

PART 5 – CLUSTERS OF PROGRAMS

INTRODUCTION

Part 5 identifies those programs that are considered to be clusters of Federal programs. As defined by 2 CFR section 200.17, a cluster of programs means a grouping of closely related programs that share common compliance requirements. The clusters of programs included in this Part are research and development (R&D) and student financial assistance (SFA), as well as certain other programs included in Part 4, “Agency Program Requirements,” that are deemed to be clusters. A cluster of programs must be considered as one program for determining major programs, as described in 2 CFR section 200.518 (major program determination), and, with the exception of R&D as described in 2 CFR section 200.501(c), determining whether a program-specific audit may be elected.

“Other clusters” also may be designated by a State for Federal awards the State provides to its subrecipients that meet the definition of a “cluster of programs.” When designating an “other cluster,” a State must identify the Federal awards included in the cluster and advise the subrecipients of compliance requirements applicable to the cluster, consistent with 2 CFR section 200.331(a). This part of the Supplement does not identify any State-designated clusters of programs.

For the R&D and SFA clusters, this Part is the equivalent of Part 4 coverage. In developing the audit procedures to test for compliance with the requirements for the R&D and SFA clusters, the auditor must determine which of the 12 types of compliance requirements apply and then determine which of the applicable requirements is likely to have a direct and material effect on the cluster at the auditee. For each such requirement other than N, “Special Tests and Provisions,” the auditor must use Part 3 (which includes generic details about each compliance requirement, including audit objectives and suggested audit procedures) and this Part 5 (which includes any cluster-specific requirements) to perform the audit. For N, “Special Tests and Provisions,” Part 3 includes only audit objectives and suggested audit procedures for internal control; all other information is included in Part 5.

The descriptions of the compliance requirements in Parts 3 and 5 are a general summary of the actual compliance requirements. The auditor must refer to the referenced citations (e.g., statutes and regulations) for the complete compliance requirements.

RESEARCH AND DEVELOPMENT PROGRAMS

I. PROGRAM OBJECTIVES

The Federal Government sponsors research and development (R&D) activities under a variety of types of awards, most commonly grants, cooperative agreements, and contracts, to achieve objectives agreed upon between the Federal awarding agency and the non-Federal entity. The types of R&D conducted under these awards vary widely. The objective of an individual project is explained in the Federal award.

II. PROGRAM PROCEDURES

As defined in 2 CFR section 200.87, “research” is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. R&D means all research activities, both basic and applied, and all development activities that are performed by non-Federal entities. The term “research” also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other R&D activities and where such activities are not included in the instruction function. The absence of the words “research” and/or “development” in the title of the Federal award does not indicate it should be excluded from the R&D cluster. The substance of the Federal award should be evaluated by the recipient and the auditor to determine the proper inclusion/exclusion in the R&D cluster.

Grants, cooperative agreements, and contracts for R&D are awarded to non-Federal entities on the basis of applications/proposals submitted to Federal agencies or pass-through entities. These proposals are sometimes unsolicited. An award is then negotiated in which the purpose of the project is specified, the amount of the award is indicated, and terms and conditions are delineated.

The administrative requirements that apply to R&D grants and cooperative agreements arise from 2 CFR part 200, and in some legacy situations, OMB Circular A-110 (2 CFR part 215), as applicable to an award, and the Federal agencies’ codification of the OMB circular/guidance. The administrative requirements that govern contracts are contained in the Federal Acquisition Regulation (FAR) and agency FAR supplements, e.g., the Defense Federal Acquisition Regulation Supplement (DFARS). The cost principles that apply to R&D cost-reimbursement contracts to non-Federal entities are found in FAR subparts 31.2, 31.3, 31.6, and 31.7, as applicable.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the Federal program at the

auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	N	Y	Y	N	N	Y	Y

When selecting a sample for testing of compliance requirements, the auditor should choose a sample from the universe of R&D awards appropriate to the objective being tested. The selected items should incorporate a variety of award sizes, award types (grants, cooperative agreements, and cost-reimbursement contracts), funding sources, and Federal awarding agencies.

In the Schedule of Findings and Questioned Costs, the auditor must associate any questioned costs with the specific award number(s) in the audit finding detail. When the finding applies to the entire R&D cluster (i.e., systemic findings), the auditor must clearly indicate that the finding applies to the R&D cluster and also identify by award number the questioned costs for the specific award impacted. This information is necessary for the auditee to prepare the corrective action plan, and for Federal awarding agencies and pass-through entities to issue a management decision on the audit findings in a timely manner.

A. Activities Allowed or Unallowed

The objectives of individual R&D projects are explained in the applicable award. Testing of compliance with this requirement should ensure that funds were used only for such objectives.

B. Allowable Costs/Cost Principles

Testing of compliance with this requirement should ensure that costs were reasonable and necessary for performance of the R&D effort identified in the applicable award.

Compensation

The auditor should give particular attention to individual employee compensation and related benefits costs. See Frequently Asked Question 200.430-1, which addresses changes to current processes and compliance with the documentation standards of 2 CFR section 200.431(i) (<https://cfo.gov/wp-content/uploads/2017/08/July2017-UniformGuidanceFrequentlyAskedQuestions.pdf>)

2 CFR section 200.430 provides that Federal agencies may approve alternative methods of accounting for salaries and wages based on achievement of performance outcomes, including instances where funding from multiple programs/awards is blended to more efficiently achieve a combined outcome.

1. For non-Federal entities that have completed the transition to the documentation standards of 2 CFR section 200.430(i), costs of compensation for personal services are allowable to the extent the total compensation for individual employees:
 - a. Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
 - b. Follows an appointment made in accordance with a non-Federal entity's rules or written policies and meets the requirements of Federal statute, where applicable; and
 - c. Is determined and supported as provided in 2 CFR section 200.430(i), including that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.
2. For non-Federal entities that have not completed the transition to the documentation standards for compensation in 2 CFR part 200, the confirmation of salaries must be performed by a person with first-hand knowledge of the effort (OMB Circular A-122, Attachment B.8); the principal investigator or responsible official(s) using suitable means of verification that the work was performed (OMB Circular A-21, paragraph J.10); or a responsible official(s) of the governmental unit (OMB Circular A-87, Attachment B.8).
3. The auditor should determine if the awards contain any negotiated wage or salary rates, or contain any restrictions on salaries and wages, such as the NIH restriction on the amount that may be charged for individual salaries (https://grants.nih.gov/grants/policy/salcap_summary.htm). If so, a sample of these should be included as a part of allowable costs testing.

Indirect (facilities and administrative) costs and cost transfers

1. Indirect or facilities and administrative (F&A) costs are a second major category

of cost charged to R&D projects. (See the coverage in Part 3 relating to the review of indirect costs.)

2. Transfers of costs between cost centers or research projects are commonly used to correct the financial records (such as transfers of costs between projects when costs were initially charged to the wrong project and the non-Federal entity's control system found the error) and for other valid reasons.
 - a. Cost transfers should be tested for allowability. A cost transfer from one project to another project may appear to be an unallowable charge to the second project. However, the auditor should assess whether, because of the closely linked nature of the research as verified by the auditee, the costs would be allowable charges to either project. Alternatively, transfers would not be allowable under the second project if the terms and conditions of that project identify the costs as unallowable. Auditors should note that a significant number of cost transfers between unrelated projects could be an indication of poor internal controls and might result in a noncompliance finding.

F. Equipment and Real Property

Entities are required to appropriately safeguard and maintain all equipment purchased with Federal funds. For the R&D cluster, only considering equipment purchased under Federal awards during the current audit period to assess whether the requirement is direct and material may not properly address requirements for the continued use of equipment on federally sponsored projects or programs and the safeguarding of equipment that is maintained by entities over multiple years. When assessing whether this compliance requirement is direct and material, auditors should consider the significance, both qualitative and quantitative factors, of all equipment purchased with Federal awards that are part of the R&D cluster. Based on this assessment, auditors should design appropriate procedures to determine internal control over and compliance with equipment management requirements.

M. Subrecipient Monitoring

When deciding whether the subrecipient monitoring compliance requirement applies, the auditor must assess whether the non-Federal entity entered into any relationships under the Federal award that it identified as subawards. A subrecipient relationship exists when funding from a pass-through entity is provided to another entity to perform a portion of the Federal award. It does not include payments for the purpose of obtaining goods and services for the non-Federal entity's own use. A subaward may be provided through any form of legal agreement, including an award that a pass-through entity makes under a Federal cost-reimbursement contract that is subject to the FAR, in which case the subaward is termed a subcontract. In determining whether a subrecipient relationship exists, the substance of the relationship is more important than the term used to describe it (2 CFR section 200.330).

N. Special Tests and Provisions

R&D awards may contain special terms and conditions that could have a direct and material effect on the R&D cluster. The auditor should make inquiries of the non-Federal entity's management and review a sample of the R&D awards to ascertain if such special terms and conditions exist. Entities should have internal controls to ensure (1) that Federal awards are reviewed to identify special award terms and conditions, and (2) compliance with the special terms and conditions identified. When special terms and conditions exist that could have a direct and material effect on the R&D cluster, the auditor should determine the audit objectives and develop and perform procedures for internal control and compliance as required under 2 CFR sections 200.514(c) and (d). One example of a specific cross-cutting special term and condition is key personnel.

Key Personnel

Applications/proposals or awards may include staffing proposals that specify individuals who will work on the project and the extent of the planned involvement of personnel. The non-Federal entity may change the staffing mix and level of involvement within limits specified by agency policy or in the award, but may be required to obtain Federal awarding agency approval of changes in key personnel (as identified in the award, which may differ from the non-Federal entity's designation in the application/proposal) and changes in the principal investigator's/project director's time commitment/level of participation in the project. For grants and cooperative agreements, this may include not only a change in the principal investigator or project director but also the disengagement from the project for more than 3 months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator (OMB Circular A-110 §§_25(c)(2) and (3)/2 CFR sections 200.308(c)(1) (ii) and (iii)). For cost-reimbursement contracts under the FAR, specific key personnel requirements are included in the contract (or task order).

Audit Objectives To determine whether the non-Federal entity adhered to key personnel commitments specified in the application/proposal or award (which may be an incorporation by reference of the approved application/proposal) and obtained any required Federal awarding agency approval for changes.

Suggested Audit Procedures

- a. Review the non-Federal entity's procedures for determining if key personnel were involved in the project.
- b. Review a sample of projects and determine if key personnel identified in the application/proposal and award were involved in the project as required.
- c. Determine if the non-Federal entity complied with any award requirements for approval of changes in key personnel or absence from, or changes in time committed to, the project by the approved project director or principal investigator.

STUDENT FINANCIAL ASSISTANCE PROGRAMS**Department of Education****Department of Health and Human Services**

CFDA 84.007 FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (FSEOG)

CFDA 84.033 FEDERAL WORK-STUDY PROGRAM

CFDA 84.038 FEDERAL PERKINS LOAN PROGRAM

CFDA 84.063 FEDERAL PELL GRANT PROGRAM

CFDA 84.268 FEDERAL DIRECT STUDENT LOANS

CFDA 84.379 TEACHER EDUCATION ASSISTANCE FOR COLLEGE AND HIGHER EDUCATION GRANTS (TEACH Grants)

CFDA 84.408 POSTSECONDARY EDUCATION SCHOLARSHIPS FOR VETERAN'S DEPENDENTS (Iraq and Afghanistan Service Grant (IASG))

CFDA 93.264 NURSE FACULTY LOAN PROGRAM (NFLP)

CFDA 93.342 HEALTH PROFESSIONS STUDENT LOANS, INCLUDING PRIMARY CARE LOANS AND LOANS FOR DISADVANTAGED STUDENTS (HPSL/PCL/LDS)

CFDA 93.364 NURSING STUDENT LOANS (NSL)

CFDA 93.925 SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS - SCHOLARSHIPS FOR DISADVANTAGED STUDENTS (SDS)

I. PROGRAM OBJECTIVES

The objective of the student financial assistance programs is to provide financial assistance to eligible students attending institutions of postsecondary education.

II. PROGRAM PROCEDURES**A. Overview**

Institutions must apply to either the Secretary of Education or Secretary of Health and Human Services to participate in their particular SFA programs. Some applications must be filed annually, others upon initial entry and once approved, periodically thereafter. Institutions may be approved to participate in only one program or a combination of programs. Institutions are responsible for: (1) determining student eligibility; (2)

verifying student data (when required); (3) calculating, as required, the amount of financial aid a student can receive; (4) completing and/or certifying parts of various loan applications and/or promissory notes; (5) drawing funds from the Federal Government and disbursing or delivering SFA funds to students directly or by crediting students' accounts; (6) making borrowers aware of loan repayment responsibilities; (7) submitting, as requested, data on borrowers listed on National Student Loan Data System (NSLDS) roster; (8) returning funds to students, lenders and programs, as appropriate, if students withdraw, drop out or are expelled from their course of study; (9) collecting SFA overpayments; (10) establishing, maintaining and managing (including collecting loan repayments) a revolving loan fund for applicable programs; and (11) reporting the use of funds. Institutions may contract with third-party servicers to perform many of these functions.

B. Title IV Programs - General

The Title IV programs cited in this cluster that are administered by the Department of Education (ED) (those with CFDA's beginning with 84) are authorized by Title IV of the Higher Education Act of 1965, as amended (HEA), and collectively are referred to as the "Title IV programs." Because they are administered at the institutional level, the Federal Perkins Loan Program, the Federal Work-Study Program and Federal Supplemental Educational Opportunity Grant Program are referred to collectively as the "campus-based programs."

For Title IV programs, students complete a paper or electronic application (Free Application for Federal Student Aid (FAFSA) and send it to a central processor (a contractor of ED that administers the Central Processing System). The central processor provides Student Aid Reports (SARs) to applicants and provides Institutional Student Information Records (ISIRs) to institutions. Among other things, the SAR contains the applicant's Expected Family Contribution (EFC). Students take their SARs to the institution (or the institution uses the ISIR) to help determine student eligibility, award amounts, and disbursements. (**Note:** The central processor is a service organization of ED, not of the schools. Therefore, AU-C Section 402, *Audit Considerations Relating to an Entity Using a Service Organization*, does not apply when auditing the schools.)

C. Federal Pell Grant (Pell) (CFDA 84.063)

The Federal Pell Grant program provides grants to students enrolled in eligible undergraduate programs and certain eligible post-baccalaureate teacher certificate programs and is intended to provide a foundation of financial aid. The program is administered by ED and postsecondary educational institutions. Maximum and minimum Pell grant awards are established by statute. ED provides funds to the institution based on actual and estimated Pell expenditures.

D. Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grant (IASG)) (CFDA 84.408)

The Higher Educational Technical Corrections, Pub. L. No. 111-39, amended the HEA to allow an eligible student whose parent or guardian died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001, to receive this non-needs-based grant if he or she was not receiving a Pell Grant.

