with federal regulations governing repayment and exit counseling.
	University procedures during our audited period were to send an anticipated graduation list to its service provider 4 weeks into the semester, when the deadline for students to apply for graduation had passed. In 1 instance, a borrower submitted the application to graduate after the list was sent to its service provider. In 2 other instances, the students were graduate level students and they were not on the university's anticipated graduate list. The university informed us that it modified its procedures and added graduate students to the listing beginning with the fall 2015.
	In addition, the university policy for reporting the separation date to its service provider for graduated students was to report the date as the end of the commencement weekend, instead of the last day of the semester.
	CCSU: The university's process for capturing potential graduates includes generating a pending graduation list prior to the end of each semester. In 6 of

the 7 instances, the pending graduation report was not generated. In the other instance, the student was incorrectly included on the report.

In the second condition, 6 of the 9 instances were a result of the actual separation date being rounded to the first of the following month, a prior policy of the university's service provider. Two of the remaining 3 instances, were based on incorrect information provided by the university's enrollment service provider. The last instance was the result of a clerical error when reporting the separation date.

ECSU: In the first condition, the student graduated and had not been identified until after the semester ended.

In the second condition, there were 2 instances in which the university inadvertently reported the incorrect separation date to its service provider. The university informed us that the other instance noted in the second condition was the result of an error in which the university's service provider did not accept attempts to correct the student's separation date.

SCSU: Procedures at the time were to not utilize the borrower's actual separation date but instead use the first of the following month as the separation date. After our prior audit found similar instances, the university amended its procedures in November 2015. The instances noted all had separation dates prior to the amended procedures being implemented.

Prior Audit Finding: *UCONN, CCSU, ECSU and SCSU:* This was previously reported as finding 2015-659.

Recommendation: The University of Connecticut and state universities should ensure that policies and procedures regarding Perkins Loan repayments and exit counseling are in compliance with the federal regulations.

Views of Responsible Officials:

UCONN: "We agree with this finding."

CCSU: "We agree with this finding."

ECSU: "We agree with this finding."

SCSU: "We agree with this finding. In compliance with Title 34 CFR 674 the university has amended its procedures to ensure that the separation date is reported as the day immediately following the last date of at least half-time enrollment, to ensure that the initial grace period and subsequent repayment dates are calculated properly. Per the 2015-2016 FSA Handbook, volume 6, chapter 4, page 6-128, lenders/schools are able to establish standard repayment