

PRESIDENT'S GUIDE

**to Administration of Federal Student Financial Aid:
Identifying Potential Issues**



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Presidential Responsibilities in Federal Student Financial Aid Administration and Title IV Program Participation

The administration of federal student financial aid is an institutional responsibility shared among several departments. **However, it is ultimately the president's duty to ensure the institution maintains its eligibility** to participate in the Title IV programs and fulfill its responsibilities to adhere with federal regulations while doing so. Each time the school completes the recertification process, the president must sign a Program Participation Agreement (PPA) with the U.S. Department of Education (ED) that lays out the institution's responsibilities.

Following are circumstances that should be investigated and questions that may require an action.

In order to participate in the federal student aid programs, an institution must demonstrate to the Secretary of Education that it is administratively capable ([34 CFR 668.16](#)) and financially responsible ([34 CFR 668.15](#)).

Below are situations that may indicate there are issues that are outside the standards of administrative capability.

Qualified Opinion Cited in Annual Audit:

- Ask whether there was a qualified auditor's opinion. This means the auditors found serious deficiencies/ areas of concern in or with compliance.

Audit Findings/Repeat Findings/Corrective Action:

- Ask whether there were audit findings related to the administration of federal student aid programs. If so, what was reported as a corrective action for each? Who is tracking the implementation and ensuring there is no repeat finding? In addition, ask if there are known compliance issues that were not identified by the auditors.

Financial Responsibility Standards:

- Monitor the institution's score on the three financial ratios that make up ED's composite score. Scores below 1.5 raise flags and require attention; scores of 1 or below may impact participation.

ED Letters to the President:

- Read communications from ED addressed to the president. The institution may be delinquent in taking a required action, adhering to timely and accurate reporting rules, or complying with new federal guidance.

Financial Aid Staffing:

- If the institution is in the process of hiring a Financial Aid Director, is the school focusing on hiring an individual with demonstrated capability of administering federal, state and institutional programs?
- Does the institution have adequate staff to manage the aid programs effectively? The financial aid administrator must be supported by an adequate number of professional and clerical personnel. Consider these factors when determining what is an adequate staff size: number of aid applicants evaluated and processed, the number of financial aid recipients, types of aid programs in which the school participates, amount of funds administered, and the performance of the data system used to support the delivery of financial aid.
- Is there continuous turnover in key financial aid positions? How are applicants screened for financial aid management and professional positions? Does the vetting process confirm previous successful experience and verify educational credentials? Are there succession plans to train and foster professional growth of financial aid staff to fill management positions?

Student Complaints:

- What are the most frequent issues and complaints from students and parents about financial aid? Has the institution received any FSA Feedback inquiries through ED's complaint system in the past six months? When did the issues arise, and what actions were taken by which departments to resolve them? Multiple complaints or recurrences may call for further investigation.

FINANCIAL AID

Financial Aid Issues:

The following hyperlink provides information about the **Top Ten Compliance Findings from the Department of Education** compiled for a 2021 presentation. [Top 10 Compliance Findings 2021.](#)

Ask are there any Title IV compliance issues related to the following:

- Repeat Finding – Failure to Take Corrective Action
- Student Status – Inaccurate/Untimely Reporting
- Return of Title IV (R2T4) Calculation Errors
- Return of Title IV (R2T4) Funds Made Late
- Verification Violations
- Student Credit Balance Deficiencies
- Qualified Auditor's Opinion Cited in Audit
- Pell Grants – Overpayment/Underpayment
- G5 Expenditures Untimely/Incorrectly Reported
- Entrance/Exit Counseling Deficiencies

Other items listed in the presentation, include:

- Student Enrollment Status – Inaccurate/Untimely Reporting
- Crime Awareness Requirements Not Met
- Inaccurate Recordkeeping
- Bank Accounts – Federal Funds Not Identified
- Consumer Information Requirements Not Met
- Satisfactory Academic Progress Policy Not Adequately Developed/Monitored

¹ SOURCE: Top 10 Compliance Findings." Federal Student Aid Training Conference 2021, fsapartners.ed.gov, <https://fsapartners.ed.gov/training/federal-student-aid-fsa-training-conference/program/sessions/2021/top-audit-and-program-review-findings>

Technology Support :

- Does the Financial Aid Office have a dedicated position and/or dedicated support to assist with systems' updates reporting requirements, and a fully integrated transmittal process with federal and state student aid systems? Have there been any instances of a breach in security of student data internally or externally within the past year?

Default Prevention/ Financial Literacy Programs:

- What is the institution's current default rate for both the Direct Loan and Perkins Loan programs? Does the institution have a default management plan? If yes, request a copy. Are activities being conducted to ensure the outcomes of the Default Management Plan? As part of the default prevention initiatives, is the institution taking steps to include financial literacy programs (i.e., Project Success) that are provided at no additional cost to minority-serving institutions). This hyperlink reviews Cohort Default Rates and Implementation of a Default Prevention Plan:
<https://fsapartners.ed.gov/training/federal-student-aid-fsa-training-conference/program/sessions/2022/cohort-default-rate-cdr-information-session>

STUDENT ACCOUNTS

Tuition Revenue:

- How have enrollment numbers (FT/ PT; UG/ Graduate ; by program) impacted budgeted tuition revenue? Is financial aid being processed timely to support enrollment goals?