**E. Health Professions Student Loans (HPSL)/Primary Care Loans (PCL)/Loans for Disadvantaged Students (LDS) (CFDA 93.342)
Nursing Student Loans (NSL) (CFDA 93.364)**

The HPSL/PCL/LDS and NSL programs provide long-term low-interest loans to students who demonstrate the need for financial aid to pursue their course of study at postsecondary educational institutions. Revolving loan funds are established and maintained at institutions through applications to participate in the programs. The funds are started with the Federal Capital Contribution (FCC) and a matching Institutional Capital Contribution (ICC). Repayments of principal and interest, new FCC, and new ICC are deposited in the revolving funds. The institution is fully responsible for administering the program (i.e., approving, disbursing and collecting the loans).

Primary Care Loans are a segment of HPSL/PCL/LDS loan funds that impose certain restrictions on new borrowers as of July 1, 1993. First-time recipients of these funds after July 1, 1993 must agree to enter and complete a residency training program in primary health care, not later than 4 years after the date on which the student graduates from medical school, and, for new loans issued after March 23, 2010, must practice in such care for 10 years (including residency training in primary health care) or through the date on which the loan is paid in full, whichever occurs first. Students who received their first HPSL/PCL/LDS before July 1, 1993 are exempt from this requirement and may continue to borrow HPSL/PCL/LDS loans under their applicable health-related course of study.

F. Nurse Faculty Loan Program (NFLP) (CFDA 93.264)

The Nurse Faculty Loan Program (NFLP), as authorized by Title VIII of the Public Health Service Act (PHS Act), Section 846A, as amended by the Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, Section 5311, provides funding to schools of nursing to support the establishment and operation of a distinct NFLP loan fund at the institution to increase the number of qualified nursing faculty. The award to the school, the FCC award, must be deposited into the NFLP loan fund. The school is required to deposit the ICC that is equal to no less than one-ninth of the FCC award. Participating schools make loans from the regular NFLP loan fund to eligible graduate (master's and doctoral) nursing students to complete the nursing education program. Accredited collegiate schools of nursing are eligible to apply for funding. Eligible schools must offer an advanced education nursing degree program(s) that will prepare the graduate student to teach. The institution is fully responsible for administering the program (i.e., approving, disbursing, and collecting the loans).

All funds awarded for the specified budget or project period should be drawn down from the Payment Management System (PMS) account and deposited in an appropriate loan fund. It is expected that loan activity will be conducted through the institutional NFLP loan fund rather than drawdowns from the PMS account.

Active NFLP grantees are permitted to maintain their loan fund balances in the revolving institutional NFLP loan fund account without fiscal year restriction. The loan fund balance should continue to be disbursed (expended) through the current budget or project period.

Program guidance is available at

<https://bhw.hrsa.gov/fundingopportunities/Default.aspx?id=e7eb501a-80da-40ae-9941-964dce07b3c5>.

G. Federal Work-Study (FWS) (CFDA 84.033)

The FWS program provides part-time employment to eligible undergraduate and graduate students who need the earnings to help meet costs of postsecondary education. This program also authorizes the establishment of the Job Location and Development (JLD) program, the purpose of which is to expand off-campus part-time or full-time employment opportunities for all students, regardless of their financial need, who are enrolled in eligible institutions and to encourage students to participate in community service activities. FWS recipients may also use their funds for the Work-Colleges program, whose purpose is to recognize, encourage, and promote the use of comprehensive work-learning programs as a valuable educational approach when it is an integral part of the institution's educational program and a part of a financial plan that decreases reliance on grants and loans and to encourage students to participate in community service activities (34 CFR 675.43).

Funds are provided to institutions upon submission of an annual application, *Fiscal Operations Report and Application to Participate* (FISAP) (OMB No. 1845-0030) (this application covers all campus-based programs), and in accordance with statutory formulae. Institutions must provide matching funds unless they are an eligible Title III or Title V institution, or unless the student is employed in a position which is authorized for payment with 100 percent of Federal funds (34 CFR 675.26(d)). The institution determines the award amount, places the student in a job, and pays the student or arranges to have the student paid by an off-campus employer. The institution may use a portion of FWS funds for a JLD program.

H. Federal Supplemental Educational Opportunity Grants (FSEOG) (CFDA 84.007)

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Pell recipients who have the lowest expected family contributions. Federal funds are matched with institutional funds (34 CFR 676.21(a) and (c)). Certain minority serving institutions may obtain a waiver of the matching requirement under 34 CFR 676.21(b).

I. Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) (CFDA 84.379)

The TEACH Grant program is a non-need-based grant program for students who are enrolled in an eligible program, and who agree to serve as a full-time teacher, in a high-need field, in a school serving low-income students for at least 4 years within 8 years of completing the program for which the TEACH Grant was awarded (34 CFR 686.1). If the grant recipient fails to complete the required teaching service, the TEACH Grant is treated as a Federal Direct Unsubsidized Stafford Loan (Federal Direct Unsubsidized Loan) (34 CFR 686.43).

J. Federal Direct Student Loans (Direct Loan) (CFDA 84.268) (Includes subsidized Stafford, unsubsidized Stafford, and PLUS loans)

The Direct Loan program makes interest subsidized or unsubsidized Stafford loans available to students, or PLUS loans to graduate or professional students or to parents of dependent students, to pay for the cost of attending postsecondary educational institutions. Direct Loans are made by the Secretary of Education. The student's SAR or ISIR, along with other information, is used by the institution to originate (for Direct Loan) a student's loan. The financial aid administrator is also required to provide and confirm certain information.

Under the Direct Loan program, institutions participate in loan origination Option 1, Option 2, or Standard origination. Functions performed by loan origination option vary and are described in the *Direct Loan School Guide*. Direct Loan is an electronic program, except that borrowers have the option of signing paper promissory notes or electronically signing the promissory note completed online. Except for electronically signed promissory notes, electronic records are created, batched, transmitted (exported) through Common Origination and Disbursement (COD) and acknowledged by (imported from) COD, on a cycle approach. A cycle is not complete until the last activity in it is finished, i.e., an action has been accepted by COD and the school's system reflects the acceptance. Direct Loan has four types of cycles: Loan Origination Records (one for each loan), Promissory Notes, Disbursement Records, and Change Records. For a loan to be "booked" the institution must have electronically transmitted to COD, and COD must have accepted these records: (1) the loan origination record; (2) the Promissory Note; and (3) the first disbursement of loan proceeds. The borrower's original accepted promissory note is maintained at COD; the institution is not required to keep a copy.

K. Scholarships for Health Professions Students from Disadvantaged Backgrounds – Scholarships for Disadvantaged Students (SDS) (CFDA 93.925)

The SDS program provides grants to eligible health professions and nursing schools to award scholarships to financially needy full-time students from disadvantaged backgrounds who are attending schools of medicine, osteopathic medicine, dentistry, nursing, pharmacy, podiatric medicine, optometry, veterinary medicine, public health, chiropractic or allied health; schools offering graduate programs in behavioral and mental

health practice; or entities providing programs for the training of physician assistants. For purposes of this program, HHS defines disadvantaged as a student who (1) comes from an environment that has inhibited the individual from obtaining the knowledge, skills, and abilities required to enroll in and graduate from a health professions school, or from a program providing education or training in an allied health profession; or (2) comes from a family with an annual income below a level based on low-income thresholds according to family size published by the U.S. Bureau of the Census, adjusted annually for changes in the Consumer Price Index, and adjusted by the Secretary of HHS for use in health professions and nursing programs.

L. Federal Perkins Loan Program (CFDA 84.038)

Under the Perkins Loan Extension Act of 2015 (Extension Act), (Pub. 114-105), the authority to award new Perkins Loans to graduate students expired on September 30, 2106 and the authority to award new Perkins Loans to undergraduate students expired September 30, 2017. No disbursements are permitted after June 30, 2018. (Pub. L. No. 114-105).

M. Other

All institutions receiving grants or loans from ED under the specified Title IV programs are required to submit annual compliance audits to ED using *eZ-Audit*. Not-for-profit institutions are also required to input annual financial statement information. The eZ-Audit is the methodology used for reporting an institution's financial statement information and submitting its compliance audit. Registration instructions are available at <https://ezaudit.ed.gov/EZWebApp/common/login.jsp>. Once an institution has registered, additional guidance on how to input financial statement information is provided.

For not-for-profit institutions submitting financial statement data subject to Accounting Standards Update (ASU) 2016-14, ED has provided interim submission guidance for the eZ-Audit System. Interim submission guidance is available at: <https://ifap.ed.gov/eannouncements/082918Inst4Not4ProfitInstInputFinStateDataeZAuditSys.html>.

Source of Governing Requirements

The ED programs are authorized by Title IV of the Higher Education Act (HEA) of 1965, as amended (20 USC 1001 *et seq.*). The regulations are found in 34 CFR 600 and 668-690. The HHS programs in this cluster are authorized by the Public Health Service Act (PHS Act). The PHS Act was amended by the Health Professions Education Partnership Act of 1998, Pub. L. No. 105-392 and, for the NFLP, further amended by the Patient Protection and Affordable Care Act of 2010 (Affordable Care Act), Pub. L. No. 111-148, Section 5311.

Availability of Other Program Information

ED annually publishes the Federal Student Aid Handbook (*FSA Handbook*), which provides detailed guidance on administering the Title IV programs. This handbook and other guidance material are available at <https://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook>.

HHS publishes the Student Financial Aid Guidelines, which provide detailed guidance on administering the Title VII and VIII programs. This and other materials are available at <https://bhw.hrsa.gov/loansscholarships/schoolbasedloans/technicalassistance>.

III. COMPLIANCE REQUIREMENTS

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Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	N	Y	Y	N	Y	N	N	N	Y	N	Y

Required Reporting for the Pell Grant and Direct Loan Programs

The Pell Grant and Direct Loan programs have been designated as programs susceptible to significant improper payments. As such, the U.S. Department of Education (Department) needs information concerning the audit sample to more fully understand the results of the audit and identify ways that the Department can work with schools to reduce improper payments. The Department has concluded that the audit access provisions in 2 CFR 200.517(b) and Title IV

regulations at 34 CFR 668.23(e)(1)(ii) give it the authority to collect certain information from the single audit in order for the Department to carry out its oversight responsibilities with regard to improper payments. Therefore, when auditors are testing the SFA cluster as a major program, auditors must prepare the information described below in items 1, 2, and 3. See specific guidance below related to the Department’s request for the information in item 4.

Auditors must provide this information directly to Federal Student Aid, Director, Financial Management Group, at FSAPellandDLReporting@ed.gov no later than 60 days after the Data Collection Form and reporting package are submitted to the Federal Audit Clearinghouse.

1. For audit procedures related to disbursements and returns of Pell funds, the auditor must provide a description of each sample drawn (e.g., eligibility; disbursements, Return to Title IV), and details of the sample, including the number of sampled students that received Pell funds and amount of Pell funds disbursed to these sampled students for the period reviewed. For each sample drawn, also provide the number of students that received Pell funds and amount of Pell funds disbursed for the population from which the sample was drawn for the period reviewed. For samples and populations related to Return to Title IV, the total Pell disbursed to the students is required even though the Return to Title IV questioned costs identified from review of the sample are based on the refunds.

Provide the sample and population details by Office of Postsecondary Education Identification (OPEID) number. **If this information is not available by OPEID, please provide the aggregated sample and population amounts for the institution as a whole.** If there is overlap in the samples and/or populations between compliance requirements and/or OPEIDs, provide the number of students and amount of Pell funds disbursed that overlap. For example, if the same sample is used for both disbursements and eligibility, the auditor would add narrative to the “#” and “\$” columns indicating that only one sample was selected for both disbursements and eligibility.

Sample Population from which the Sample
was drawn

Sample Description	Related Compliance Requirement	OPEID	Students Receiving Pell (#)	Pell Disbursed (\$)	Students Receiving Pell (#)	Pell Disbursed (\$)

2. For audit procedures related to disbursements and returns of Direct Loan funds, the auditor must provide a description of each sample drawn (e.g., eligibility; disbursements; Return to Title IV), and details of the sample, including the number of sampled students that received Direct Loan funds and amount of Direct Loan funds disbursed to these sampled students for the period reviewed. For each sample drawn, also provide the number of students that received Direct Loan funds and amount of

Direct Loan funds disbursed for the population from which the sample was drawn for the period reviewed.

Provide the sample and population details by OPEID number. **If this information is not available by OPEID, please provide the aggregated sample and population amounts for the institution as a whole.** If there is overlap in the samples and/or populations between compliance requirements and/or OPEIDs, provide the number of students and amount of Direct Loan funds disbursed that overlap. For example, if the same sample is used for both disbursements and eligibility, the auditor would add narrative to the “#” and “\$” columns indicating that only one sample was selected for both disbursements and eligibility.

Sample		Population from which the Sample was drawn				
Sample Description	Related Compliance Requirement	OPEID	Students Receiving Direct Loans (#)	Direct Loans Disbursed (\$)	Students Receiving Direct Loans (#)	Direct Loans Disbursed (\$)

- For each finding related to disbursements or returns of Pell and/or Direct Loans, the auditor must provide the portion of the finding that relates to the Pell and Direct Loan programs, respectively, by unique sampled student and OPEID combination. The amounts should represent the difference between the amount of Pell and/or Direct Loan funds that should have been disbursed or returned and the actual amount of funds disbursed or returned, regardless of whether the non-compliance was subsequently corrected by the school after the error was identified as part of the audit. Also, provide the amount of Pell and Direct Loans disbursed to the students in question. Assign a unique identifier for each student (e.g., Student 1, Student 2) identified. Do not use the institutionally assigned number.

Finding Number, and Related Sample	Related Compliance Audit Requirement	Student Identifier	OPEID	Pell Dis-	Pell Under-	Pell Over-	Direct Loan	Direct Loan	Direct Loan
				bursed (\$)	payment (\$)	payment (\$)	Disbursed (\$)	Under-payment (\$)	Over-payment (\$)

- Although auditors are not required to report findings for amounts below \$25,000, the Department requests that the following information also be provided. Although providing this information is optional, including it may reduce the potential for

subsequent information requests in accordance with Uniform Guidance 2 CFR 200.517(b) and Title IV regulations at 34 CFR 668.23. This information should be sent to FSAPellandDLReporting@ed.gov.

If any instances of non-compliance relating to disbursements or returns of Pell and/or Direct Loan funds are identified and determined to be less than the \$25,000 reporting threshold, provide a summary of the non-compliance and amount of over or underpayment of Pell and/or Direct Loan by student using instructions in item 3 above. These amounts should represent the difference between the amount of Pell and/or Direct Loans that should have been awarded or returned and the actual amount of funds awarded or returned, regardless of whether the error was subsequently corrected. Also, provide the amount of Pell and Direct Loans disbursed to the affected students for the period reviewed. Assign a unique identifier for each student (e.g., Student 1, Student2) identified. Do not use the institutionally assigned number.

