



Auditors Perspective

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Goals:

- > Help better understand the single audit process
- > Increase audience technical understanding of the Federal Student Aid Revolving Loan Programs from the audit perspective.
- > Encourage discussion, share examples
- > Answer questions
- > Provide resources



When is a Single Audit required?

When a non-federal entity expends federal awards (either direct or pass through awards) in excess of \$750,000 in their fiscal year, they are subject to the audit requirements of the Single Audit Act and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Applicability of the Single Audit

Non-Federal entity – State, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient

Major program – Federal program or cluster required to be tested by auditors based on a risk assessment or coverage requirements



Cluster Definition:

- > A grouping of closely related programs that share common compliance requirements
- > Treated as one program for major program determination and testing
 - > Most common:
 - Research and Development (R&D)
 - **Student Financial Assistance (SFA)**
 - TRIO (Department of Education)
 - Aging Programs
 - Child Nutrition
 - WIA



Objectives of a Single Audit

- > To determine if the entity has complied with direct and material compliance requirements of each major federal program
- > Used as a report card by federal funding agencies and pass-through entities
- > Gives comfort to readers regarding major program compliance and internal control over compliance



Scope of the Single Audit (cont.)



- > Conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS)
- > Schedule of Expenditures of Federal Awards (SEFA)
- > Understanding and testing of internal control over financial reporting and compliance
- > Compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major programs
- > Follow-up on prior audit findings, if any and ensure corrective action



OMB Compliance Supplement

- > Issued every year by the Office of Management and Budget (OMB)
 - To facilitate a recipient's compliance with Federal laws and regulations, as well as its Single Audit, the OMB created 14 basic and standard compliance requirements for which recipients must always comply with when receiving and using such Federal assistance, and provided detailed explanations and guidance about them in the OMB Compliance Supplement.
 - Authoritative guidance specifying procedures to be used by Auditors when completing a single audit.
 - Most CFDA numbers and Clusters have detailed audit procedures that auditors follow when completing their compliance audits.

Auditee Responsibilities

- > Defined in OMB Uniform Guidance (§200.508)
 - Arrange for Single Audit and ensure it is properly performed and submitted timely (see auditor selection on next slide)
 - Financial statements
 - Schedule of expenditures of federal awards
 - Promptly follow up and take corrective action on audit findings
 - Summary schedule of prior audit findings
 - Corrective action plan (on letterhead)
 - Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed



Auditee Responsibilities (cont.)

> Other responsibilities

- Maintain internal control over federal programs
- Comply with federal statutes, regulations, and the terms and conditions of the federal awards
- Evaluate and monitor compliance with statutes, regulations and the terms and conditions of federal awards
- Take prompt action when noncompliance identified
- Safeguard protected personally identifiable information (PII)



Auditor Responsibilities

- > Defined in OMB Uniform Guidance (§200.514)
 - Audit the financial statements in accordance with GAAS and GAGAS
 - Understand internal control over Federal programs to plan the audit to support low assessed level of control risk of noncompliance for major programs
 - Test compliance with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs
 - Report findings in Single Audit report



Auditor Responsibilities (cont.)

- > Defined in OMB Uniform Guidance (§200.514) (cont.)
 - Auditor must follow-up on prior audit findings
 - Auditor must complete and certify specified sections of the Data Collection Form (DCF)

- > Audit of the Schedule of Expenditures of Federal Awards
 - In relation to the financial statements as a whole
 - As a basis for the selection of major programs



Student Financial Assistance Cluster



Student Financial Assistance Cluster

- > Federal Supplemental Educational Opportunity Grants (FSEOG)
- > Federal Work-Study Program
- > **Federal Perkins Loan (FPL)**
- > Federal Pell Grant Program
- > Federal Direct Student Loans
- > Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
- > Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grant (IASG))
- > **Nurse Faculty Loan Program (NFLP)**
- > **Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (HPSL/PCL/LDS)**
- > **Nursing Student Loans (NSL)**
- > Scholarships for Health Professions Students from Disadvantaged Backgrounds - Scholarships for Disadvantaged Students (SDS)

Federal Perkins Loan Program



Federal Perkins Loan Program

- > Program is ending as of 6/30/2018 as no further disbursements are allowed.
- > The Department of Education will begin collecting the Federal share of the institutions' Perkins Loan Revolving Funds following the submission of the 2019-20 Fiscal Operations and Application to Participate (FISAP) due on 10/1/2018.
- > Process will be similar to the Excess Liquid Capital Contribution process already in place.
- > Institutions can continue to service their Perkins Loan Portfolio until the portfolio has been paid in full, retired, or assigned to the Department.

Testing of the Federal Perkins Loan Program

> 2017-2018 Award Year

- Testing of eligibility, cash management, and special tests and provisions

> 2018-2019 Award Year and beyond

- Testing of cash management and special tests and provisions
- Eligibility no longer required as there will be no disbursements of funds
- Note that tests are dependent on the institution continuing to service their loan portfolio

> Liquidation of the Federal Perkins Loan Program

- For an institution that decides to stop participating in the Federal Perkins Loan Program
- Special procedures are required and the auditors are required to test compliance with those procedures

Testing of the Federal Perkins Loan Program (continued)

> Eligibility

- Students who receive a Federal Perkins Loan are eligible to receive the award (many of the same eligibility requirements as other Title IV Aid)
 - » Regular student, U.S. Citizen/Eligible Noncitizen, Financial need, Loan limits, Entrance Counseling, etc.
 - » Testing is completed as part of an overall general compliance/eligibility test

