

MEMORANDUM

TO: VSCS Audit and Risk Management Committee
Sue Zeller, Chair
David Durfee, Vice-Chair
Bob Flint
David Silverman
Shawn Tester

FROM: Sharron Scott, Chief Financial & Operating Officer

DATE: February 7, 2024

SUBJECT: Audit & Risk Management Committee Meeting scheduled for February 12, 2024

The Audit and Risk Management Committee of the VSC Board of Trustees will meet at 1:00 p.m. on Monday, February 12, 2024. The meeting will be held virtually at <https://www.vsc.edu/botzoom>.

In addition to review and approval of the minutes of the October 16 and January 15 Audit and Risk Management Committee meetings, the committee will review management's proposed internal audit plan for FY24. This audit proposal focuses on the payment of on-going stipends and one-time payments to individuals. This audit is expected to support the development of internal controls and best practices and will support to current transformation work of Shared Services Human Resources. If approved, this audit will occur during the spring semester with a report to this committee at its next regularly scheduled meeting.

The committee will also receive an update on the single audit findings from FY2023 as well as receive a report, in executive session, on progress related to the FY2023 internal audit on cyber security and GLBA.

Should you have any questions regarding these materials, or any other matter, please contact me at Sharron.Scott@vsc.edu or 802.224.3022.

CC: VSCS Board of Trustees
Council of Presidents
Business Affairs Council

Vermont State Colleges Board of Trustees Audit and Risk Management Committee Meeting

February 12, 2024

1:00 p.m. via Zoom at <https://www.vsc.edu/botzoom>

AGENDA

1. Call to order
2. Comments from public - signup for public comment at www.vsc.edu/signup ¹
3. Review and approve minutes
 - a. October 16, 2023
 - b. January 15, 2024
4. Review and approval of the *Internal Audit Plan for FY2024: Stipends & One-Time Payments*
5. Review progress on *Uniform Guidance Single Audit Findings for FY2023*
6. Other Business
7. Executive Session to report on progress on *FY2023 Internal Audit on Cyber Security and GLBA*
8. Adjourn

¹ To make a public comment you must be logged into the live session at <https://www.vsc.edu/botzoom>. The rules for public comment may be found on the VSC website at <https://www.vsc.edu/wp-content/uploads/2022/08/VSC-BOT-Rules-for-Public-Comment.pdf>

Meeting Materials

ITEM 1: October 16, 2023 Audit & Risk Management Committee Minutes

ITEM 2: January 15, 2024 Audit & Risk Management Committee Minutes

ITEM 3: Internal Audit Plan: Stipends and One-Time Payments

ITEM 4: Uniform Guidance Progress Update

ITEM 1: Minutes of October 16, 2023

Minutes of the VSC Board of Trustees Audit & Risk Management Committee meeting held Monday, October 16, 2023 at 1:00 p.m. via ZOOM - UNAPPROVED

Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.

The Vermont State Colleges Board of Trustees Audit & Risk Management Committee met on October 16, 2023, via Zoom

Committee members present: Sue Zeller (Chair), David Silverman (Vice Chair), David Durfee, Bob Flint, Shawn Tester

Other Trustees Present: Lynn Dickinson

Presidents: Joyce Judy, CCV, Mike Smith, VTSU (interim)

Chancellor's Office Staff: Jen Porrier, Administrative Director
Sophie Zdatny, Chancellor

Shared Services: Donny Bazluke, Network/Security Analyst
Kellie Campbell, Chief Information Officer
Sharron Scott, Chief Financial/Operating Officer
Toby Stewart, System Controller
Patty Turley, General Counsel
Meg Walz, Director, Program Management

From the Colleges: Nicole Mace, Dean of Administrations, Community College of Vermont
Sarah Truckle, Vice President of Business Operations, Vermont State University
Littleton Tyler, Assistant Vice President of Finance & Compliance, Vermont State University

From the Public: Chris Evans, Audit Senior, Withum
Kieth Goldie, Audit Partner, Withum
Nicole McSweeney, Senior Accountant, Withum

1. Chair Zeller called the meeting to order at 1:00 p.m.
2. Public Comment

There was no public comment.