Summary of Non-Compliance and Related Sample	Student Identifier	OPEID	Pell Disbursed (\$)	Pell Under-payment (\$)	Pell Over-payment (\$)	Direct Loan Disbursed (\$)	Direct Loan Under-payment (\$)	Direct Loan Over-payment (\$)

A. Activities Allowed or Unallowed

The Federal Work Study, Federal Supplemental Educational Opportunity Grant, Health Professions Student Loans/Primary Care Loans /Loans for Disadvantaged Students, and Nurse Faculty Loan Program allow for certain activities as follows:

1. *Federal Work-Study (CFDA 84.033)*

The institution may use FWS funds only for awards to students, a Job Location and Development (JLD) Program, Work-Colleges Program (as defined in 34 CFR 675.41(a)), administrative costs, and transfers to FSEOG (34 CFR 675.18 and 675.33).

2. *Federal Supplemental Educational Opportunity Grant (CFDA 84.007)*

An institution may transfer up to 25 percent of its FSEOG financial allotment to the institution's FWS program (Section 488 of HEA (20 USC 1095)).

3. *Health Professions Student Loans/Primary Care Loans /Loans for Disadvantaged Students (CFDA 93.342) and Nursing Student Loans (NSL) (CFDA 93.364).*

Funds from both programs may also be used for capital distribution as provided in Sections 728 and 839, or, as agreed to by the Secretary of HHS for costs of litigation; costs associated with membership in credit bureaus and, to the extent specifically approved by the Secretary, for other collection costs that exceed the usual expenses incurred in the collection of loan funds (HPSL/PCL/LDS, 42 CFR 57.205(a); NSL, 42 CFR 57.305(a)).

4. *Nurse Faculty Loan Program (NFLP) (CFDA 93.264)*

Funds may be used for capital distribution under Section 846A of the PHS Act, Title VIII, as further amended by the Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, Section 5311 or, as agreed to by the Secretary of HHS for costs of litigation; costs associated with membership in credit bureaus and, to the extent specifically approved by the Secretary, for other collection costs that exceed the usual expenses incurred in the collection of NFLP loan funds.

C. Cash Management

SFA Title IV Programs: ED provides funds to an institution under the advance, reimbursement, or cash monitoring payment methods.

The advance payment method is the most widely used payment method. It permits, but does not require, institutions to draw down Title IV funds prior to disbursing funds to eligible students and parents. The institution's request must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either SFA funds or institutional funds. The institution must make the disbursements as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to ED (34 CFR 668.166(a)(1)) Excess cash includes any funds received from ED that are deposited or transferred to the institution's Federal account as a result of an award adjustment, cancellation, or recovery. However, an excess cash balance tolerance is allowed if that balance (1) is less than one percent of its prior-year drawdowns; and (2) is eliminated within the next 7 calendar days (34 CFR 668.166(a) and (b)). Aggregate interest earnings greater than \$500 must be remitted to the Department of Health and Human Services (HHS).

Under the reimbursement payment method, the institution must disburse funds to the students before requesting funds from ED. Under the cash monitoring payment method, the institution must disburse funds to students before requesting funds from ED under either the advance payment method (limited to the actual disbursement amount, known as "Heightened Cash Monitoring 1") or a process similar to the reimbursement method (known as "Heightened Cash Monitoring 2"). (See Chapter 1, "Requesting & Managing FSA Funds" in Volume 4, of the *FSA Handbook*, for guidance on the funding methods. The handbook may be accessed at:

<https://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook>.

Institutions request funds from ED by (1) creating a payment request using the G5 System through the Internet; or (2) if the grantee is placed on the reimbursement or cash monitoring payment method, submitting a Form 270, *Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2) (OMB No. 1845-0089)* to an ED program or regional office. When creating a payment request in G5, the grantee enters the drawdown amounts, by award, directly into G5. Direct Loan schools and grantees can redistribute drawn amounts between grant awards by making adjustments in G5 to reflect actual disbursements for each award as long as the net amount of the adjustments is zero. When requesting funds using the other two methods, institutions provide drawdown information to the hotline operator or on the Form 270, as applicable.

To assist institutions in reconciling their internal accounting records with the G5 System, using their DUNS (Data Universal Numbering System) number, institutions can obtain a G5 External Award Activity Report (<https://www.g5.gov/>; under the “Payment” tab) showing cumulative and detail information for each award. The External Award Activity Report can be created with date parameters (Start and End Dates) and viewed on-line. To view each draw per award, the G5 user may click on the award number to view a display of individual draws for that award. Auditors will need to work with the school being tested to obtain access to G-5.

HHS: For the HHS programs, requests for new FCC must only be made when needed. Any monies associated with the fund must be deposited in an income-producing account and all excess cash, including interest earned in excess of \$500 in the aggregate, must be returned to HHS.

For HPSL/PCL/LDS, and NSL, the school must maintain all monies relating to each individual fund in interest bearing accounts. If the school integrates the funds with other school resources for investment purpose, the school must maintain separate accountability and reimburse the funds for any losses that occur (HPSL/PCL/LDS 42 CFR 57.203 and 57.205; NSL, 42 CFR 57.303 and 57.305).

For NFLP (CFDA 93.294), the school must maintain all monies relating to each individual fund in interest-bearing accounts. Any monies associated with the fund must be deposited in an income-producing account and all excess cash, including any interest earned in excess of \$500 in the aggregate, must be returned to HHS. Unused loan funds should be retained in the loan fund for making additional loans. However, unused NFLP funds must be used within 18 calendar months from the end of the NFLP designated budget period. The unused accumulation (cash balance) in the NFLP fund must be reported annually. The NFLP loan fund may be voluntarily or involuntarily terminated if the unused accumulation is deemed excessive. If a school is determined to have an excessive unused accumulation, future awards may be affected (Program Guidance, Overview of Institutional Management of NFLP Funds).

E. Eligibility

1. Eligibility for Individuals

a. SFA - Title IV Programs

Most of the requirements for student eligibility are contained in Appendix A (located after Section IV, “Other Information,” of this Part 5).

In the process of a student applying for ED Federal financial aid, an Institutional Student Information Record (ISIR) normally is sent electronically to the institution and a Student Aid Report (SAR) may be sent to the student. The original ISIR or SAR for an award year may contain codes that relate to student eligibility requirements numbers 2, 4, 5, 9, 10, and 12 in Appendix A. If the original ISIR or SAR does not contain codes relating to those eligibility requirements, and the institution has no information indicating otherwise, the student can be considered to have met them. The *ISIR Guide* contains all the ISIR and SAR codes and is available at <https://ifap.ed.gov/isirguide/1819ISIRGuide.html>. The ISIR Guide changes annually and should be obtained and reviewed for the period under audit.

(1) Calculation of Benefits

In addition to the requirements and limits described below, awards must be coordinated among the various programs and with other Federal and non-Federal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student’s financial need (34 CFR 668.42, FWS, and FSEOG, 34 CFR 673.5 and 673.6; Direct Loan, 34 CFR 685.301;). The TEACH Grant is a non-need-based grant and may replace a student’s EFC, but the amount of the grant that exceeds the student’s EFC is considered estimated financial assistance (34 CFR 686.21(d)). An IASG-eligible student who has an EFC that does not meet the needs-based criteria for a Pell grant can receive a non-needs-based IASG and the maximum amount of a Pell award available, but the (1) award may not exceed the student’s cost of attendance (COA) and (2) IASG is not considered estimated financial assistance (20 USC 1070h).

The determination of SFA award amounts is based on financial need. Financial need is generally defined as the student’s COA minus financial resources reasonably available. For Title IV programs, the financial resources available is generally the Expected Family Contribution (EFC) that is computed by the central processor and included on the student’s SAR and the ISIR provided to the institution.

An institution may (1) exclude, from both estimated financial assistance and the COA, financial assistance provided by a State if that assistance is designated by the State to offset a specific component of the COA; (2) include the one-time cost of a student obtaining his or her first professional license or certificate; and (3) include room and board in a student's COA for students who are less than half-time students (Sections 480(j)(3), 472(13), and 472(4)(C) of HEA; (20 USC 1087vv(j)(3), 20 USC 1087ll(13) and (4)(C))).

For Title IV programs, the COA is generally the sum of the following: tuition and fees; an allowance for books, supplies, transportation and miscellaneous personal expenses; an allowance for room and board; where applicable, allowances for costs for dependent care; costs associated with study abroad and cooperative education; costs related to disabilities; and fees charged for student loans. There are exceptions for students attending less than half-time, correspondence students, and incarcerated students. The financial aid administrator also has authority to use professional judgment to adjust the COA or alter the data elements used to calculate the EFC on a case-by-case basis to allow for special circumstances.

Additional program specific individual eligibility requirements can be found at the following – (20 USC 1087ll-1087mm; FWS, 34 CFR section 675.9; FSEOG, 34 CFR section 676.9; Direct Loan, 34 CFR sections 685.200 and 301; Pell, 34 CFR section 690.75; HPSL/PCL/LDS, 42 USC 293a(d)(2); 42 CFR section 57.206(b); NSL, 42 USC 297n-1(c)(2); 42 CFR section 57.306(b)); NFLP, Affordable Care Act, Section 5311 and Program Guidance)

(2) *Federal Pell Grant (CFDA 84.063)*

Each year, based on the maximum Pell Grant established by Congress, ED provides to institutions Payment and Disbursement Schedules for determining Pell awards. The Payment or Disbursement Schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC and COA. The Payment Schedule is used to determine the annual award for a full-time student. There are separate Disbursement Schedules for three-quarter time, half-time, and less-than-half-time students. All of the Schedules, however, are based on the COA of a full-time student for a full academic year (see Chapter 3 in Volume 3, Calculating Pell and Iraq & Afghanistan Service Grant Awards, of the *FSA Handbook* for the year(s) being audited for guidance on selecting formulas for calculating cost of attendance, prorating costs for programs less or

greater than an academic year, and determining payment periods). Disbursement schedules for 2018-2019 and 2019-2020 award years can be found at the following links - <https://ifap.ed.gov/dpccletters/GEN1804.html>, and <https://ifap.ed.gov/dpccletters/GEN1901.html>.

Students that receive Pell or IASG may not receive more than six Scheduled Awards (12 semesters, or the equivalent) as measured by the percentage of “lifetime eligibility used” (LEU) field in COD (tracked by ED) (20 USC 1070a(c)(5)).

The steps to determine Pell awards are as follows:

- (i) Determine the student’s enrollment status (full-time, three-quarter time, half-time, or less than-half-time).
- (ii) Calculate the cost of attendance. This is always based on the cost for a full-time enrollment status for a full academic year. If the student is enrolled in a program or enrollment period that is longer or shorter than an academic year, the costs must be prorated so that they apply to one full academic year. There are two allowable proration methods. Costs can be on an actual cost-per-student basis or an average cost for groups of similar students. If the student is enrolled less than half-time, the only allowable cost components are tuition and fees, allowance for books and supplies, transportation allowance, allowance for dependent care, and room and board.
- (iii) Determine the annual award, based on the cost of attendance calculated above and the EFC, from the Payment or Disbursement Schedule for the student’s enrollment status (i.e., full-time, three quarter-time, half-time, or less than half-time).
- (iv) Determine the payment period. For term programs (semester, trimester, quarter), the payment period is the term.
- (v) Calculate the payment for the payment periods. The calculation of the payment for the payment period may vary depending on the formula used, the length of the program compared to the academic year, and whether the institution uses an alternative calculation for students who attend summer terms (34 CFR 690.61 through 690.67). Also see Chapter 3 in Volume 3, Calculating Pell and Iraq

& Afghanistan Service Grant Awards, of the *FSA Handbook*.

- (vi) Disburse funds at prescribed times (This is tested under III.N.3, “Special Tests and Provisions - Disbursements To or On Behalf of Students”) (34 CFR 690.61 through 690.67, and 690.75 through 690.76; Pell Grant Payment Schedules; General Provisions regulations, part 668, subpart K, and *FSA Handbook*).

Additional Pell Grant Award Eligibility

Under the Year Round Pell Grant provisions , to be eligible for the additional Pell Grant funds, the student must be otherwise eligible to receive Pell Grant funds for the payment period and must be enrolled at least half-time, in accordance with 34 CFR 668.2(b), in the payment period(s) for which the student receives the additional Pell Grant funds in excess of 100 percent of the student’s Pell Grant Scheduled Award.

For a student who is eligible for the additional Pell Grant funds, the institution must pay the student all of the student’s eligible Pell Grant funds, up to 150 percent of the student’s Pell Grant Scheduled Award for the award year. Note that the provisions of the new law state that any Pell Grant received will be included in determining the student’s Pell Grant duration of eligibility and Lifetime Eligibility Used (LEU) in accordance with section 401(c)(5) of the HEA (also see [Dear Colleague Letter GEN-13-14](#)).

Crossover Payment Periods

A crossover payment period is one that includes both June 30 and July 1 overlapping two award years. If a student enrolls in a crossover payment period, the institution must consider the crossover payment period to occur entirely within one award year and must have a valid Student Aid Report (SAR) or valid Institutional Student Information Record (ISIR) for the selected award year. The choice of which award year the institution assigns to a crossover payment period (“header” or “trailer”) can be made on a student-by-student basis, and the crossover payment period may be assigned to a different award year than the award year used for the student’s other Title IV aid for that period. See Volume 3 of the Federal Student Aid Handbook for additional information on crossover payment periods.

- (3) Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grant) (CFDA 84.408)

A non-Pell eligible student whose parent or guardian died as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001, can receive an IASG grant. The student must have been less than 24 years old or, if 24 years old or older, enrolled in at an institution of higher education when the parent or guardian died. The amount of the grant is the same as the Pell Grant the student would be eligible for if they had a zero EFC. All other Pell requirements apply but, unlike Pell Grants, these non-need-based grants do not count as estimated financial assistance (20 USC 1070h; *FSA Handbook*, Volume 1, Chapter 6; and electronic announcement dated November 6, 2009 (<http://ifap.ed.gov/eannouncements/110609DODMatch.html>)).

- (4) Campus-Based Programs (FWS, FSEOG) (CFDA 84.033, CFDA 84.007)

The maximum amount that can be awarded under the campus-based programs is equal to the student's financial need (COA minus EFC) minus aid from other SFA programs and other resources. For programs of study or enrollment periods less than or greater than an academic year, the COA for loans and campus-based aid is based on the student's actual costs for the period for which need is being analyzed, rather than being prorated to the costs for a full-time student for a full academic year. The financial aid administrator has discretion in awarding amounts from each program, subject to certain limitations.

- (5) Federal Supplemental Educational Opportunity Grants (CFDA 84.007)

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Federal Pell recipients who have the lowest expected family contributions. The institution decides the amount of the grant, which can be up to \$4,000 but not less than \$100, for an academic year. The maximum amount may be increased to \$4,400 for a student participating in a study abroad program that is approved for credit by the student's home institution (34 CFR 676.10 and 676.20).

