Pennsylvania State Grant Program
Program Review and Audits

Slide 1 - Instructions
Please read this entire slide. This presentation contains audio and closed caption features. Use the navigation bar to: manage the audio/mute options; launch/hide closed captions; and advance through the presentation.

Slide 2 - Program Review and Audits
Hello and thank you for joining us for a review of the Program Review and Audit basics for the Pennsylvania State Grant Program.

Slide 3 - Agenda
The purpose of this presentation is to supplement information presented in Chapter 5 of the PA State Grant Program Handbook for the 2018-19 Academic Year and the 2019 Summer. During this presentation, we will examine the purpose for conducting Program Reviews and Audits for the State Grant and Special Programs. We will then provide information on the types of reviews conducted by PHEAA, before explaining the review notification process and what steps institutions can take in order to be prepared for a visit by State Grant and Special Programs Compliance staff. Afterwards, we will discuss the categories designated for Program Review findings and what impact the review results could have on an institution. At the end of this presentation, we will provide some resources that will help you manage the program.

You should note that this presentation will serve as an overview of the printed material and should be used in conjunction with the written procedures to ensure your full understanding of and compliance with, all State Grant Program policies. Also, since our presentation will focus solely on this topic, we encourage you to review the other Handbook presentations and print materials at your convenience. A copy of the Handbook can be found on our resources and training webpage. We will provide the web address at the end of the presentation. Let’s begin by explaining why PHEAA conducts Program Reviews and Audits.

Slide 4 - Purpose
As a steward of taxpayer funds for the Commonwealth of Pennsylvania, PHEAA has an obligation to ensure that the administration of state and federal financial aid programs is in Compliance with applicable laws, regulations, and policies. For this reason, the Program Review staff within PHEAA’s State Grant and Special Programs department will perform routine reviews for all PHEAA-administered programs in an effort to promote and maintain integrity, accuracy, and timeliness in the certification and delivery of financial assistance.

Chapter 5 was included in the State Grant Program Handbook to promote transparency of the Program Review and audit process. While this presentation and Chapter 5 of the Handbook, is heavily focused on the Program Review and Audit process as it relates to the State Grant Program, other PHEAA-administered special programs are subject to Program Reviews including but not limited to: the Chafee Program, the IAG Program, the PA tip, Federal Work-Study On-Campus and the State Work Study Program.
For a more inclusive list of all programs subject to review by Compliance staff, refer to Chapter 5 of the Handbook.

**Slide 5 - Types of Reviews**

There are 5 types of Program Reviews that PHEAA will conduct. The first of which is the Routine Program Review. Typically all schools will have a Routine Program Review about every 2 to 3 years. During the routine review, PHEAA staff will generally take about one to three days to examine a sample of student accounts from one award year. The sample could be from anytime within the record retention period of the program, but is most likely to be a review of records from the most recently completed award year. For instance, the 2017-18 award year would be examined during 2018-19.

If the routine review results in an error rate of higher than 4% or at least four administrative findings, Program Review staff will schedule a Follow-up review to be conducted within the next 12 to 18 months.

A Follow-up review is performed to verify that the types of processing errors committed during the routine review, which in most cases result from misunderstandings in policy and procedure, have been corrected and the school is now in compliance with program policy. Like a routine review, a Follow-up review will take 1 to 3 days and will look at a sample of student accounts.

Later in the presentation, we will further discuss the topics of administrative findings and error rate calculation, but first let’s finish discussing the different types of Program Reviews.

For institutions that, for a second year in a row, have either an error rate greater than 8.9% or four or more administrative findings during the Routine and Follow-up Program Reviews, a Probationary Program Review is scheduled for the following year. For instance, if a school has 4 or more admin findings during the Routine Review then they would be scheduled for the Follow-Up Review. Then, if during the Follow-Up, they again have 4+ admin findings, there would be a Probationary Review scheduled. A probationary review follows the same structure as a routine or Follow-up review, in that it should take 1 to 3 days for PHEAA staff to examine the sample of student files.

Although most reviews are as a result of the routine process, sometimes there are events that prompt a review. One such occasion is when a school closes. Once an institution announces that its doors will be closing, Program Review staff will arrange to visit the institution and review the PHEAA-administered programs. Instead of examining a sample for a given year, a School Closing Review will include all awarded students for up to the last two processing years. While a School Closing review is typically scheduled between 30 days prior and 30 days after the closure, PHEAA makes every effort to initiate the review before the school closes and the staff becomes unavailable. For that reason and to avoid the over-disbursement of funds, it is important that schools notify PHEAA of a school closure as soon as possible.

Another situation that will prompt a review is when PHEAA suspects or receives reports of fraud. In these cases, PHEAA will not usually schedule a review or notify the school in any way. Instead Program Review staff will arrive unannounced to the school to conduct an Audit. The scope of the audit will depend on the nature of the suspected fraud and therefore the number of accounts and the duration of the review is not predetermined.
Slide 6 - Review Scheduling

For continued participation in PHEAA-administered Programs, an institution must demonstrate that it is fiscally responsible in the administration of program funds. Therefore, during a Program Review or audit, PHEAA will examine several different elements to confirm that the school has adhered to the policies outlined in the program guidelines, handbook, or certification procedures.