3. Approval of the Minutes of the April 17, 2023 Meeting of the Audit & Risk Management Committee

Trustee Tester moved and Trustee Durfee seconded the motion to approve the April 17, 2023 meeting minutes. The motion was approved unanimously.

4. Review and Approval of FY2023 Draft Audited Financial Statements and Uniform Guidance Single Audit and executive session with Auditors

Chair Zeller invited Kieth Goldie and Chris Evans from Withum to review the draft financial statements and uniform guidance single audit. The presented materials can be found [here](#) on pages 9-110.

Executive Session

At 1:47 p.m. Trustee Zeller moved that the Audit & Risk Management Committee enter executive session pursuant to 1 V.S.A. § 313(a)(3) for the purpose of evaluating public officers or employees, consistent with Government Auditing Standards. Along with the members of the Audit Committee, and other members of the Board of Trustees present at the meeting, the Committee invited Kieth Goldie and Chris Evans from the auditing firm Withum to attend. Trustee Silverman seconded the motion and it was approved unanimously.

The committee exited executive session at 2:07 p.m.

Trustee Silverman moved and Trustee Tester seconded a motion to recommend to the Board the approval of Resolution 2023-011, Acceptance of the FY2023 Audited Financial Statements and Single Audit Report. The motion was approved unanimously.

5. Report to the Audit & Risk Management Committee on Whistleblower Complaints

General Counsel Patty Turley provided a description of the Ethicspoint reporting platform and Whistleblower hotline, explaining its purpose of allowing individuals to report issues of waste, fraud, and abuse. Ms. Turley shared that in Fiscal Year 2023 there were 9 reports received which is consistent with past years. Generally, the reports are about student conduct or allegations of discrimination. Typically, such reports are handled through the applicable

institutional procedures. The reports originated from across VSC locations and no one location had significantly more reports than the other locations.

6. Financial and Single Audit Service Provider Selection Process

Chair Zeller explained that the current contract with Withum for financial and single audit services comes to a close with the end of this audit cycle so the committee must consider other alternatives.

Chief Financial and Operating Officer Sharron Scott described the process for creating an RFP (Request for Proposals) and asked the committee if they would like to be involved in this process or delegate this authority to the CFO with appointed members in a selection committee. After committee discussion, it was decided that an additional committee meeting would be scheduled in early 2024 at which CFO Scott would bring the recommendation of an auditor, selected from the RFP process, back to the committee.

7. Other Business

There was no other business.

Chair Zeller adjourned the meeting at 2:28 p.m.

ITEM 2: Minutes of January 15, 2024

Minutes of the VSC Board of Trustees Audit & Risk Management Committee meeting held Monday, January 15, 2024 at 8:30 a.m. via ZOOM - UNAPPROVED

Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.

The Vermont State Colleges Board of Trustees Audit & Risk Management Committee met on January 15, 2024, via Zoom

Committee members present: Sue Zeller (Chair), David Silverman (Vice Chair), David Durfee, Shawn Tester

Absent: Bob Flint

Presidents: David Bergh, Joyce Judy

Chancellor's Office Staff: Beth Mauch, Chancellor
Jen Porrier, Administrative Director

Shared Services: Donny Bazluke, Network/Security Analyst
Sarah Chambers, Director, Learning Technologies
Sharron Scott, Chief Financial/Operating Officer
Toby Stewart, System Controller
Patty Turley, General Counsel
Meg Walz, Director, Program Management

From the Colleges: Nicole Mace, Dean of Administrations, CCV
Sarah Truckle, Vice President of Business Operations, VTSU
Littleton Tyler, Assistant Vice President of Finance & Compliance, VTSU

From the Public: Kieth Goldie, Audit Partner, Withum
Zach Laflash, Partner, Withum

1. Chair Zeller called the meeting to order at 8:30 a.m.
2. Public Comment

There was no public comment.

3. Independent Auditor Recommendation

Chair Zeller shared that the policies of the Vermont State Colleges require the periodic rebidding of contracts for goods and services. The contract with Withum for financial and single audit services ended with FY23. In October, this committee delegated responsibility for conducting a search for an independent auditing firm to Sharron Scott and her team. As described in the materials for this meeting, the team has completed its search and recommends Withum for the 2024-2027 audit cycles. CFOO Scott described the RFP process and the categories used for choosing Withum. Additionally, the audit manager for the VSCS will now shift from Kieth Goldie to Zach Laflash. Mr. Laflash and Mr. Goldie answered questions from the committee regarding the process including maintaining independence.