- (6) TEACH Grants (CFDA 84.379)

The TEACH Grant is a non-need-based grant that provides annual grants of up to \$4,000 to eligible undergraduate and graduate students who agree to teach specified high-need subjects at schools

serving primarily disadvantaged populations for 4 years within 8 years of graduation. The aggregate amount of TEACH Grants that a candidate may receive for undergraduate or post-baccalaureate study may not exceed \$16,000. The aggregate amount that a graduate student may receive may not exceed \$8,000. If the student is enrolled less than full-time, including less than half-time, the amount of the annual TEACH Grant that he or she may receive must be reduced in accordance with 34 CFR 686.21. The amount of the TEACH Grant, in combination with other assistance the student may receive, may not exceed the cost of attendance. If the TEACH Grant and other aid exceeds the cost of attendance for an academic year, the student's aid package must be reduced. The TEACH Grant may replace a student's EFC, but the amount of the grant that exceeds the student's EFC is considered estimated financial assistance. (34 CFR 686.21)

(7) Federal Perkins Loan (CFDA 84.038)

Under the Perkins Loan Extension Act of 2015 (Extension Act), (Pub. 114-105), the authority to award new Perkins Loans to graduate students expired on September 30, 2106 and the authority to award new Perkins Loans to undergraduate students expired September 30, 2017. No disbursements are permitted after June 30, 2018. (Pub. L. No. 114-105).

(8) Federal Direct Student Loans (CFDA 84.268)

In determining loan amounts for subsidized Stafford loans, the financial aid administrator subtracts from the COA, the EFC and the estimated financial assistance for the period of enrollment that the student (or parent on behalf of the student) will receive from Federal, State, institutional or other sources. Unsubsidized Stafford loans, PLUS loans, loans made by a school to assist the student, and State-sponsored loans may be used to substitute for EFC (34 CFR 685.102 and 685.200(d)). A financial aid administrator may use discretion to offer an unsubsidized Stafford loan to a dependent student whose parents do not support the student and who refuse to complete a FAFSA (20 USC 1087(a)).

The annual loan limits apply to the length of the school's academic year. Except for PLUS loans and for graduate or professional students, proration of a loan is required when a program is less than an academic year as measured in either clock hours or credit hours or number of weeks; or when a program exceeds an academic year but the remaining portion of the program is less than an academic year in length. Effective May 16, 2013, there is a limit on Direct Subsidized Loan eligibility for new borrowers on

or after July 1, 2013. Specifically, a new borrower on or after July 1, 2013 becomes ineligible to receive additional Direct Subsidized Loans if the period during which the borrower has received such loans exceeds 150 percent of the published length of the borrower's educational program. The borrower also becomes responsible for accruing interest during all periods as of the date the borrower exceeds the 150 percent limit (34 CFR 685.200(f)). For the purpose of determining loan limits for a borrower who received an associate or bachelor's degree and has re-enrolled in another eligible program for which the prior degree is a prerequisite, the number of years that a student has completed in a program of undergraduate study includes any prior enrollment.

(9) Annual Limits for Subsidized Loans

For an undergraduate student who has not yet successfully completed the first year of study, the annual loan limit is \$3,500 for a program of study at least an academic year in length. For a program of less than an academic year, the loan must be prorated. Programs less than one-third of an academic year are not eligible for these loans.

For an undergraduate student who has successfully completed the first year but has not successfully completed the second year of an undergraduate program: (1) up to \$4,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated. Programs less than one-third of an academic year are not eligible for these loans.

For an undergraduate student who has successfully completed the first and second year of study but has not successfully completed the remainder of the program or for a student in a program who has an associate or baccalaureate degree which is required for admission into the program: (1) up to \$5,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated. (34 CFR 685.203)

(10) Annual Limits for Unsubsidized Loans

A student may receive an unsubsidized loan for the amount that is the difference between the subsidized amount for which he or she was eligible and the subsidized amount that he or she received. For dependent undergraduate students, the unsubsidized loan is the difference between the student's cost of attendance and the

student's estimated financial assistance (including a subsidized loan if the student qualifies for one).

Additional eligibility for unsubsidized loans, beyond the base subsidized/unsubsidized amount, is available to all independent students and to dependent students if the financial aid administrator determines that the dependent students' parents are likely to be precluded by exceptional circumstances from receiving a PLUS loan.

An undergraduate dependent student, in any year of study, may receive an additional \$2,000 in unsubsidized loans for each year of study (except for dependent students whose parents are unable to obtain a PLUS loan, which should be noted in the student file). (Dear Colleague Letter GEN-08-08 which is located at <http://ifap.ed.gov/dpclatters/061908GEN0808.html> and Dear Colleague Letter GEN-11-07 which is located at <https://ifap.ed.gov/dpclatters/GEN1107.html> (Section 2 of Pub. L. No. 110-227, which amended Section 428H(d) of HEA (20 USC 1078-8(d))).

For an independent student (and dependent students whose parents cannot borrow a PLUS loan) who has not successfully completed the first 2 years of undergraduate study: (1) up to an additional \$6,000 for a program of study at least an academic year in length, and (2) for programs with less than a full academic year remaining, the loan must be prorated.

For a student who has successfully completed the first and second years of an undergraduate program but who has not successfully completed the remainder of the program: (1) up to an additional \$7,000 for a program of study at least an academic year in length, and (2) for programs with less than a full academic year remaining, the loan must be prorated. (34 CFR 685.203(c))

Graduate or professional students may borrow up to \$20,500 per academic year in unsubsidized loans.

Exceptions: Annual increased unsubsidized loan limits for certain health professions students who previously borrowed under the HEAL program are authorized. (See Volume 3, Chapter 5, of the *FSA Handbook*. The *FSA Handbook* is available at <https://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook>)

(11) Aggregate Loan Limits for Subsidized and Unsubsidized Loans

Aggregate loan limits for subsidized and unsubsidized loans are: \$31,000 for a dependent undergraduate student (except for

dependent students whose parents cannot borrow a PLUS loan) (subsidized loan portion may not exceed \$23,000 of the aggregate limit amount); \$57,500 for an independent student and for a dependent student whose parents cannot borrow a PLUS loan (subsidized loan portion may not exceed \$23,000 of the aggregate limit amount); and \$138,500 for a graduate or professional student (subsidized portion limited to \$65,500). This \$138,500 limit includes loans for undergraduate study.

(12) Direct PLUS (PLUS)

PLUS loans are limited to parent borrowers of dependent undergraduate students and graduate and professional students. A parent must meet the same citizenship and residency requirements as a student. Similarly, a parent who owes a refund on an SFA grant or is in default on an SFA loan is ineligible for a PLUS loan unless satisfactory arrangements have been made to repay the grant or loan. A PLUS loan may not exceed the student's estimated cost of attendance minus other financial aid awarded during the period of enrollment for that student (34 CFR 685.101(b), 685.200, and 34 CFR 685.203(f), (h) and (j) also apply).

b. *HHS Programs*

In determining the financial resources available for the HHS programs, the school must use one of the need analysis systems or any other procedures approved by the Secretary of Education. The school must also take into account other information that it has regarding the student's financial status. For the HHS programs, the costs reasonably necessary for the student's attendance include any special needs and obligations which directly affect the student's ability to attend the school. The school must document the criteria used for determining these costs. (HPSL, PCL, and LDS, 42 CFR 57.206; NSL, 42 CFR 57.306(b)); NFLP, Affordable Care Act, Section 5311 and Program Guidance)

Health Professions Student Loans/Primary Care Loans)/Loans for Disadvantaged Students (CFDA 93.342), Nursing Student Loans (CFDA 93.364)

For periods prior to November 13, 1998, the total amount of HPSL/PCL/LDS loans made to a student for a school year may not exceed \$2,500 plus the cost of tuition (42 CFR 57.207). For students who are applying for a HPSL/PCL/LDS loan, the school must make its selection based on the order of greatest financial need, taking into consideration the other resources available to the student. The resources may include summer earnings, educational loans, veteran (G.I.) Benefits, and earnings during the school year (HPSL/PCL/LDS, 42 CFR 57.206(c)). For periods

after November 13, 1998, the total amounts of HPSL/PCL/LDS loans to a student for a school year may not exceed the cost of attendance (including tuition, other reasonable educational expenses, and reasonable living expenses). The amount of the loan may, in the case of the third or fourth year of a student at a school of medicine or osteopathic medicine, be increased to pay balances of loans that were made to the individual for attendance at the school (42 CFR 57.210; Pub. L. No. 105-392, 134 (1) and (2)). The total amount of NSL loans made to a student for an academic year may not exceed \$3,300 except that for each of the final 2 academic years of the program the total must not exceed \$5,200. The total of all NSL loans may not exceed \$17,000 (Section 5202 (a) of the Affordable Care Act).

(1) Nurse Faculty Loan Program (NFLP) (CFDA 93.264)

The total amount of NFLP loans made to a student for a school year may not exceed \$35,500 for a maximum of 5 years to support the cost of tuition, fees, books, laboratory expenses and other reasonable education expenses. NFLP loans do not include stipend support (i.e., living expenses, student transportation cost, room/board, personal expenses). For students who are applying for a NFLP loan, the student must be enrolled full-time or part-time in an eligible graduate (master's and doctoral) nursing education program at the school. The school must make its selection of NFLP student applicants to receive loan funds by taking into consideration the other resources available to the student. Section 847(f) added a funding priority for Sections 847 and 846A of the PHS Act. This funding priority is awarded to school of nursing student loan funds that support doctoral nursing students. Schools that receive the doctoral funding priority should fund new doctoral student applicants ahead of new master's student applicants (Title VIII, Section 846A, PHS Act, as amended by the Patient Protection and Affordable Care Act of 2010, Pub. L. No.111-148, Section 5311).

(2) Scholarships for Disadvantaged Students (CFDA 93.925)

Individual student awards must be at least 50 percent of the student's annual tuition costs. The maximum amount of \$30,000 must be awarded for students whose tuition is more than \$60,000; however, no student can be awarded SDS funds greater than \$30,000 in a given year. Scholarships will be awarded by schools to any full-time student who is from a disadvantaged background; has a financial need for a scholarship; and is enrolled (or accepted for enrollment) in a program leading to a degree in a health profession or nursing. Such scholarships may be expended only for tuition expenses, other reasonable educational expenses, and

reasonable living expenses incurred in the attendance of such school (42 USC 293a; Section 737, PHS Act).

2. Eligibility for Group of Individuals or Area of Service Delivery

Not Applicable

3. Eligibility for Subrecipients

Not Applicable

G. Matching, Level of Effort, Earmarking

1. Matching

SFA - Title IV Programs

Federal Supplemental Educational Opportunity Grants (CFDA 84.007)

The Federal share of awards may not exceed 75 percent of the total FSEOG awards made by the school, unless a higher amount (up to 100 percent) has been authorized by ED (34 CFR 676.21).

Federal Work-Study (CFDA 84.033)

Generally, the Federal share of FWS compensation paid a student employed other than by a private for-profit organization may not exceed 75 percent of the total FWS awards made by the school. However, the Federal share may exceed 75 percent, but not exceed 90 percent, for up to 10 percent of the students compensated by FWS during the academic year, if the student is employed at a non-profit private organization or a government agency that (1) is not a part of, and is not owned, operated, or controlled by, or under common ownership, operation, or control with, the institution; (2) is selected by the institution on an individual case-by-case basis for such student; and (3) would otherwise be unable to afford the costs of such employment (42 USC 2753(b)(5); 34 CFR 675.26(a)).

The Federal share of FWS for work at private-for-profit organizations is limited to 50 percent (34 CFR 675.26(a)(3)).

However, a Federal share of 100 percent is allowable when the work is performed by the student for the institution, a public agency, or a private non-profit organization and:

- a. The institution is under the Tribally Controlled Colleges and Universities Program or the Historically Black Colleges and Universities Program;

- b. The institution received a waiver of the matching requirement from ED (see <http://www2.ed.gov/about/offices/list/ope/idades/eligibility.html>) under one of the following eligible programs:
- (1) Developing Hispanic-Serving Institution Program,
 - (2) Strengthening Institutions Program,
 - (3) Alaskan Native and Native Hawaiian-Serving Institutions Program,
 - (4) Asian American and Native American Pacific Islander-Serving Institutions Program,
 - (5) Native American-Serving Nontribal Institutions Program,
 - (6) Hispanic-Serving Institutions and Articulation Program,
 - (7) Promoting Post baccalaureate Opportunities for Hispanic Americans Program, or
 - (8) Predominantly Black Institutions Program; or
- c. The student is (1) employed as a reading tutor for preschool-age children or elementary school children, (2) employed as a mathematics tutor for children in elementary school through ninth grade, (3) employed in a community service activity and performing civic education and participation activities in a project, or (4) performing family literacy activities in a family literacy project that provides services to families with preschool-age children or elementary school children (34 CFR 675.26(d); ED Notice, November 3, 2014, *Federal Register* (79 FR 65197); *FSA Handbook*, Volume 6, Chapter 1).

HHS Programs

Health Professions Student Loan/Primary Care Loans/Loans for Disadvantaged Students (CFDA 93.342), Nursing Student Loan (CFDA 93.364)

The institution's ICC is one-ninth of the FCC and must be deposited in a health professions student loan fund (42 CFR 57.202 and 57.302).

Nurse Faculty Loan Program (NFLP) (CFDA 93.264)

Schools that receive a FCC grant award must contribute an ICC amount equal to not less than one-ninth of the total FCC grant award. The institution's ICC must be deposited in a NFLP loan fund at the school (Section 5311 of the Affordable Care Act and Program Guidance, Section III.2).

2. Level of Effort

Not Applicable

3. Earmarking

Federal Work-Study (CFDA 84.033)

An institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities unless waived by the Secretary of Education. The institution can only use up to 10 percent of its FWS or \$75,000, whichever is less, for a JLD program (Section 446(a)(1) of the HEA (42 USC 2756); 34 CFR 675.18).

L. Reporting

1. Financial Reporting

SFA - Title IV Programs

- a. *SF-270, Request for Advance or Reimbursement* – Applicable to ED programs (using the G5 System)
- b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- c. *SF-425, Federal Financial Report* – Not Applicable for ED programs; Applicable for HHS programs
- d. *Form 270, Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2) (OMB No. 1845-0089)* – Applicable only to institutions placed on reimbursement payment method or Heightened Cash Monitoring 2 by ED.
- e. *Common Origination and Disbursement (COD) System (OMB No. 1845-0039)* – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no earlier than (1) 7 calendar days prior to the disbursement date under the Advance or Heightened Cash Monitoring 1 payment methods, or (2) the date of the disbursement under the Reimbursement or Heightened Cash Monitoring 2 payment methods (see ED Notice, June 27, 2017, *Federal Register* (82 FR 29061)). The disbursement record reports the actual disbursement date and

the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, or Accepted. In testing the Pell Payment origination and disbursement data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student payment data within 15 calendar days after the school makes a payment or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Key items to test on origination records are: Social Security Number, award amount, enrollment date, verification status code, transaction number, cost of attendance, and academic calendar. Key items to test on disbursement records are disbursement date and amount. The information may be accessed by the institution for the auditor (34 CFR 690.83; *FSA Handbook*, technical references on obtaining reports for each award year are located at <https://ifap.ed.gov/ifap/byAwardYear.jsp?type=codtechref&display=single>, COD Technical Reference; choose the award year, Volume VI, Appendices, Section 8).