Student Accounts' Receivables:

- What is the amount owed on student accounts? How does this compare to the same day the prior year (adjusted for tuition and fee increases)? Has the receivable impacted cash flow? Is timely processing of financial aid a complicating factor?

Reconciliation of Federal Student Aid Program Accounts:

- Are Title IV program accounts reconciled on a regular basis? Have prior years been reconciled? If not, why not, and what are the potential consequences for future funding from the Department of Education?

Outsourcing Services/ Third Party Vendors:

- Are you using outsourcing services/ third party vendors to provide processing support to accelerate delivery of financial aid or provide services in other areas of the institution?
- If yes, ask for a list of third-party vendors, the services provided, and the administrative offices contracting for these outsourced services, respectively. Ask whether the delivery of services is satisfactory. Include the outsourcing of services to assist students with financial aid verification, processing of payments, issuance of credit balances, collection of outstanding student accounts receivables and loans, and educating students on loan repayment options and/or financial literacy. In addition, ask if there are third parties providing information technology support. Third-party servicers and other outsourced service providers are generally required to have an annual compliance audit. Request a copy of each service provider's most recent audit.
- If no, are there services that might be beneficial to your institution?

Community Concerns:

- Ask whether neighborhood businesses, apartment managers, financial institutions, and other community services are routinely advised of academic term start dates and anticipated dates for issuing student account credit balances. The business community may rely on the influx of money, and make plans in anticipation of the dates, or any disruption in the schedule.

REGISTRAR

Student Withdrawals:

- Ask for a report of the number of withdrawals of registered students and the reasons given for withdrawing—before the term begins, during/after the add/drop period, at the end of the 60% withdrawal period, at the end of term (student does not return for the next term and has not graduated), etc. Ask for a comparison term to term, year-end to year-end by type, e.g., academic grade level, program, financial need, borrowing level, etc. From an overarching perspective, what are the consequences related to Financial Aid and Student Accounts? In addition, ask for a report of unofficial withdrawals, e.g., unearned Fs (as defined by the federal regulations).

Attendance Confirmation:

- Is there a mechanism in place to affirm that each student began attendance in each course in a term?

Admission to the Institution:

- Is a high school diploma or transcript with an official graduation date required as part of the degree-seeking admission process? If yes, which office(s) are enforcing the policy? This requirement must be enforced as it becomes a student aid eligibility requirement. If a student is allowed to attend one term without submitting documentation, which office is responsible for monitoring if the student submits the documentation?



CONSUMER INFORMATION

Institutions must disclose a wide variety of information to the public, students, and staff... General categories include:

General Disclosures

- General disclosures for enrolled or prospective students

Athletic Disclosures

- Report on athletic program participation rates and financial support data (Equity in Athletics data)

FERPA

- Family Educational Rights and Privacy Act (FERPA) information

Safety & Security Report

- Annual campus security report and fire safety report

Does the institution's website provide clear links and access to federally required consumer information? Do publications that require inclusion of the consumer information disclosure notice, include the exact electronic address and a statement that the school will provide a paper copy upon request.

NEW INITIATIVES

New Initiatives in Student Accounts:

- Are there new internal initiatives to streamline and simplify student billing and payment options? Collections? Is there personal finance / financial literacy training to assist students in managing educational costs and long-term debt?

Financial Responsibility Agreement:

- Does your institution require a student to sign a financial responsibility agreement? A formal agreement should improve student understanding of their financial responsibilities to the school, collect student authorizations, and protect the institution.
- When it collects payments. The National Association of College and University Business Officers (NACUBO) has provided [sample language](#).¹

¹Source: "NACUBO Updates Guidance on Financial Responsibility Agreements" 05/10/2018, NACUBO.org
<https://www.nacubo.org/News/2018/5/NACUBO%20Updates%20Guidance%20on%20Financial%20Responsibility%20Agreements>

New Initiatives in Financial Aid:

- If resources were available, what initiative(s) could be implemented to streamline and simplify communications and transactions with students related to the institution's responsibility for administering Title IV aid properly, accurately, and in a timely manner? Is there a proposal (in which administrative area) and has there been a cost/benefit analysis?

CONCLUSION

In summary, Title IV federal student aid is the largest form of financial assistance available to students attending postsecondary institutions. As of 2021, an estimated 83.8%¹ of the nation's college students receive some form of federal financial aid. A college or university's ability to make federal student aid available to its students is not only core to its educational mission, but also vital to the institution's sustainability. The Institution's senior leadership do not serve in the role of "hands on" financial aid administrator. However, they are ultimately responsible for the institution's participation, eligibility and compliance with Title IV regulations. Therefore, it is essential for senior officials to be aware of their institution's administrative capability for administering Title IV programs. Recognizing the early indicators of potential issues helps uphold the integrity of the federal student aid programs and ensure financial aid funds are available to students today and in the years to come.



¹ SOURCE: Financial Aid Statistics." EducationData.org, <https://educationdata.org/financial-aid-statistics>.



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