Trustee Tester moved and Trustee Silverman seconded the motion to recommend to the Board the approval of Withum as the independent auditors for the 2024-2027 audit cycles. The motion was approved unanimously.

4. Other Business

There was no other business.

Chair Zeller adjourned the meeting at 8:46 a.m.

ITEM 3: Internal Audit Plan



Internal Audit Plan

Fiscal Year 2023-2024

Payroll Stipend Processing Audit

1. GENERAL INFORMATION

1.1 Purpose/Objective

The Internal Audit process is extremely important as it is designed to evaluate and improve the effectiveness of risk management, control and governance processes, as well as add value by improving an organization's operations. Assessing internal processes and controls ensures that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports.

The overall objectives of an internal audit are to determine whether the colleges:

- Managed and used resources in an efficient, effective, and economical manner.
- Administered funds in compliance with applicable laws, regulations, policies and procedures.
- Implemented internal controls to prevent or detect material errors and irregularities.

The specific objective in this audit is to:

- Assist management with the assessment of the recurring payroll stipend/one-time payment processing systems

1.2 Scope

The Vermont State Colleges internal audit group, through the direction and oversight of the Audit & Risk Management Committee of the Board of Trustees, prepares an internal audit plan, conducts the annual internal audit and issues a final report to the Committee. The audit is of the current fiscal year. The scope of the FY24 internal audit will be an assessment of the Vermont State College's recurring payroll stipend/one-time payment processing systems.

Controls Audit

1. How are stipends and one-time payments reviewed, approved, and reconciled by the institution? Are there adequate controls in place to identify and correct for data entry and or other errors before implementation?
2. Are regular reports run and data analyzed after payments are processed to identify trends for equity, policy compliance, budget forecasting, and systemic issues (such as miscoding)?
3. Are stipend/one-time payments consistent with institutional practices and procedures?
4. Under what circumstances is it appropriate for employees with a primary role that is non-exempt to be paid via lump-sum?
5. Is work performed before issuance and approval of a stipend payment?

Best Practices Review

1. The VSC is actively undergoing process improvement in its payroll and employee records management systems, documentation regarding these processes and efforts will be reviewed
2. An internal audit of Payroll and Benefits occurred in 2021, these best practices will be reviewed

1.3 Overview

The Vermont State College system is comprised of two institutions of higher education, Community College of Vermont and Vermont State University, as well as Shared Services and a small Office of the Chancellor. Currently, each of the institutions operates as a single business unit in that most administrative functions exist at each location with the exception of the following functions:

- Accounts Payable
- General Accounting
- Benefits Administration
- Payroll Administration
- Treasury and Taxation
- Information Technology
- Finance, Investment, and Audit

The recent creation of Vermont State University is the perfect opportunity to review and highlight the practices and procedures related to stipend and one-time payment processes. Despite its best intentions, the VSC's use of an efficient, equitable, and consistent practice for the management and issuance of stipends and one-time payments has diverged across the system with the result being both inconsistent and inefficient practices. These inconsistencies and inefficiencies have a negative impact on the overall system.

The following are examples of employee actions that may cause issues and require post-transaction action or additional review:

- Inaccurate account numbers coded to a request
- Requesting payment after the work has been performed, rather than in advance
- Committing to a payment schedule or amount that differs from institutional practice or procedure or is inconsistent with prior stipends for the same task
- Failing to request appropriate payroll documentation
- Budget manager failing to review request for available funding before approving
- Typographical or transposition error
- Disjointed processes that lead to inefficient technological solutions

The following are examples of preventive controls should be in place for an adequate payroll stipend/one-time payment system:

- Review and approval of stipend/one-time payment transactions (including appropriate account number) by budget manager with secondary review according to institutional practice or procedure and/or the establishment of monetary threshold(s) for different approval levels
- Standardization of payment structures / schedules for specific types of work
- Standardization of payment schedules and timelines
- Clear documentation regarding eligibility for stipends and one-time payments and defined expectations for work that falls within the normal other duties as assigned part of an employee's job description.
- Efficient systems and processes that require minimal data entry points and efficient approval work management that minimizes touchpoints while ensuring appropriate internal controls.