2. Performance Reporting

Not Applicable

3. Special Reporting

SFA - Title IV Programs

ED Form 646-1, *Fiscal Operations Report and Application to Participate (FISAP)* (OMB No. 1845-0030) – This electronic report is submitted annually to receive funds for the campus-based programs. The school uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. By October 1, 2018, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year 2017-2018 and the *Application to Participate* for the 2019-2020 award year (FWS, FSEOG 34 CFR 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate*).

Key Line Items – The following line items contain critical information:

Part I, Identifying Information

Part II, Application

- Information on enrollment
- Assessments and expenditures

- Information on eligible aid applicants
- Part IV, Federal Supplemental Educational Opportunity Grant Program
- All sections
- Part V, Federal Work-Study (FWS) Program
- All sections
- Part VI, Program Summary for Award Year
- Distribution of Program Recipients and Expenditures by Type of Student (Trace a sample of line items)

N. Special Tests and Provisions

1. Verification

Compliance Requirements An institution is required to establish written policies and procedures that incorporate the provisions of 34 CFR 668.51 through 668.61 for verifying applicant information. The institution shall require each applicant whose application is selected by ED to verify the information required for the Verification Tracking Group to which the applicant is assigned. Dear Colleague Letter GEN-17-05 explains the 2018-2019 Verification Tracking Groups and the information required to be verified for each group. GEN-17-05 is available at <https://ifap.ed.gov/dpceletters/GEN1705.html>. However, certain applicants are excluded from the verification process as listed in 34 CFR 668.54(b). Specified verification items and acceptable documentation will be listed in the *Federal Register*. An Electronic Announcement dated January 9, 2019 provides information on the acceptable documentation for award years 2018-2019 and 2019-2020. For award year 2018-2019. The *Federal Register* notice was published May 5, 2017 (<https://ifap.ed.gov/fregisters/FR050517FASFA1819.html>). For the 2018-2019 award year, auditors should also consult Dear Colleague Letter Gen-17-05 (<https://ifap.ed.gov/dpceletters/GEN1705.html>). For the 2019-2020 award years, auditors should consult the March 28, 2018, Federal Register Notice (<https://ifap.ed.gov/fregisters/attachments/FR032818.pdf>) and Dear Colleague Letter Gen-18-03 (<https://ifap.ed.gov/dpceletters/GEN1803.html>).

The institution shall also require applicants to verify any information used to calculate an applicant's EFC that the institution has reason to believe is inaccurate (34 CFR 668.54(a); *FSA Handbook* Application and Verification Guide, Chapter 4).

Acceptable documentation for the verification is listed in 34 CFR 668.57 and in the annual *Federal Register* update.

Audit Objectives Determine whether the institution established policies and procedures to verify information in student aid applications and verified all required information of selected applications in accordance with the requirements.

Suggested Audit Procedures

- a. Review the institution's policies and procedures for verifying student applications and verify that they meet the requirements of 34 CFR 668.53.
- b. Select a sample of applications that were selected by ED for verification and review the student aid files for those applications to ascertain that the institution (1) obtained acceptable documentation to verify the information required for the Verification Tracking Group to which the applicant is assigned; (2) matched information on the documentation to the student aid application; (3) if necessary, submitted data corrections to the central processor and recalculated awards and (4) whether the institution correctly coded the student's verification status in the Common Origination and Disbursement (COD) system.

2. Disbursements to or on Behalf of Students**Compliance Requirements***SFA - Title IV Programs**Title IV Programs – General*

The payment period for a student enrolled in an eligible program that measures progress in credit hours and has standard academic terms (semesters, trimesters, or quarters), or has non-standard terms that are substantially equal in length, is the academic term (34 CFR 668.4(a)). (Non-standard terms are substantially equal in length if no term is more than 2 weeks of instructional time longer than any other term (34 CFR 668.4(h)).

- a. The payment period for a student enrolled in an eligible program that measures progress in credit hours and uses non-standard terms that are not substantially equal in length is as follows (34 CFR 668.4(b)):
 - (1) For Pell Grant, IASG, FSEOG, and TEACH Grants, the payment period is the academic term.
 - (2) For Direct Loans,
 - (a) If the program is one academic year or less in length, (i) the first payment period is the period of time in which the student successfully completes half the number of credit hours in the program and half the number of weeks of instructional time in the program, and (ii) the second payment period is the period of time in which the student completes the program.
 - (b) If the program is more than one academic year in length–
 - (i) For the first academic year and any subsequent full academic year:

- (A) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the academic year and half the number of weeks of instructional time in the academic year; and
 - (B) The second payment period is the period of time in which the student completes the academic year.
 - (ii) For any remaining portion of an eligible program that is more than half, but less than a full, academic year in length:
 - (A) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the remaining portion of the program and half the number of weeks of instructional time in the remaining portion of the program; and
 - (B) The second payment period is the period of time in which the student successfully completes the remainder of the program.
 - (iii) For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program.
- c. The payment period for a student enrolled in an eligible program that measures progress in credit hours and does not have academic terms or for a program that measures progress in clock hours (34 CFR 668.4(c)):
 - (1) If the program is one academic year or less in length, (a) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the program and half the number of weeks instructional time in the program; and (b) the second payment period is the period of time in which the student successfully completes the program.
 - (2) If the program is more than one academic year in length—
 - (a) For the first academic year and any subsequent full academic year, (i) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the academic year and half the number of weeks of instructional time in the academic year, and (ii) the second payment period is the period of time in which the student successfully completes the academic year.

- (b) For any remaining portion of an eligible program that is more than half but less than a full academic year in length, (i) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the remaining portion of the program and half the number of weeks of instructional time in the remaining portion of the program, and (ii) the second payment period is the period of time in which the student successfully completes the remainder of the program.
 - (c) For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program.
 - d. If an institution is unable to determine when a student has successfully completed half of the credit hours in a program, academic year, or remainder of a program, the student is considered to begin the second payment period of the program, academic year, or remainder of a program at the later of (i) the date the institution determines the student has completed half of the academic coursework in the program, academic year, or remainder of the program; or (ii) half the number of weeks of instructional time in the program, academic year, or remainder of the program (34 CFR 668.4(c)(3)).

If a student withdraws from a credit-hour program that does not have academic terms or a clock-hour program during a payment period and reenters the same program within 180 days, the student remains in that same payment period upon reentry and is eligible to receive, subject to conditions established by ED, any Title IV funds for which they were eligible prior to withdrawal, including funds returned as a result of a return of funds calculation (34 CFR 668.4(f)).

If a student withdraws from a credit-hour program that does not have academic terms or a clock-hour program during a payment period and reenters the same program after 180 days or transfers into another program (either at the same institution or at a different institution) at any time, the student generally starts a new payment period (34 CFR 668.4(g)). (See exception to this general rule in 34 CFR 668.4(g)(3)).

- e. The institution may not make a disbursement to a student for a payment period until the student is enrolled in classes for that payment period, unless the student is registered at least half-time (34 CFR 668.32(a)(2)) and the loans are disbursed by electronic funds transfer (EFT) to an account of the school or by master check. In those situations, the school must obtain the student's (or in the case of parent a PLUS loan, the parent borrower's) written authorization for the release of the initial and any subsequent disbursement of each loan, unless authorization was provided in the loan application or Master Promissory Note. The institution must deliver the proceeds to the student or borrower or credit the student's account, notifying the student or parent borrower in writing (34 CFR 668.165). The earliest an institution may disburse SFA funds (other than FWS) (either by paying

the student directly or crediting the student's account) is 10 days before the first day of classes of the payment period for which the disbursement is intended (34 CFR 668.164(i)). (If an institution uses its own funds, i.e., funds not drawn down from ED, earlier than 10 days before the first day of classes, ED considers that the institution made that disbursement on the 10th day before the first day of classes (34 CFR 668.164(a)(2)). There are two exceptions to this rule. First, institutions may not disburse or deliver the first installment of Direct Loans to first-year undergraduates who are first time borrowers until 30 days after the student's first day of classes (34 CFR 668.164(i)(2)), unless the institution has low default rates as discussed in the next paragraph. The second exception applies to a student who is enrolled in a clock hour educational program or a credit hour program that is not offered in standard academic terms. The earliest the institution may disburse funds is the later of 10 days before the first day of classes for the payment period or, except for certain circumstances under the Direct Loan program, the day the student completed the previous payment period (34 CFR 668.164(i)(1)). The excepted circumstances for Direct Loan programs are described in 34 CFR 685.303(d)(3)(ii), (d)(5), and (d)(6) (34 CFR 668.164(i)).

- f. The exceptions for institutions to disburse loans for first-year undergraduates who are first-time borrowers are (1) an institution with cohort default rates of less than 15 percent for each of the 3 most recent fiscal years for which data are available does not have to wait the 30 days, and (2) an institution that is an eligible home institution that certifies a loan to cover the student's cost of attendance in a study-abroad program and has a cohort default rate of less than 5 percent for the single most recent fiscal year for which data are available does not have to wait the 30 days (34 CFR 685.303(b)(5)).
- g. The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR 668.165). Institutions that implement an affirmative confirmation process (as described in 34 CFR 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan or TEACH Grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than 7 days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.
- h. An institution must return to ED (notwithstanding any State law, such as a law that allows funds to escheat to the State) any Title IV funds, except FWS program funds, that it attempts to disburse directly to a student or parent but they do not

receive or negotiate those funds. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursements. If the institution attempted to disburse the funds by check and the check is not cashed, the funds must be returned no later than 240 days after the date it issued the check. If a check is returned, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that the attempts are made no later than 45 days after the funds were returned or rejected. If the institution does not make an additional attempt to disburse the funds, the funds must be returned before the end of the 45-day period and no later than 240 days from the date of the initial attempt to disburse the funds (34 CFR 668.164(1)).

- i. If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the NSLDS Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will “monitor” those students on the school’s “inform” list and alert the school of any relevant financial aid history changes. A school must wait 7 days after it “informs” NSLDS about a transfer student before disbursing Title IV aid to that student. However, a school does not have to wait if it receives an alert from NSLDS during the 7-day period or if it obtains the student’s financial aid history by accessing the NSLDS Financial Aid Professional website. When a school receives an alert from NSLDS, before making a disbursement of Title IV aid, it must determine if the change to the student’s financial aid history affects the student’s eligibility (34 CFR 668.19).
- j. For students whose applications were selected for verification, if the institution has reason to believe that information included in the application is inaccurate, the institution may not (1) disburse any Pell or campus-based aid, (2) employ the applicant in its FWS program, or (3) originate Direct Loans (or process proceeds of previously originated loans) until the applicant verifies or corrects the information. If the institution does not have any reason to believe that the information is inaccurate, the institution may withhold payment of Pell or Campus-based aid, or may make one interim disbursement of Pell or Campus-based aid, employ or allow an employer to employ an eligible student under FWS for the first 60 consecutive days after the student’s enrollment and may originate the Direct Loan, but cannot process the proceeds. If the verification process is not complete within the time period specified, the institution shall return loan proceeds. In addition, the institution is liable for an interim disbursement if verification shows that a student received an overpayment or if the student fails to complete verification (34 CFR 668.58, 668.60(b)(3), and 668.61)).

Pell

To disburse Pell funds, the institution must have received a valid ISIR from the central processor or a valid SAR from the student by the earlier of the student’s last date of enrollment or the deadline date established by the Secretary in a notice published in the *Federal Register* (the deadline date is normally in the month of September following the end of the award year). Late disbursements of Pell for ineligible students are allowed if,

before the date the student became ineligible, an ISIR or SAR was processed that contained an official expected family contribution. The institution has discretion in disbursing funds within a payment period, but generally must disburse the full amount before the end of the payment period.

The institution must review and document the student's eligibility before it disburses funds each payment period (34 CFR 690.61, 690.75, 690.76, and 668.164(b)(3)). (Requirements for student eligibility are found in Appendix A.)

IASG

IASG disbursements follow Federal Pell grant regulations (20 USC 1070h). (Requirements for student eligibility are found in Appendix A.)

TEACH Grant

To disburse TEACH Grant funds, the institution must ensure that the student (a) is eligible (per 34 CFR 686.11), (b) has completed the initial or subsequent counseling (required by 34 CFR 686.32), (c) has signed an agreement to serve (required by 34 CFR 686.12), (d) is enrolled in a TEACH grant-eligible program, and (e) if enrolled in a credit-hour program without terms or a clock-hour program, has completed the payment period, as defined in 34 CFR 668.4, for which he or she will be paid a grant (34 CFR 686.31). (Requirements for student eligibility are found in Appendix A.)

Direct Loan

Except in the case of an allowable late disbursement (34 CFR 685.303(d)), before disbursing the loan proceeds, the institution must determine that the student maintained continuous eligibility from the beginning of the loan period. An institution under the advance payment method may not disburse loan proceeds until they have obtained a legally enforceable promissory note. An institution under reimbursement or cash monitoring payment method must have obtained a legally enforceable promissory note and may request funds only for those that they have already disbursed funds to students (34 CFR 685.301 and 685.303). (See III.C, "Cash Management," for discussion of payment methods.) (Requirements for student eligibility are found in Appendix A.)

An additional requirement of the Direct Loan program is that schools must implement a quality assurance system. They may not charge a borrower a fee of any kind for Direct Loan origination activities or the provision of any information for a student or parent to receive a Direct Loan 34 CFR 685.300(b)(9) and (10). (Electronic Announcement, November 13, 2013, Direct Loan Quality Assurance Requirement Reminder, <https://ifap.ed.gov/eannouncements/111313DirectLoanQualityAssuranceRequirementReminder.html>)

FWS

The student's wages are earned when the work is performed. The institution shall pay the student at least once per month. The Federal share must be paid by check or similar

instrument the student can cash on his or her endorsement, or as authorized by the student, by crediting FWS funds to a student's account or by EFT to a bank account designated by the student. The institution may only credit the account for tuition, fees, institutional room and board, and other school-provided goods and services (34 CFR 675.16). (Requirements for student eligibility are found in Appendix A.)

HHS Programs

HPSL/PCL/LDS and NSL

Student loans may be paid to or on behalf of student borrowers in installments considered appropriate by the school, except that a school may not pay to or on behalf of any borrowers more than the school determines the student needs for any given installment period (e.g., semester, term, or quarter). However, the amount of the loan may be increased, in the case of the third or fourth year of a student at a school of medicine or osteopathic medicine, to pay balances of loans that were made to the individual for attendance at the school (42 USC 292r(a)(2); Section 722r(a)(2) of the PHS Act; Pub. L. No. 105-392, Section 134(a)(2)). At the time of payment, a HPSL/PCL/LDS borrower must be a full-time student, a NSL borrower must be at least a half-time student (HPSL/PCL/LDS, 42 CFR 57.209; NSL, 42 CFR 57.309). Each student loan must be evidenced by a properly executed promissory note (HPSL/PCL/LDS, 42 CFR 57.208; NSL, 42 CFR 57.308).