PHEAA-staff will review records that confirm that a school meets general institutional eligibility requirements. These can include documentation for approval, accreditation and licensure as well as verification that the institution or approved programs of study have not undergone changes since the approval process that would make the school or its programs of study ineligible for program participation.

Review staff will also look for evidence of Compliance with Program Administration requirements. Please keep in mind that policies and procedures vary from program to program. For instance, the State Grant program is heavily focused on verification of eligibility and disbursement of funds for each awarded student, whereas the Act 1 O 1 program is a block grant that issues funds to the school to be used to assist a specific population of students.

For the State Grant and other student focused programs, PHEAA will verify correct Student Eligibility assessment and crediting for awarded students. This will require reviewing a number of files within each student record including: admission, academic registration and attendance. Fiscal Administration records will also be required to ensure that the school has adhered to program policies regarding disbursement and cash management.

About 1 to 2 months prior to the scheduled review Compliance Services will send an email to school officials, confirming the dates and providing the award years that will be included in the evaluation. We encourage the participation of all appropriate school staff and are willing to make adjustments to the schedule if there is an institutional conflict on the date of the scheduled review.

Slide 7 - Institutional Readiness

In the scheduling email, the school is provided with a list of materials that must be returned to PHEAA’s Compliance Services within five days. These items include the Institutional tuition refund policy, Satisfactory Academic Progress policy, and the course catalog, or other documents that identify online and hybrid courses. It is important that this information be sent within 1 week of the scheduling email, as PHEAA’s Compliance Staff uses this information to prepare for the review.

Chapter 5 of the Handbook also details several actions a school can take in advance to facilitate a smooth and efficient review process, the first of which is for your school to develop and communicate its own standard operating procedures for a Program Review. One item we recommend that you include within your best practices is to notify any appropriate school offices and supply the individuals who may participate in the review with the dates and times. We also encourage you to arrange a convenient workspace for the PHEAA Compliance Coordinator and identify any additional items he or she may need. For instance, you may need to submit a request for online access, or create a list of school contacts in case the coordinator has
questions. Schools should also establish security practices which would include notifying campus security of the visit and creating a protocol for sharing Non-Public Personal Information with PHEAA-staff.

Again, we encourage the participation of all appropriate school staff and are willing to make adjustments to the schedule if there is an institutional conflict on the date of the scheduled review.

Now that we have discussed how to prepare, let's take the next few slides to talk about what happens during the review.

**Slide 8 - Review Components**

The first component of the review is the Entrance Interview. During the Entrance Interview the Compliance Coordinator will explain the scope of the review and provide a forum for which school officials can address any questions or concerns. Participation of any school officials that are associated with the programs under review is vital. For instance, if crediting is completed by the Bursar, then personnel from the Bursar’s office may need to be present for the entrance interview.

During the entrance interview, the Compliance Coordinator will also set the scope of the review and provide you with the student accounts that will be included within it. For Routine, Follow-up and Probationary reviews, PHEAA staff will look at 30-45 student accounts for the State Grant program and 10 accounts for each Special Program. If the school did not award enough students to meet the minimum number for the sample, then PHEAA will review 100% of the students awarded in the review period. As a reminder, during School Closing reviews and Audits, PHEAA staff will look at 100% of the students awarded within the review period.

The second component is the file review during which, Compliance staff will thoroughly examine each student file to determine if the school has adhered to the program policies.

For sufficient verification, schools must include the necessary documentation within the student files. Compliance Coordinators will review student admissions and financial aid forms, class schedules and attendance records, documentation of satisfactory Academic Progress, withdrawal and other documentation that verifies the correct certification and crediting for awarded students.

Please keep in mind that within this step of the process PHEAA staff may ask questions and request additional documentation. Upon the conclusion of the File Review, Compliance staff will provide a summary identifying each potential finding. Potential findings are then discussed and school officials are given the opportunity to respond to issues. For your reference, a copy of the point sheet is available in Appendix G of the State Grant Handbook.

The Exit Interview is the third and final step of the Program Review. During this meeting, participants of the entrance interview and the file review are invited back to discuss the unresolved findings and explain the next steps. Compliance staff will also answer questions and, if there are significant findings, make recommendations to change institutional policies, procedures and processes. Generally, schools have 30 days from the Exit Interview to respond with any additional information for consideration.
Now let's take the next few slides to explain the types of findings a school may receive.

**Slide 9 - Program Review and Audit Findings**

Errors found during the review, also referred to as findings, are divided into two categories: financial and administrative. First let's discuss financial findings. Financial findings occur when State Grant awarded students have been paid incorrectly. Each instance of overpayment or underpayment of State Grant funds by at least 50 dollars is considered a reportable error used in the calculation of the institutional error rate. Students with multiple errors are only counted once during the calculation. For example, a student with a Less than half-time enrollment error and an Academic Progress error would only be counted once in the error rate and not twice despite the two different findings.