Detective controls are retrospective actions to identify questionable transactions. As implied, these controls identify potential issues after the transactions have occurred, but they cannot stop transactions from occurring. However, detective measures can assist in quickly identifying potential issues. Some of the more common detection controls associated with payroll stipend and one-time payment processing systems:

- Periodic review of stipend/one-time payments by human resources (HR), budget managers, and supervisors to be assured payments are consistent with documentation
- Periodic and spot auditing of stipend transactions by payroll and HR personnel for accuracy

2. AUDIT EVALUATION

2.1 Metrics

DESIGN MATRIX (PAYROLL AND BENEFITS ADMINISTRATION)

Objectives	Information Required & Sources	Scope and Methodology	Limitations	What this analysis will likely say
What are the objectives this audit is trying to address?	What information is needed to address the objective? From where will the information be received?	How will each objective be addressed?	What are the design limitations and how will it affect the audit?	What are the expected results of the work?
To determine if the Vermont State Colleges has the appropriate policies and procedures involving the creation, use, and consistent application of stipends and one-time payments in Payroll	Written policy and procedure documentation. Perceptive Content, UKG/Ultipro, and Business Intelligence access (for stipend and one-time payment requests) including reporting mechanisms General ledger detailed reports UKG (payroll) system access for FLSA status, work contracts, and payments	Inquiry and review of selected documents in scope to ensure compliance and adequacy of internal controls and compliance with stated practices The sample will include transactions across all entities	The sampling method will not allow us to identify every error or potential misclassification A portion of the audit will use inquiry as our testing method; therefore, we will rely on personnel's responses, which is not the most reliable form of supporting documentation.	The audit will be able to report whether or not the internal controls and policies/procedures are functioning properly as designed. The VSC will have current written documentation of the existing policies and procedures and will be able to identify and implement best practices to improve accuracy and compliance.
The plan is to review the internal controls involving the VSC Stipend and One-Time Payment processes and assess the extent that these controls are proper and working as intended	Interviews and discussions with personnel Review of sampling of payment requests	Necessary documents to support good internal control will be collected Interviews and walk-throughs with personnel relevant to audit objectives		Recommendations will provide a path forward for improving the overall usefulness of the existing process; inform the ongoing process improvement work; and suggest changes to process efficiency as well as update institutional procedures and practices

3. AUDIT PLAN

3.1 Method of Internal Audit

The Internal Audit Team will interview staff in Shared Services HR and Payroll as well as HR personnel at the CCV and VTSU. Additionally, interviews with two to three budget managers that perform a significant amount of stipend and/or one-time payment process hiring will be interviewed. Interviews with a sampling of initiators (supervisors) will also be conducted.

Documentation regarding institutional practices and system procedures will be gathered.

The Internal Audit Team will be provided with a detailed (transaction level) general ledger for Fiscal Year 2023 (the most recently completed fiscal year) and access to the supporting data.

The Internal Audit Team will select a statistically significant sample of stipend and one-time payments transactions for each institution and shared services relative to the volume of institutional transactions across the major business units of each institution.

The Internal Audit Team will review the payments and related documentation for consistency and compliance within an institution and across institutions as well as compliance with stated system practices.

The Internal Audit Team will provide guidance and written recommendations to management that will assist in the improvement of the stipend and one-time payment processes for the Vermont State Colleges.

3.2 Procedures

1. Review written policies and procedures regarding stipends and one-time payments
2. Receive detailed general ledger and access to source documents
3. Select statistically significant sample for each institution and shared services
4. Review sample against existing documentation
5. Research best practices
6. Draft report
7. Present to Audit Committee

3.3 Roles and Responsibilities

Audit Team (name, role, title, entity)

- Sharron Scott, Chief Financial & Operating Officer
- Toby Stewart, System Controller
- TBD, Audit Staff

Audit Resources (role, entity)

- Information Technology, Shared Services
- Employee Services (HR), Shared Services
- Human Resources, CCV & VTSU
- Budget Managers, CCV & VTSU

Internal Stakeholders

- Board of Trustees
- Chancellor and Presidents
- Deans of Administration
- Collective Bargaining Units
- All current employees