Nurse Faculty Loan Program (NFLP) (CFDA 93.264)

NFLP loans may be paid to or on behalf of student borrowers in installments considered appropriate by the school, except that a school may not pay to or on behalf of any borrowers more than the school determines the student needs for any given installment period (e.g., semester, term, or quarter). At the time of payment, a NFLP borrower must be enrolled full-time or part-time. Each student loan must be evidenced by a properly executed promissory note (Program Guidance, Repayment Provision).

Audit Objectives Determine whether disbursements to students were made or returned to the funds provider in accordance with required time frames; and whether required reviews were made and required documents and approvals were obtained before disbursing SFA funds.

Determine whether the school has implemented a Direct Loan quality assurance system and is not charging borrowers an origination fee.

Suggested Audit Procedures

- a. Review a sample of disbursements to students and verify that they were made or returned in accordance with required time frames, and for Direct Loan schools that are on the reimbursement or cash monitoring payment method, that the institution only requested funds from ED for students to whom the institution had already disbursed funds.

- b. Review loan or other files to verify that the institution performed required procedures and obtained required documents prior to disbursing funds.
- c. Determine whether the school has documented its Direct Loan quality assurance system in accordance with 34 C.F.R. 685.300(b)(9) and Electronic Announcement, November 13, 2013, Direct Loan Quality Assurance Requirement Reminder.
- d. Review the charges to students, fee schedules, and catalog, noting any charges for Direct Loan origination activities to determine whether the institution charged students a Direct Loan origination fee.

3. Return of Title IV Funds

SFA - Title IV Programs

Compliance Requirements Applicable After a Student Begins Attendance When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than \$50 of the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR 668.22(a)(1) through (a)(5)).

For credit hour programs, a student is considered to have withdrawn if the student does not complete all the days in the payment period or period of enrollment. For clock hour programs, a student is considered to have withdrawn if the student does not complete all the clock hours and weeks of instructional time in the payment period or period of enrollment. A student in a nonterm or nonstandard-term program is considered to have withdrawn if he/she is not scheduled to begin another course within a payment period or period of enrollment for more than 45 calendar days after the end of the module the student ceased attending, unless the student is on an approved leave of absence.

A student is not considered to have withdrawn from a program offered in modules if the school obtains written confirmation from the student, at the time that otherwise would have been a withdrawal, of the date that he/she will attend a module that begins later in the same payment period or period of enrollment and, for nonterm and nonstandard-term programs offered in modules, that module begins no later than 45 calendar days after the end of the module the student ceased attending.

If the school obtains the written confirmation, but the student does not return as scheduled, the student is considered to have withdrawn. The student's withdrawal date and the total number of calendar days in the payment period or period of enrollment are the withdrawal date and the total number of calendar days that would have applied had

the student not provided written confirmation of future attendance (34 CFR 668.22(a)(2)).

Post-withdrawal Disbursements

Post-withdrawal disbursements must be made from available grant funds before available loan funds (34 CFR 668.22(a)(6)). Post-withdrawal disbursements of grant funds may be credited to the student's account, without the student's authorization, for current-year outstanding charges for tuition, fees, and room and board (if contracted with the institution) on the student's account, up to the amount of those outstanding charges. For current-year outstanding charges other than tuition, fees, and room and board (if contracted with the institution), the institution must have the student's authorization to credit the student's account with grant funds. Any grant funds not disbursed to the student's account must be disbursed to the student no later than 45 days after the date of the institution's determination that the student withdrew (34 CFR 668.22(a)(6)(ii)(B)(1)).

Post-withdrawal disbursements of loan funds may be credited to the student's account if current-year outstanding charges exist on the student's account, up to the amount of the current-year outstanding charges only after obtaining confirmation from the student, or parent in the case of a parent PLUS loan, that he or she still wishes to have some or all of the loan funds disbursed.

If the institution wishes to credit the student's account with a post-withdrawal disbursement of loan funds or wishes to pay a post-withdrawal disbursement of loan funds directly to the student, or parent in the case of a parent PLUS loan, the institution must, within 30 days of the date the institution determines that the student withdrew, send a written notification to the student, or parent in the case of a parent PLUS loan, that

- a. Asks the student or parent if he or she wants a post-withdrawal disbursement of some or all of the loan funds credited to the student's account, or a post-withdrawal disbursement of some or all of the loan funds as a direct disbursement;
- b. Explains that, if the borrower does not want the loan funds credited to the student's account, it is up to the school to decide whether it will disburse the loan funds as a direct disbursement to the borrower;
- c. Explains the obligation of the borrower to repay any loan funds disbursed; and
- d. Explains that no post-withdrawal disbursement will be made (other than a credit of grant funds to the student's account for tuition and fees and room and board, if contracted for with the institution, or a credit of grant funds for other institutional charges for which the institution has the student's authorization or a direct disbursement of grant funds) unless the student or parent responds within 14 days of the date the institution sent the notification (or a later time frame set by the institution), or the institution chooses to make a post-withdrawal disbursement based on a late response (34 CFR 668.22(a)(6) and 668.164(c)).

If a student or parent accepts a post-withdrawal disbursement of loan funds, the institution must make the disbursement within 180 days after the date of the institution's determination that the student withdrew and in accordance with the request of the recipient (34 CFR 668.22(a)(6)(iii)(C) and 668.164(c)(1), (c)(2), (c)(3), and (j)).

Subject to the above, an institution may credit a student's account for minor prior-award-year charges, if not more than \$200 (34 CFR 668.164(c)(3)).

Withdrawal Date

If an institution is required to take attendance, the withdrawal date is the last date of academic attendance, as determined by the institution from its attendance records. An institution is required to take attendance if:

- a. The institution is required to take attendance for some or all of its students by an entity outside of the institution (such as the institution's accrediting agency or State agency);
- b. The institution itself has a requirement that its instructors take attendance; or
- c. The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program or a portion of that program (34 CFR 668.22(b)(3)).

If an institution is not required to take attendance, the withdrawal date is (1) the date, as determined by the institution, that the student began the withdrawal process prescribed by the school; (2) the date, as determined by the institution, that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence. Notwithstanding the above, an institution that is not required to take attendance may use as the withdrawal date, the last date of attendance at an academically related activity as documented by the institution (34 CFR 668.22(c) and (d)).

An institution that is required to take attendance or requires that attendance be taken on only one specified day to meet a census reporting requirement, is not considered to take attendance (34 CFR 668.22(b)(3)(iv)).

Calculation of the Amount of Title IV Assistance Earned

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours, or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours (34 CFR 668.22(e)(2)). Otherwise, the percentage earned by the student is equal to the percentage (60 percent or less) of the payment period or period of enrollment that was completed as of the student's withdrawal date. The percentage of Title IV grant or loan assistance that has not been earned by the student is the complement of one of these calculations. Standard term-based institutions must always use the payment period as the basis for the determination.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew (34 CFR 668.22(e)).

Use of Payment Period or Period of Enrollment

The treatment of Title IV grant or loan funds if a student withdraws must be determined on a payment period basis for a student who attended a standard term-based (semester, trimester or quarter) educational program. The treatment of Title IV grant or loan funds if a student withdraws may be determined on either a payment period basis or a period of enrollment basis for a student who attended a non-term based or a nonstandard term-based educational program. The institution must use the chosen period consistently for all students in the program, except that an institution may make a separate selection of payment period or period of enrollment for students that transfer to the institution or reenter the institution for students who attend a non-term-based or nonstandard term-based program (34 CFR 668.22(e)(5)). An institution must use the payment period that ends later to calculate a "Return of Title IV Funds" when a student withdraws from a non-standard term credit hour program with terms that are not substantially equal in length, and the student was disbursed or could have been disbursed Title IV aid under more than one payment period definition (34 CFR 668.22(e)(5)(iii)).

Percentage of Payment Period or Period of Enrollment Completed

The percentage of the payment period completed or period of enrollment completed is determined in the case of a program that is measured in (1) credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date; or (2) clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the

student's withdrawal date. The total number of calendar days in a payment or enrollment period includes all days within the period, except that institutionally scheduled breaks of at least 5 consecutive calendar days (including module programs that a student is not required to attend for 5 consecutive calendar days) and days in which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (34 CFR 668.22(f)).

Institution's Return of Unearned Aid

The institution must return the lesser of (1) the total amount of unearned Title IV assistance to be returned as described above, or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. If, for a non-term program an institution chooses to calculate the treatment of Title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, "total institutional charges incurred by the student for the payment period" is the greater of (1) the prorated amount of institutional charges for the longer period, or (2) the amount of Title IV assistance retained for institutional charges as of the student's withdrawal date (34 CFR 668.22(g)).

Student's Return of Unearned Aid

The amount a student is responsible for returning is calculated by subtracting the amount of unearned aid that the institution is required to return from the total amount of unearned Title IV assistance to be returned. However, the student need only return 50 percent of the total grant assistance that was disbursed (and that could have been disbursed) for the payment period or period of enrollment. After the 50 percent rule is applied, a student does not have to return an overpayment amount of \$50 or less.

In addition, the Secretary may waive grant overpayments that students are required to return if the students who withdrew were residing in, employed in, or attending an institution located in an area where the President has declared that a major disaster exists (34 CFR 668.22(g), 668.22(h)(3), and 668.22(h)(5)).

Allocation of Return of Title IV Funds

Returns of Title IV funds must be distributed in the order prescribed below. The prescribed order must be followed regardless of the school's agreements with other State agencies or private agencies (34 CFR 668.22(i)).

- a. Unsubsidized Federal Direct Stafford Loans
- b. Subsidized Federal Direct Stafford Loans
- c. Federal Direct PLUS
- d. Federal Pell Grant

- e. Federal Supplemental Educational Opportunity Grants
- f. Teacher Education Assistance for College and Higher Education Grants
- g. Iran and Afghanistan Service Grant

Timing of Return of Title IV Funds

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR 668.173(b)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (34 CFR 668.22(j)). The institution must also notify the recipient of Title IV loans returned (34 CFR 685.306(a)(2)).

Compliance Requirements Applicable for a Student Who Does Not Begin

Attendance When a recipient of Title IV grant or loan assistance does not begin attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return or if it has to notify the lender or the Secretary to issue a final demand letter (34 CFR 668.21).

Not beginning attendance

A student is considered to have not begun attendance in a payment period or period of enrollment if the institution is unable to document the student's attendance at any class during the payment period or period of enrollment (34 CFR 668.21(c)).

FSEOG, TEACH Grants, Pell Grant, and IASG program funds

The institution must return all FSEOG, TEACH Grants, Pell Grant, and IASG program funds that were credited to the student's account or disbursed directly to the student for that payment period or period of enrollment (34 CFR 668.21(a)(1)).

Direct Loan Funds

The institution must return all Direct Loan funds that were

- a. Credited to the student's account for that payment period or period of enrollment;

- b. Payments made directly by or on behalf of the student to the institution for that payment period or period of enrollment, up to the total amount of the loan funds disbursed; or
- c. Disbursed directly to the student if the institution knew that a student would not begin attendance prior to disbursing the funds directly to the student for that payment period or period of enrollment (e.g., the student notified the institution that he or she would not attend, or the institution expelled the student).

For remaining amounts of Direct Loan funds disbursed directly to the student for the payment period or period of enrollment (including funds disbursed directly to the student by the lender for a study-abroad program or for a student enrolled in a foreign school), the institution must immediately notify the lender or the Secretary, as appropriate, when it becomes aware that the student will not or has not begun attendance so that the lender or the Secretary will issue a final demand letter to the borrower in accordance with 34 CFR 685.211 (34 CFR 668.21(a)(2)).

Deadline for return of funds by the institution

The institution must return those funds for which it is responsible as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance (34 CFR 668.21(b)).

Timely return of funds by the institution

An institution returns Title IV funds timely if:

- a. The institution deposits or transfers the funds into the bank account it maintains under 34 CFR 668.163 as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;
- b. The institution initiates an EFT as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;
- c. The institution initiates an electronic transaction, as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance, that informs the lender to adjust the borrower's loan account for the amount returned; or
- d. The institution issues a check as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; an institution does not satisfy this requirement if
 - (1) The institution's records show that the check was issued more than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; or

- (2) The date on the cancelled check shows that the bank used by the Secretary endorsed that check more than 45 days after the date that the institution becomes aware that the student will not or has not begun attendance (34 CFR668.21(d)).

Audit Objectives Determine if the institution has policies and procedures for withdrawals. Determine if the institution is returning all Title IV funds when a student did not begin attendance and Title IV funds were disbursed and if the school is notifying the borrower of Title IV loans returned. Determine if the school is properly allocating the return of Title IV funds as described in the regulations.

Determine if the institution is accurately calculating returns of Title IV funds for students who began attendance, and is applying in a timely manner the return of Title IV funds to Federal programs as required.

Suggested Audit Procedures

- a. Determine whether the institution has procedures for:
 - (1) Identifying students who either were or should have been withdrawn, dropped, terminated, who are on a leave of absence, or never began attendance.
 - (2) Assuring returns of Title IV funds are paid in the proper sequence.
 - (3) Paying the returns of Title IV funds within due dates.
- b. Using the sample of students who were withdrawn, dropped or terminated ascertain if returns of Title IV funds were properly calculated. Obtain and inspect student academic and financial aid files, student ledger accounts, financial records, and, if applicable, attendance records. From the records determine:
 - (1) If the student's enrollment status is correct (official or unofficial withdrawal).
 - (2) Whether the calculation is properly calculated. Calculating return of Title IV funds may be made using the following worksheets:

[Treatment of Title IV Funds When a Student Withdraws from a Clock Hour Program](#)

[Treatment of Title IV Funds When a Student Withdraws from a Credit Hour Program](#)
- c. For instances where a return of Title IV was required, trace the return of Title IV funds to disbursement and accounting records (including canceled checks to ED and students) to verify that returned Title IV funds were applied to programs in the required order and were timely. Ascertain that within 45 days (or within 30

days for students that never began attendance) of becoming aware that the student had withdrawn, deposits or transfers were made into the Federal funds account, electronic transfers were initiated, or checks were issued. When an institution issues a check, the return of Title IV is not timely if the institution's records show that the check was issued more than 45 days (or more than 30 days for students that never began attendance) or the date on the cancelled check shows that the bank used by the Department endorsed the check more than 60 days after the student withdrew (or more than 45 days for students that never began attendance).

- d. For a sample of students who received Title IV assistance, for which no return of Title IV funds were made, review academic and enrollment records (including class attendance records if they are kept) to ascertain whether the students sufficiently completed the payment or enrollment period to earn the Title IV funds received. When doing this, for students who received all failing and/or all incomplete grades, review records to ascertain whether the students had attended the institution or had attended but withdrawn.
- e. If the student or parent was eligible for a post withdrawal disbursement, ascertain if appropriate notification of the post withdrawal disbursement was given to the student or parent. Review evidence of the student or parent's acceptance or rejection of the post withdrawal disbursement. Determine if the school followed the student or parent's instructions regarding the post withdrawal disbursement.