To calculate the error rate, the number of students with errors is divided by the total sample size.

Following State Grant regulation, the institutional error rate is divided into three categories. An error rate of 4.0% or less is considered to be acceptable and no Follow-up review is scheduled. Schools with an error rate of 4.1 to 8.9 percent have significant discrepancies and will have a Follow-up review scheduled in the next calendar year. An unacceptable error rate is 9.0% or higher. As mentioned previously, schools in this category will not only have a Follow-up review scheduled, but will also be required to use pre-disbursement rosters to better organize the confirmation of student eligibility before funds are disbursed.

Now let's discuss administrative findings on the next slide.

**Slide 10 - Program Review and Audit Findings**

The other category of findings that may result from a program review or audit are administrative findings. Administrative findings do not count toward the error rate calculation and include but are not limited to: special programs findings, late return of refunds, late return of rosters, and crediting before establishing student eligibility.

New administrative findings for the 2018-19 award year include: instances when enrollment mode is not updated but there is no impact to eligibility, the inclusion of costs not approved by PHEAA during the educational cost collection process; overpayments of less than $50 and all underpayments of State Grant awards. A more comprehensive list of administrative issues that will be cited is found in the handbook in Chapter 5.

As a reminder, the receipt of four or more administrative findings during a Routine Program Review will result in the requirement of a Follow-Up Review.

**Slide 11 - Probation/Termination**

Depending on the number and types of errors committed by a school and the number of years in which these errors occurred, a school may be placed on probation. There are two levels of probationary status. Schools on Probation Level I have had an error rate greater than 8.9% for two consecutive reviews and are subject to the required use of the State Grant Pre-disbursement roster process, annual Program Reviews, submission of a Performance Improvement Plan or PIP, and up to two days of mandatory training.
Schools on Probation Level II have had an error rate above 8.9% for three consecutive reviews and will continue to follow all of the directives listed for Level I status. In addition, these institutions will have their disbursements held until the end of the payment period once written verification of student enrollment and eligibility is submitted to PHEAA.

A school can be removed from probation status once the school has had 2 consecutive years with an acceptable error rate.

In the case that the school does not improve or fails to comply with the policies that govern PHEAA-administered programs, PHEAA’s Institutional Approval Committee or IAC may recommend termination. This recommendation will be reviewed by PHEAA’s president and CEO who may decide to terminate the school’s participation based on a number of contributing factors.

In addition to having an error rate of more than 8.9%, other factors may include academic or financial fraud, high cohort default rate, bankruptcy or other recognized administrative issues. Please keep in mind that our goal is to work with schools and encourage an atmosphere of mutual respect and support within the financial aid community. However, if approved for termination, then PHEAA’s President and CEO will send a letter notifying the school of its removal from participation in the Pennsylvania State Grant or Special Programs. The termination letter will provide the reason for the decision, along with a copy of the specific violations as noted above and the appeal process for future reinstatement. To avoid disruption of financial aid processing, termination begins with the next award year.

Once terminated, schools may apply for reinstatement, but will be subject to review by Compliance Services as a new school applicant. During the review for reinstatement, the observations and recommendations from Compliance Services are sent to the IAC for review, and a summary report is forwarded to the President and CEO for a decision. If a request for reinstatement is denied, the school must wait a minimum of 2 years before reapplying for participation.

A school that is granted reinstatement is then subject to annual Program Reviews for a minimum of three years. In the case that the school is reinstated but continues to exhibit the same or similar errors, lack administrative controls, or creates concerns in its program integrity, then the school faces Probation Level II or immediate termination from the appropriate PHEAA-administered programs.

**Slide 12 - SGSP Resources**

In conclusion, we would like to refer you to some resources that will assist you in managing the State Grant Program. On our training page, you will find the most recent version of the State Grant Program Handbook, in addition to user guides, tutorials, FAQ documents, and various one-page resources. You will also find a page dedicated to providing institutions with Program Review Assistance.

In Alec, you will find links to the Document Library and PageCenter. PageCenter is our reporting repository, and contains student and institutional reporting for your school. Within the Document Library, you will find copies of correspondence that was sent to schools throughout
the year, in addition to program guidelines and other resource documents from prior award years.

If you would like to contact us, PHEAA staff is available at 1-800-443-0646. For questions specific to Program Reviews and Audits, call State Grant and Special Programs Compliance Staff at 717-720-2740. You may also outreach to us via email, to share your questions and concerns, or to express your feedback. Your feedback in writing will help us to share your input with the appropriate staff.

Slide 13 - Thank you

Thank you for listening to the overview of the State Grant Program’s Program Reviews and Audits. Again, please be sure to review the current program Handbook and other resources to ensure your understanding of these requirements and others that govern the program.