3.4 Milestones

Activity	Estimated Completion Date
Completion of Audit Plan	February 12, 2024
Completion of Audit Fieldwork / Report to Management	April 15, 2024
Comments back from Management	April 22, 2024
Final Report Issued to Audit Committee	May 1, 2024
Vermont State Colleges Audit Committee Review	May 6, 2024

ITEM 4: Uniform Guidance Progress Update

PROGRESS UPDATE ON FEDERAL AWARD FINDINGS & QUESTIONED COSTS

Finding: 2023-01
Program: Federal Pell Grants & Direct Loan Programs

CRITERIA

- (1) An institution shall report to the Secretary any change for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.
- (2) An institution shall submit, in accordance with the deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.
- (3) An institution must submit Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan, and TEACH Grant disbursement records to COD, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement. In accordance with 34 CFR 668.164(a), title IV, Higher Education Act ("HEA") program funds are disbursed on the date that the institution:
 - (a) Credits those funds to a student's account in the institution's general ledger or any subledger of the general ledger; or
 - (b) Pays those funds to a student directly.

Title IV, HEA program funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Department.

CONDITION

Federal regulations require the College to report to the Federal Government's Common Origination and Disbursement System ("COD") Federal Pell Grant and Direct Loan disbursements made to students within 15 days of the funds being disbursed to the student. During our testing, we noted 3 students, out of a sample of 40, that was not reported within the required timeframe by 1 to 9 days.

Cause

The Colleges have policies and procedures in place to report the disbursement records to the Department of Education through the COD system within the required fifteen calendar days, however, in this case the procedures were not completed properly.

Effect

The Colleges did not report Pell Grant and Direct Loan disbursements to COD within the required time frame.

Questioned Costs

Not applicable

Identification as a Repeat Finding, if applicable

Not applicable

Recommendation

We recommend that management of the Colleges review, and if necessary, update the policies and procedures to ensure all Pell Grant and Direct Loan funds are reported within the required timeframe.

Management Response

The Colleges agree with the finding.

CCV

Disbursement errors noted are isolated errors due to system issues within COD, testing of processes that resulted in an error, and a scheduling issue related to a holiday break. A new automated COD report in Colleague will be created by CCV and implemented in November 2023.

February 2024 Update: CCV implemented the automated COD report in October 2023 for the current award year.

VTSU

VTSU will continue to monitor and report weekly.

February 2024 Update: vTSU has implemented the automated COD report for Pell in January 2024 for the current award year and Direct Loans will begin in February 2024.

Finding: 2023-02
Program: Student Financial Assistance Cluster

CRITERIA

- (a) An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs.

- (9) If the institution permits a student to appeal a determination by the institution that he or she is not making satisfactory academic progress, the policy describes –
 - i. How the student may reestablish his or her eligibility to receive assistance under the title IV, HEA programs;
 - ii. The basis on which a student may file an appeal: The death of a relative, an injury or illness of the student, or other special circumstances; and
 - iii. Information the student must submit regarding why the student failed to make satisfactory academic progress, and what has changed in the student's situation that will allow the student to demonstrate satisfactory academic progress at the next evaluation.

CONDITION

The Colleges' satisfactory academic progress policy (SAP) allows for a student who fails to meet the minimum standard to be provided one semester of academic warning. If the student does not improve, as described in the Colleges' SAP, the student will be dismissed from the Colleges unless the student successfully appeals the dismissal. Our testing revealed that four students failed to meet the minimum standards established by the Colleges' SAP. Of these four students, one student did not receive notification that they were out of compliance of the Colleges' SAP.

Cause

The Colleges failed to have the proper review procedures in place to ensure that all students who did not meet the minimum SAP standards received proper notification.

Effect

Students who did not receive notification of their current academic standing and as such were unable to submit an appeal.

Questioned Costs

Not Applicable

Identification as a Repeat Finding, if applicable

Not applicable

Recommendation

The Colleges should continue to strengthen their controls surrounding notification to students who have failed to meet the minimum standards per the SAP.

Management Response

The Colleges agree with the finding.

VTSU

This was an isolated instance and attributed to human error. Training with staff has been reinforced.