4. Enrollment Reporting

Compliance Requirements Under the Pell grant and ED loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) (*OMB No. 1845-0002*) mailboxes sent by ED via NSLDS (*OMB No. 1845-0035*). 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 (Pell, 34 CFR 690.83(b)(2); FFEL, 34 CFR 682.610; Direct Loan, 34 CFR 685.309). (**Note:** The automated processes are described in the *NSLDS Enrollment Reporting Guide*, (November 2018 revision), which is available at

<https://ifap.ed.gov/nsldsmaterials/NSLDSEnrollmentReportingGuide111418.html>.

Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. NSLDS will send a Late Enrollment Reporting notification e-mail if no updates are received by batch or online within 22 days after the date the roster was sent to the school. The Enrollment Reporting Summary Report (SCHER1) on the NSLDS website can be created at the request of the institution. It shows the dates the roster files were sent and returned, the number of errors, date and number of online updates, and the number of late enrollment reporting notifications sent for overdue Enrollment Reporting rosters.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

Audit Objectives Determine whether the institution is promptly notifying ED, guaranty agencies, or lenders, as appropriate, and NSLDS of changes in student status in a timely and accurate manner.

Suggested Audit Procedures

- a. Review, evaluate, and document procedures for updating student status for Pell grants and ED loan recipients, including how often the institution performs the updates.
- b. Determine if the school is meeting reporting requirements by having the school access the NSLDS website and create the SCHER1. Compare the dates the roster files were sent to the return dates to verify that the school returned the roster files within 15 days, and report any discrepancies related to the timeliness of the roster files.
- c. Test the accuracy and timeliness of the enrollment data certification by selecting a sample of students from the institution's records that had a reduction or increase in attendance levels, graduated, withdrew, dropped out, or enrolled but never attended during the audit period. Compare the data in the NSLDS Enrollment Detail to the students' academic files, and verify that the institution is reporting accurate attendance changes for students within 30 days (unless the roster file will be submitted within 60 days) and report discrepancies.

5. Student Loan Repayments (HPSL/PCL/LDS and NSL, and NFLP)

HHS Programs

Compliance Requirements HPSL/PCL/LDS and NSL loans made prior to November 13, 1998, including accrued interest, are repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10-year repayment period. For HPSL/PCL/LDS loans the repayment period is not less than 10 and not more than 25 years, at the discretion of the institution. For NSL loans after November 13, 1998, the 10-year repayment period may be extended for 10 years for any student borrower who, during the repayment period failed to make consecutive payments and who, during the last 12 months of the repayment period, has made at least 12 consecutive payments (42 USC 292r(c) and 297b(b)(8) (Sections 722(c) and 836(b)(8) of PHS Act); Pub. L. No. 105-392, Sections 133(a)(2) and 134(a)(3)). Except as required in 42 CFR 57.210(a), a repayment of a HPSL/PCL/LDS loan must begin one year after the student ceases to be a

full-time student. For a NSL loan, repayment must begin 9 months after the student ceases to be a full-time or half-time student, except as required in 42 CFR 57.310(a).

For NFLP, loans are repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10-year repayment period. Following graduation from the nursing program, up to 85 percent of the principal and interest of an NFLP loan can be cancelled if the student borrower serves as full-time nurse faculty for 4 years. For this program, “full-time” is defined as either (1) a full-time faculty member at an accredited school of nursing; or (2) a part-time faculty member at an accredited school of nursing, in combination with another part-time faculty position or part-time clinical preceptor position affiliated with an accredited school of nursing that, together, equate to full-time employment. The loan cancellation over the 4-year period is as follows: (1) the school will cancel 20 percent of the principal and interest on the NFLP loan, as determined on the first day of employment, upon completion by the borrower of each of the first, second, and third years of full time employment as a faculty member in a school of nursing; and (2) the school will cancel 25 percent of the principal and interest on the NFLP loan, as determined on the first day of employment, upon completion of the fourth year of full-time employment as a faculty member in a school of nursing. Repayment on the remaining 15 percent of the loan balance is postponed during the cancellation period. NFLP loans are repayable and/or cancelled over a 10-year repayment period. NFLP loans accrue interest at a rate of three percent per annum for loan recipients who establish employment as full-time nurse faculty (Funding Opportunity Announcements <https://bh.w.hrsa.gov/fundingopportunities/default.aspx?id=bd03570b-3eb6-4a77-a1e3-4326ce292907>).

Loans under the HPSL/PCL/LDS, NSL, and NFLP programs may be cancelled only in the event that the borrower dies or becomes disabled. (HPSL/PCL/LDS; 42 CFR 57.211 and 57.213a; NSL; 42 CFR 57.311 and 57.313a; and NFLP Administrative Guidelines, Disability and Death (<https://bh.w.hrsa.gov/loansscholarships/schoolbasedloans/nflp>)).

Institutions must exercise due care and diligence in the collection of loans (HPSL/PCL/LDS, NSL, and NFLP, 42 CFR 57.210(b) and 57.310(b), and NFLP Program Guidance, Institutional Responsibility in Repayment Process, respectively).

Audit Objectives - Determine whether institutions are timely converting loans to repayment, establishing repayment plans, processing cancellation requests and servicing loans as required.

Suggested Audit Procedures

Note: Many institutions engage third-party servicers for billing, collection, and processing deferment and cancellation requests. Although these institutions remain responsible for compliance, auditors of these institutions may exclude the audit procedures below for the compliance requirements performed by a third-party servicer.

- a. Select a sample of loans that entered repayment during the audit period and review loan records to verify that the conversion to repayment was timely, and that a repayment plan was established.
- b. Review the institution's requirements for applying for and documenting eligibility for loan cancellations. Select a sample of loans that were cancelled during the audit period and review documentation to ascertain whether the cancellations were adequately supported.
- c. Select a sample of loans that have defaulted during the year and review loan records to ascertain if the required interviews, contacts, billing procedures and collection procedures were carried out.

6. Borrower Data Transmission and Reconciliation (Direct Loan)

SFA - Title IV Programs

Compliance Requirements Institutions must report all loan disbursements and submit required records to COD within 15 days of disbursement (*OMB No. 1845-0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR 685.102(b), 685.301, and 303). (**Note:** An electronic announcement dated December 21, 2017 describes the reconciliation process and is available at: <https://ifap.ed.gov/eannouncements/122117WilliamDFordFedDirectLoanPrgmReconciliation.html>.)

Audit Objectives Determine whether the institution reconciled SAS data files to institution records each month. Determine whether dates and amounts of disbursements to borrowers recorded in the DLSS are supported by the institution's records on individual borrowers.

Suggested Audit Procedures

- a. Test a sample of the SAS and ascertain that reconciliations are being performed. Instructions for obtaining specific borrower information are available at <http://www.ed.gov/about/offices/list/oig/nonfed/sfa.html>.
- b. Test a sample of borrowers to verify that disbursement dates and amounts in COD are supported by the institution's records.

7. Institutional Eligibility

SFA - Title IV Programs

Compliance Requirements

- a. An institution is not eligible to participate in Title IV programs if for the *award year* (year ending June 30) that ended during the institution's fiscal year (34 CFR 600.7):
- (1) More than 50 percent of its courses were correspondence courses;
 - (2) 50 percent or more of its regular students (i.e., students enrolled for the purpose of obtaining a degree, certificate or diploma) were enrolled in correspondence courses;
 - (3) 25 percent or more of its regular students were incarcerated;
 - (4) More than 50 percent of its regular students were enrolled as "ability-to-benefit students," i.e., without a high school diploma, the recognized equivalent *and* the institution did not provide a 4- or 2-year program for which it awards a bachelor's or associate degree, respectively.
- (Note: "Correspondence course" is defined in 34 CFR 600.2.)
- b. The institution is prohibited for paying any commission, bonus, or other incentive payment based, in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity engaged in any student recruiting or admission activities, or in making decisions regarding the awarding of Title IV, HEA program funds. This limitation does not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive Title IV, HEA program funds (34 CFR 668.14(b)(22)(i)). Title 34 CFR 668.14(b)(22)(ii) describes specific activities and arrangements that an institution may carry out without violating this regulatory prohibition. It also contains a provision applying this same prohibition to any entity or person engaged by the institution to deliver services to it (34 CFR 668.14(b)(22)(iii)(C)). The auditor should refer to the specific text of these regulations when auditing this compliance requirement.
- c. Institutions must establish and publish reasonable standards for measuring whether eligible students are maintaining satisfactory progress in their educational program. The institution's standards are reasonable if the standards (34 CFR 668.16(e) and 668.34) do the following:
- (1) Are the same as or stricter than the standards for a student enrolled in the same program that is not receiving Title IV student financial aid;

- (2) Provide for consistent application of standards to all students within categories of students and educational programs;
 - (3) Provide for the student's academic progress to be evaluated
 - (a) at the end of each payment period if the educational program is either one academic year in length or shorter than an academic year; or
 - (b) for all other educational programs, at the end of each payment period or at least annually to correspond with the end of a payment period;
 - (4) Include a qualitative component, which generally consists of grades that are measurable against a norm, and a quantitative component that consists of a maximum time frame for completion of the educational program. That time frame must, for an undergraduate program, be no longer than 150 percent of the published length of the educational program;
 - (5) Provide a policy that, if at the time of each evaluation, the student has not achieved the required GPA or is not successfully completing their program of study at the required pace, they no longer are eligible for Title IV aid;
 - (6) Provide specific procedures for disbursements to students on financial aid warning status or financial aid probation status;
 - (7) If the institution permits the student to appeal a determination, provide specific procedures how the student may reestablish eligibility to receive Title IV; basis on which a student may file an appeal; and information that the student must submit regarding why they failed satisfactory academic progress and how they have changed that will now allow the student to make satisfactory academic progress at the next evaluation;
 - (8) If the institution does not permit the student to appeal a determination, provide a policy for a student to reestablish their eligibility to receive Title IV assistance; and
 - (9) Provide notification to the students of their results of an evaluation that impacts their eligibility for Title IV.
- d. Each institution's most recent Eligibility and Certification Approval Report (ECAR) lists the institution's main campus and any additional approved locations. For any other locations at which a school offers 50 percent or more of an eligible program during the audit period, the institution must either submit an application for approval of that location or notify ED of that location (34 CFR 600.20(c) and 600.21(a)(3)).

Audit Objectives Determine whether the institution meets the above institutional eligibility requirements as applicable. All disbursements made to students determined to be ineligible for Title IV funds per published SAP and regulatory standards are questioned costs.

Suggested Audit Procedures

- a. For the award year that ended during the fiscal year, obtain from the institution its calculation of its award year institutional eligibility ratios of correspondence courses, students enrolled in correspondence courses, and incarcerated and “ability-to-benefit students.” Ascertain the proper classification and completeness of data and accuracy of the calculations.
- b. Ascertain the methodologies used to recruit, admit, and enroll students, and award Federal financial aid, e.g., using employees, employment contracts, contracting with third parties or Internet providers, or combinations of these or other methods.
 - (1) For institutional employees who recruit, admit, and enroll students, and award federal financial aid, evaluate the compensation plans and all forms of compensation to the employees, to determine whether the institution is in compliance with the regulatory requirements.
 - (2) For contracts with third parties who recruit, admit, and enroll students, and award financial aid for the institution, read the contracts to identify any provisions indicating that third parties were to act in a manner contrary to regulations pertaining to paying commissions, bonuses or other incentive payments. Also, review payments made to third parties to determine if payments were made in excess of contractual provisions. Determine if excess payments were made to cover commissions, bonuses, or other incentive payments, made by the third-party servicer contrary to the regulations.
- c. Ascertain from a review of the institution’s published satisfactory academic progress standards whether:
 - (1) all required elements are included in the standards and,
 - (2) from the test of students sampled, the students are making satisfactory academic progress.
- d. Obtain the ECAR that was in effect for the audit period and identify the main campus and any additional locations. Ascertain if the institution is offering more than 50 percent of an eligible program at any locations not on the ECAR. If so, determine if the institution notified ED of the additional location or submitted an application for approval of the additional location.

8. Program Eligibility

SFA - Title IV Programs

A. Short Term Programs at Postsecondary Vocational Institutions

Compliance Requirements For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution (as defined at 34 CFR 600.6(a)) must be between 300 - 599 clock hours. They must have been provided for at least one year and must have a substantiated completion and placement rate of at least 70 percent for the most recently completed award year (34 CFR 668.8(d)(2)(ii), 668.8(d)(3)(ii), and 668.8(e)). Completion and placement rates must be calculated in accordance with 34 CFR 668.8(f) and (g).

An institution must have documentation supporting its placement rates for each student showing that the student obtained gainful employment in the recognized occupation for which he or she was trained or in a related comparable recognized occupation. Examples of satisfactory documentation of a student's gainful employment include, but are not limited to, (1) a written statement from the student's employer, (2) signed copies of State or Federal income tax forms, or (3) written evidence of payments of Social Security taxes (34 CFR 668.8(g)(2)).

Audit Objectives If there are eligible short-term programs for which students received loans under the Direct Loan program, determine whether the institution's calculation of its completion and placement rates was in accordance with ED requirements.

Suggested Audit Procedures

- a. Review the completion and placement calculation to determine that the calculations were computed as specified in 34 CFR 668.8(f) and (g).
- b. Select samples of students counted in the completion and placement components of the calculations and trace to records that support their inclusion in that component of the calculation, including records supporting students' gainful employment.

B. General Program Eligibility

Compliance Requirements 34 CFR 668.8 defines general program eligibility requirements for institutions of higher education and postsecondary vocational institutions including program level offerings, credential offered, minimum program lengths for each level of offering and program measurements. Approvals for an institution's program levels offered, credentials offered and non-degree programs are noted on the institution's Eligibility and Certification Approval Report (ECAR). Programs that have been added subsequent to the institution's most recent certification may not be on the ECAR. An institution may require the Department's approval for new programs prior to disbursing Title IV program funds if it has been put on any restrictions

by the Department such as provisional certification or issues relating to financial responsibility.

Audit Objectives Determine whether students who received Title IV funds during the audit period were enrolled in ineligible programs.

Suggested Audit Procedures

- a. Review the institution's accreditation and state licensure documentation. Determine whether accreditation and licensure or State approval, where required, was in effect for all corresponding educational programs, program levels and credentials offered.
- b. Determine whether the institution required the Department's approval for new programs prior to disbursing Title IV program funds. Determine whether any programs requiring the Department's approval prior to disbursing Title IV program funds did not receive approval prior to the institution disbursing Title IV program funds.

C. Distance Education Program

Compliance Requirements A Distance Education program is a program offered to students who are separated from the instructor. Such programs are offered via: (1) the internet; (2) open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite or wireless communication devices; (3) audio conferencing; and (4) video cassettes, DVDs and CD-ROMs if these are offered in conjunction with any previously offered methods (34 CFR 600.2).