> Cash Management

- Interest bearing account
- Interest earned is reinvested into the Perkins Loan Fund

Testing of the Federal Perkins Loan Program (continued)

> Special Tests and Provisions

- Separate account/fund maintained

- Disbursements to or on Behalf of Students (only applicable for 2017-18 Award Year)
 - » Equal advances (normally once every term if standard academic terms)
 - » Supported by a signed promissory note
 - » Not disbursed more than 10 days before the start of the payment period
 - » Notified borrower in writing of the date and amount of disbursement as well as the right to cancel all or a portion of the loan

- Student Loan Repayments
 - » Procedures vary based on whether or not the institution is using a servicer to service the Federal Perkins Loan portfolio



Student Loan Repayments

> Institutions using a loan servicer

- Due diligence
 - » Exit interview or attempt at exit interview is documented (within 30 days)
 - » Ensure the exit interview contains the necessary requirements (repayment options, consequences of default, terms and conditions, etc.)
- Loan Servicer Report
 - » Obtain the loan servicer compliance report and evaluate for any findings and update procedures as necessary

Note: Although auditors are not required to test all the compliance areas as noted on the next slide, the institution is still responsible for compliance over these areas.

Student Loan Repayments (continued)

> Institutions not using a loan servicer

- Due diligence
 - » Exit interview or attempt at exit interview is documented (within 30 days)
 - » Ensure the exit interview contains the necessary requirements (repayment options, consequences of default, terms and conditions, etc.)
- Repayments
 - » For loans that entered repayment, review loan records to verify that the conversion to repayment was timely, and that a repayment plan was established
- Grace
 - » For loans in grace, ensure the institution contacted the borrower a minimum of three times during the initial grace period for loans with 9-month grace periods or two times for loans with 6-month grace periods

Student Loan Repayments (continued)

> Institutions not using a loan servicer (continued)

- Deferments
 - » For loans deferred, review documentation to ascertain whether the deferments was adequately supported
- Cancellations
 - » For loans cancelled, review documentation to ascertain whether the cancellation was adequately supported
- Collections
 - » For loans that defaulted, review loan records to ascertain if the required interviews, contacts, billing procedures and collection procedures were carried out

Nurse Faculty Loan Program



Nurse Faculty Loan Program

- > Department of Health and Human Services Award aimed at increasing the number of qualified nursing faculty.
- > Revolving loan fund in which loans are made to eligible graduate (master's or doctoral) nursing students to complete the nursing education program.
- > Nurse Faculty Loan Program is not a very large or far-reaching program (FY 2018 funding is expected at \$24.6 million).



Testing of the Nurse Faculty Loan Program

> Eligibility

- Students who receive the Federal Perkins Loan are eligible to receive the award (many of the same eligibility requirements as other Title IV Aid)
 - » Regular student, U.S. Citizen/Eligible Noncitizen, Financial need, Loan limits, Entrance Counseling, etc.
 - » Testing is completed as part of an overall general compliance/eligibility test

> Cash Management

- Interest bearing account
- Interest earned over \$500 must be returned to HHS



Testing of the Nurse Faculty Loan Program

> Special Tests and Provisions

- Separate account/fund maintained

- Disbursements to or on Behalf of Students
 - » Installments as considered appropriate by the institution
 - » Supported by a signed promissory note
 - » Not disbursed more than 10 days before the start of the payment period
 - » Notified borrower in writing of the date and amount of disbursement as well as the right to cancel all or a portion of the loan

- Student Loan Repayments
 - » Procedures vary based on whether or not the institution is using a servicer to service the Nurse Faculty Loan portfolio (same requirements as Perkins on slides 19-21)

Health Professions Student Loans/Primary Care Loans/Loans for Disadvantaged Students



Health Professions Student Loans/Primary Care Loans/Loans for Disadvantaged Students

- > Department of Health and Human Services Award aimed at increasing educational opportunities by providing long-term, low-interest loans to students in need of financial assistance and in pursuit of a course of study in an approved health discipline.
- > Primary Care Loans are available to students that meet financial need criteria and agree to enter residency training program in primary health care no later than 4 years after graduation and practice primary healthcare for 10 years or until the loan is repaid, whichever comes first.
- > Loans for Disadvantaged Students must meet the Health Professions Student Loan criteria and be from a disadvantaged background.

Health Professions Student Loans/Primary Care Loans/Loans for Disadvantaged Students



Testing of Health Professions Student Loans/Primary Care Loans/Loans for Disadvantaged Students

- > Testing of these loan programs is similar to the Nurse Faculty Loan Program (see previous slides for further information)





Nursing Student Loans

- > Department of Health and Human Services Award aimed at increasing educational opportunities by providing long-term, low-interest loans to students in need of financial assistance and in pursuit of a course of study in an approved nursing program.

Testing of Nursing Student Loans

- > Testing of these loan programs is similar to the Nurse Faculty Loan Program (see previous slides for further information)



> FSA Student Handbook

- <https://ifap.ed.gov>
- Handbook link on the right side near bottom of the webpage

> Electronic Code of Federal Regulations

- <https://www.ecfr.gov>
- Department of Education is Title 34, Parts 600-699
- Department of Health and Human Services is Title 42, Parts 57

> OMB Compliance Supplement

- <https://www.whitehouse.gov/omb/information-for-agencies/circulars>
- Under OMB Circular A-133



Questions