February 2024 Update: We worked with Ferrilli on writing a new Colleague SAP report to identify students who are not meeting the standard. This new process was used following Fall 2023. Student SAP standing is also now available on Self Service for students.

Finding: 2023-03
Program: Student Financial Assistance Cluster

CRITERIA

Withdrawal date for a student who withdraws from an institution that is not required to take attendance. For purposes of this section, for a student who ceases attendance at an institution that is not required to take attendance, the student’s withdrawal date is –

- (i) The date, as determined by the institution, that the student began the withdrawal process prescribed by the institution;
- (ii) The date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw;
- (iii) If the student ceases attendance without providing official notification to the institution of his or her withdrawal in accordance with paragraph (c)(1)(i) or (c)(1)(ii) of this section, the mid-point of the payment period (or period of enrollment, if applicable).

CONDITION

When a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution should determine the proper amount of Title IV funds to be refunded as of the recipient’s withdrawal date. Once a recipient’s withdrawal date is determined, an institution should complete a Return of Title IV (“R2T4”) calculation. The R2T4 is used to calculate the percentage of the payment period or period of enrollment completed, establish the amount of Title IV funds earned by the recipient, and determine the amount required to be returned to the Department of Education. During our testing, we noted 1 student, out of a sample of 40, where the Return of Title IV calculation was completed using incorrect withdrawal dates.

Cause

When completing the R2T4 calculation, the Colleges used the date the students' withdrawal was processed by the Colleges instead of the actual date the student withdrew from the Colleges.

Effect

The Colleges calculated the student's percentage of earned aid incorrectly which resulted in an incorrect amount of Title IV funds returned to the Department of Education

Questioned Costs

Unknown

Identification as a Repeat Finding, if applicable

Not applicable

Recommendation

The Colleges should implement a formal review process of the Return of Title IV calculations to ensure an accurate calculation is made.

Management Response

The Colleges agree with the finding.

VTSU

A new process for verifying last date of attendance by the registrar's office was implemented for the 2023-2024 academic year. The new process includes verifying last date of attendance supplied by the student on their withdrawal form with faculty. The verified date will be used for all transactions of record.

February 2024 Update: The new process for verifying LDA has been working smoothly with that information being verified by the Registrar's office. Once the Registrar's office verifies the LDA they provide that date to FA and we process the R2T4.

Finding: 2023-04
Program: Student Financial Assistance Cluster

CRITERIA

Timeframe for the return of title IV funds. An institution must return the amount of title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (1)(3) of this section.

Timely return of Title IV, HEA program funds. In accordance with procedures established by the Secretary or Federal Family Education Loan ("FFEL") program lender, an institution returns unearned Title IV, HEA program funds timely if –

- (1) The institution deposits or transfers the funds into the bank account it maintains under 34 CFR Sections 668.163 no later than 45 days after the date it determines the student withdrew;
- (2) The institution initiates an electronic funds transfer no later than 45 days after the date it determines that the student withdrew;
- (3) The institution initiates an electronic transaction no later than 45 days after the date it determines that the student withdrew, that informs a FFEL lender to adjust the borrower's loan account for the amount returned; or
- (4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. An institution does not satisfy this requirement if –
 - i. The institution's records show that the check was issued more than 45 days after the date the institution determined the student withdrew; or
 - ii. The date on the cancelled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

CONDITION

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The Colleges have 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing, we noted 3 students, out of a sample of 40, had unearned Title IV aid that was not returned to the Federal Government, within 45 days of the determined withdrawal date, by 20 to 74 days.

Cause

The Colleges did not consistently follow the procedures in place to monitor student withdrawals related to Title IV funds that must be returned to the Department of Education within 45 days.

Effect

The Colleges did not return unearned Title IV funds within the required 45-day time frame.

Questioned Costs

Not Applicable

Identification as a Repeat Finding, if applicable

Not applicable

Recommendation

The Colleges should strengthen their controls surrounding the review Return of Title IV calculations in a timely manner to ensure that all funds are returned to the Department of Education within the required time frame.

Management Response

The Colleges agree with the finding.

CCV

CCV implemented new processes in March and June of 2023 to address these issues. The first process verifies that a student's aid has been updated and recalculated before closing the record. The second process ensures additional training and controls to make sure student withdrawals occur within the appropriate timeframe.

February 2024 Update: CCV has successfully implemented this as of June 2023, and testing in December 2023 confirmed its effectiveness.

VTSU

VTSU reprocessed the error return to the Title IV funds with the correct information and cancelled the loan completely. Training with all staff has been reinforced.

February 2024 Update: An updated process for R2T4 is in place to ensure date accuracy and recalculation accuracy. Also a review is done to ensure all steps have been followed.

Finding: 2023-05

Program: Student Financial Assistance Cluster

CRITERIA

Unless the Colleges it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that –

- (i) A loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has 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
- (ii) A student who is enrolled at the school and who received a loan under Title IV of the Act has changed his or her permanent address.

The Dear Colleague Letter GEN-12-6 issued by the U.S. Department of Education (“ED”) on March 30, 2012 states that in addition to student loan borrowers, Enrollment Reporting files will include two additional groups of students: Pell Grant and Perkins Loan recipients.

According to 2 CFR Part 200, Appendix XI Compliance Supplement updated June 2019:

Under the Pell Grant and loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via the National Student Loan Data System (“NSLDS”). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

CONDITION

The Federal Government requires the Colleges to report student enrollment changes to the National Student Loan Data System (“NSLDS”) within 60 days. During our testing, 5 out of 40 students were reported late to the NSLDS by 3 to 168 days. During our testing, 2 out of 40 students reported incorrect effective dates, and 1 out of 40 students had an incorrect status reported to the NSLDS.

Cause

The Colleges did not have the proper review procedures in place to ensure enrollment status changes were being reported to NSLDS timely and correctly.

Effect

The Colleges did not report the students' correct effective dates to NSLDS or were not reported within the required timeframe, which may impact the students' loan grace periods.

Questioned Costs

Not Applicable

Identification as a Repeat Finding, if applicable

See prior year finding 2022-001

Recommendation

The Colleges should strengthen their controls surrounding the review of the NSLDS reporting process to ensure they are in compliance with federal regulations.

Management Response

The Colleges agree with the finding.

CCV

In June 2023 CCV implemented a new process to verify that student records reported to the Clearinghouse have been correctly and accurately reported to the National Student Database (NSLDS)

February 2024 Update: This update was implemented in June 2023 and testing indicated that it was working successfully.

VTSU

In March 2023 VTSU implemented new procedures to ensure all enrollment status changes were processed consistently. Since implementation, no new findings were identified.

February 2024 Update: VTSU has reported enrollments each month to the National Student Clearinghouse in a consistent manner.

Finding: 2023-06

Program: Student Financial Assistance Cluster

CRITERIA

According to 34 CFR 668.164(l):

- (1) Notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary any title IV, Higher Education Act (“HEA”) program funds, except Federal Work Study (“FWS”) program funds, that it attempts to disburse directly to a student or parent that are not received by the student or parent. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursement.
- (2) If an EFT to a student's or parent's financial account is rejected, or a check to a student or parent is returned, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the EFT was rejected or the check returned. In cases where the institution does not make another attempt, the funds must be returned to the Secretary before the end of this 45-day period.
- (3) If a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check.

CONDITION

Federal regulations require an institution to return unclaimed Title IV funds issued by check or EFT within 240 days. During our testing, we noted 3 students, out of a sample of 40, that had unclaimed funds exceeding the federal day limit by 27 to 224 days.

Cause

The Colleges did not have an effective process in place to monitor the outstanding check aging to ensure that the 240-day timeframe was met.

Effect

The Colleges did not return Title IV unclaimed funds to the Department of Education within the required 240-day time frame.

Questioned Costs

There were 3 outstanding checks totaling \$4,729 which pertained specifically to federal-sourced funds.

Identification as a Repeat Finding, if applicable

Not Applicable

Recommendation

The Colleges should examine its policies and procedures related to unclaimed funds including the process and time frame for identifying aged balances and the process for cancelling checks and returning funds to the Department of Education.

Management Response

The Colleges agree with the finding.

New procedures to effectively collaborate and share information between financial aid and student accounts will be drafted to ensure unclaimed checks are processed within the required window.

February 2024 Update: This procedural update was successfully implemented for the Fall 2023 semester.