To be an eligible Distance Education program, such programs must be accredited by an accrediting agency that: (1) is recognized by the Secretary of ED and (2) has distance education within its scope of recognition. (34 CFR 668.8(m))

Title IV funds may be expended only towards the education of the students who can be proved to have been in attendance at the school. In a distance education context, documenting that a student has logged into an online distance education platform or system is not sufficient, by itself, to demonstrate attendance by the student. To avoid returning all funds for a student that did not begin attendance, a school must be able to document "attendance at any class." To qualify as a last date of attendance for Return of Title IV purposes, a school must demonstrate that a student participated in class or was otherwise engaged in an academically related activity, such as by contributing to an online discussion or initiating contact with a faculty member to ask a course-related question.

Audit Objectives Determine if all distance education programs offered at the institution are eligible for Title IV funding. Determine if the school properly recorded attendance for students awarded Title IV funds that were enrolled in distance education programs to determine if students began attendance or to determine a last date of attendance for Return of Title IV purposes.

Suggested Audit Procedures

- a. Review the institution's accreditation document(s) to determine that its accrediting agency is approved to accredit distance education programs and that the distance education programs at the institution are accredited.
- b. From a sample of student in distance education programs, determine whether the institution was in compliance with the distance education attendance requirements.

If Distance Education programs are not properly accredited, all Title IV funds disbursed to students attending these programs must be reported as questioned costs.

9. Gramm-Leach-Bliley Act –Student Information Security*SFA - Title IV Programs*

Compliance Requirements The Gramm-Leach-Bliley Act (Public Law 106-102) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data. (16 CFR 314) The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as “financial institutions” and subject to the Gramm-Leach-Bliley Act (16 CFR 313.3(k)(2)(vi). Under an institution's Program Participation Agreement with the Department of Education and the Gramm-Leach-Bliley Act, schools must protect student financial aid information, with particular attention to information provided to institutions by the Department or otherwise obtained in support of the administration of the federal student financial aid programs. (16 CFR 314.3; HEA 483(a)(3)(E) and HEA 485B(d)(2)) The Department of Education provides additional information about cybersecurity requirements at <https://ifap.ed.gov/eannouncements/Cyber.html>.

Audit Objectives Determine whether the institution designated an individual to coordinate the information security program; performed a risk assessment that addresses the three areas noted in 16 CFR 314.4 (b) and documented safeguards for identified risks.

Suggested Audit Procedures

- a. Verify that the institution has designated an individual to coordinate the information security program.
- b. Verify that the institution has performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b), which are (1) Employee training and management; (2) Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and (3) Detecting, preventing and responding to attacks, intrusions, or other systems failures.
- c. Verify that the institution has documented a safeguard for each risk identified from step b above.

10. Federal Perkins Loan Liquidation

SFA - Title IV Programs

Compliance Requirements For an institution that decided to stop participating in the Federal Perkins Loan program (Perkins) (CFDA 84.038), the institution is responsible for returning any unspent funds (34 CFR section 668.14(b)(25)). The institution must perform the end-of-participation procedures in which it must (a) notify ED of the intent to stop participating in Perkins (34 CFR section 668.26(b)(1)); (b) inform ED of how the institution will provide for the collection of any outstanding loans made under the program (34 CFR section 668.26(b)(4)); (c) purchase any outstanding loans left in its Perkins portfolios or assign them to ED (34 CFR sections 674.8(d), 674.17(a)(2), and 674.45(d)(2)); and (d) maintain program and fiscal records of all Perkins funds since the most recent Fiscal Operations Report (FISAP) was submitted, and reconcile this information at least monthly (34 CFR section 674.19(d)). The FISAP form is available at https://ifap.ed.gov/ifap/fisap_form.jsp. Additional information can be found in the Federal Perkins Loan Program Assignment and Liquidation Guide, available at <https://ifap.ed.gov/cbpmaterials/attachments/PerkinsAssignmentandLiquidationGuide.pdf>

Audit Objective Determine whether the institution ceasing to participate in the Perkins loan program has properly performed end-of-participation procedures.

Suggested Audit Procedures

- a. Review, evaluate, and document procedures that the institution used to notify ED of its intent to liquidate its Perkins loan portfolios.
- b. If the institution has completed the liquidation of its Perkins loan portfolio, ascertain that the institution has either purchased or assigned to ED any Perkins loans with outstanding balances.
- c. If the process of liquidating outstanding loans has not been completed, verify that the institution has informed ED of how the institution will provide for the collection of the outstanding loans made under the program.
- d. Ascertain that the institution, as part of its procedures for maintaining program and fiscal records for all transactions that occurred after the most recent FISAP was filed, reconciled the following information:
 - (1) All loans for the total number of borrowers that make up the portfolio have been accounted for, including retired loans (including loans purchased) and loans assigned to ED (including validation of the computed accumulated interest charged on the loans);
 - (2) Service cancellation data that will be counted in Part III, *Fiscal Report* (Section A, lines 7-25 and 35-52), and all of the data that will be in Part III, *Cumulative Repayment Information* (Section C, lines 1.1 – 5.4);

- (3) The Federal Capital Contribution (FCC) that will be reported at the end of fiscal year under *Fund Activity* (Section B, lines 1-4);
 - (4) The Institutional Capital Contribution (ICC) that will be reported at the end of fiscal year under *Fund Activity* (Section B, line 6); and
 - (5) Overall cash-on-hand or excess cash amounts (this overall cash-on-hand amount would include payment to the Perkins fund for any loans the school may have purchased) (Section A, Line 1.1).
- e. If the liquidation process is complete, validate that the distributional shares of the final capital distribution are calculated using the Over-time Calculation provided in page 9 of the Perkins Liquidation Procedures and that the Federal portion is returned to the U. S. Treasury.

IV. OTHER INFORMATION

While the programs included in this cluster are generally similar in their intent, administration and documentation, etc., there are differences among them. Because of space considerations, this cluster supplement does not list all of the differences, exceptions to general rules or nuances pertaining to specific programs. Auditors should use regulations and guidance applicable to the year(s) being audited when auditing the SFA programs.

SFA - Title IV Programs

Pell Payment Data

All Pell Payment Data for an award year must be submitted by September 30 after the award year. Adjustments for Pell grants not claimed by September 30 can be made if the first audit report for the period in which the unclaimed Pell grants were made contains a finding that the institution made proper Pell awards for which it has not received either reimbursement or credit. Dear Colleague Letter (P-97-2) provides instructions to institutions for reporting the Pell adjustments and describes the auditor's responsibilities. (This information is provided to alert auditors that their clients may request them to perform such additional audit work in conjunction with the single audit, in order to claim Pell adjustments. Unless engaged by a client to do this additional work, it is not otherwise required.)

APPENDIX A**STUDENT FINANCIAL ASSISTANCE PROGRAMS****STUDENT ELIGIBILITY COMPLIANCE REQUIREMENTS**

Requirements	PELL	IASG	FWS	FSEOG	TEACH	DIRECT LOAN	HSPL/PCL /LDS	NSL/NFLP	SDS
1. A regular student enrolled or accepted for enrollment in an eligible program (34 CFR 600.2, 668.32(a)(1)(i), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFR 57.206(a) and 57.306(a), 42 USC 293a(d)(2))	x	x	x	x	x	x	x	x	
2. U.S. Citizen, National, or provides evidence from the U.S. Citizenship and Immigration Services that he or she is a permanent resident or in the U.S. with the intention of becoming a citizen or permanent resident. (34 CFR 668.32(d), 668.33(a), 690.75, 675.9, 676.9, 674.9, 685.200, and 20 USC 1070h) and, for HPL/PCL/LDS, an alien lawfully admitted for permanent residence in the U.S. or a citizen of the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Republic of the Marshall Islands, or of the Federated States of Micronesia (42 CFR 57.206(a) and 57.306(a))	x	x	x	x	x	x	x	x	
3. Has financial need and total awards do not exceed need (34 CFR 675.9(c), 676.9(c), 674.9(c), 685.200(a)(2)(i), 20 USC 1070a, 42 CFR 57.206(b) and 57.306(b); 42 USC 293a(d)(2)); 42 USC 297n-1(c)(2))	x		x	x		x ¹	x	x	x
4. Does not owe a refund on a grant awarded under the Federal Pell Grant or FSEOG programs (34 CFRs 668.32(g)(4), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFRs 57.206 and 57.306)	x	x	x	x	x	x			
5. Not in default on any student loans (34 CFRs 668.32(g)(1), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFRs 57.206 and 57.306)	x	x	x	x	x	x	x		
6. Has not obtained loan amounts that exceed annual or aggregate loan limits (34 CFR 668.32(g)(2))	x	x	x	x	x	x	x		
7. Does not have property subject to a judgment lien for a debt owed to the United States (34 CFR 668.32(g)(3))	x	x	x	x	x	x			
8. Must maintain good standing, or satisfactory progress (34 CFRs 668.16, 668.32(f), 668.34, 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFR 57.306; 42 USC 293a(d)(2))	x	x	x	x	x	x	x	x	
9. Has registered under Section 3 of the Military Selective Service Act (34 CFRs 668.32(j), 668.37, 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; 42 CFR, 57.206(a)(1)(iv))	x	x	x	x	x	x			
10. Has a valid Social Security Number (34 CFRs 668.32(i), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h)	x	x	x	x	x	x			

Requirements	PELL	IASG	FWS	FSEOG	TEACH	DIRECT LOAN	HSPL/PCL /LDS	NSL/NFLP	SDS
11. Has a high school diploma, its recognized equivalent, or another indication of high school completion status as documented in 34 CFR 668.32(e) (34 CFR 668.32(e), 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h)	x	x	x	x	x	x			
12. Not been convicted of an offense involving the possession or sale of illegal drugs (34 CFR 668.32(l), 668.40, 20 USC 1070h)	x	x	x	x	x	x			
13. Is not enrolled in either an elementary or secondary school (34 CFR 668.32(b))	x	x	x	x	x	x			
14. In the case of a student who has been convicted of, or has pled nolo contendere or guilty to, a crime involving Title IV funds, has completed the repayment of such assistance (34 CFR 668.32(m))	x	x	x	x	x	x			
15. For an undergraduate student, has not completed coursework for a first baccalaureate (34 CFR 668.32(c))	x	x		x	x				
16. An undergraduate student has received for award year, a SAR or determination of eligibility or ineligibility for a Federal Pell Grant (34 CFR 674.9(d), 685.200(a)(1)(iii), 690.75, 20 USC 1070h)	x	x				x			
17. Is enrolled or accepted for enrollment as an undergraduate student at the institution (34 CFR 676.9(b), 690.75(a)(2))	x			x					
18. Is not incarcerated (34 CFR 668.32(c)(2)(ii) and (c)(3))	x ²					x			
19. If the student is not a regular student enrolled or accepted for enrollment in an eligible program (see item 1 above), the student is enrolled in a course of study necessary for enrollment in an eligible program for not longer than one 12-month period (34 CFR 668.32(a)(1)(ii))						x			
20. If the student is not a regular student enrolled or accepted for enrollment in an eligible program (see item 1 above), the student is enrolled or accepted for enrollment as at least a half-time student at an eligible institution in a program necessary for a professional credential or certification from a State that is required for employment as a teacher in an elementary or secondary school in that State (34 CFR 668.32(a)(1)(iii))			x			x			
21. Is enrolled or accepted for enrollment as an undergraduate, graduate, or professional student at the institution, (34 CFR 674.9(b), 675.9(b), and 685.101(b))			x			x			
22. Is enrolled or accepted for enrollment, on at least a half-time basis in a school that participates in the Direct Loan Program (34 CFR 668.32(a)(2), 685.200(a)(1)(i))						x			

Requirements	PELL	IASG	FWS	FSEOG	TEACH	DIRECT LOAN	HSPL/PCL /LDS	NSL/NFLP	SDS
23. In the case of a first-time borrower, has not met or exceeded the limitations on the receipt of Direct Subsidized Loans described in 34 CFR 685.200(f), including not receiving subsidized loans for more than 150 percent of the published length of the borrower's educational program (34 CFR 685.200(a)(2)(i)(B), 685.200(f))						X			
24. Parents can receive a PLUS loan if the conditions in items 2, 4, 5, 10, and 14 above are met by the parent and student (34 CFR 685.200(c)(2))						X			
25. Students met FSEOG selection criteria (34 CFR 676.10)				X					
26. Has submitted a completed application (34 CFR 686.11(a)(1)(i))					X				
27. Has signed an agreement to serve (34 CFR 686.11(a)(1)(ii) and 668.12)					X				
28. Is enrolled in a TEACH Grant-eligible institution in a TEACH Grant-eligible program (34 CFR 686.11(a)(1)(iii))					X				
29. Is completing coursework and other requirements necessary to begin a career in teaching or plans to complete such coursework and requirements prior to graduating (34 CFR 686.11(a)(1)(iv))					X				
30. For the purposes of a student in a first post-baccalaureate program, has not completed the requirements for a post-baccalaureate program as described in 34 CFR 686.2(d) (34 CFR 668.32(c)(4)(ii))					X				
31. If first year of an undergraduate program, has a final cumulative secondary school GPA upon graduation of at least a 3.25; a cumulative GPA of at least 3.25 based on courses taken at the institution through the most-recently completed payment period; or a score above the 75 th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate admissions test, which may not include a placement test (34 CFR 686.11(a)(1)(v)(A) and (E))					X				
32. If beyond the first year of an undergraduate program, or a graduate program, a cumulative GPA of at least 3.25 based on courses taken at the institution through the most-recently completed payment period; or a score above the 75 th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate, graduate, or post-baccalaureate admissions test, which may not include a placement test (34 CFR 686.11(a)(1)(v)(B) and (E))					X				
33. If the student is a current or former teacher or a retiree, the student is applying for a grant to obtain a master's degree or pursuing certification through a high-quality alternative certification route (34 CFR 686.11(b)(2))					X				

Requirements	PELL	IASG	FWS	FSEOG	TEACH	DIRECT LOAN	HSPL/PCL /LDS	NSL/NFLP	SDS
34. The student is eligible if he or she was less than 24 years old when the covered parent or guardian died, or if 24 years old and over, was enrolled at an institution of higher education at the time of the covered parent or guardian's death (20 USC 1070h)		x							

¹ Does not always apply to unsubsidized loans and parent loans.

² Students incarcerated in Federal and State penal institutions are not eligible for Pell Grants, but those incarcerated in local penal institutions are eligible.

OTHER CLUSTERS**Programs included in this Supplement deemed to be other clusters**

Agency	CFDA No.	Name of Other Cluster/Program
		Foreign Food Aid Donation Cluster
USDA	None None	Food for Progress Program Section 416(b) Program
		SNAP Cluster
USDA	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
		Child Nutrition Cluster
USDA	10.553 10.555 10.556 10.559	School Breakfast Program (SBP) National School Lunch Program (NSLP) Special Milk Program for Children (SMP) Summer Food Service Program for Children (SFSPC)
		Food Distribution Cluster
USDA	10.565 10.568 10.569	Commodity Supplemental Food Program Emergency Food Assistance Program (Administrative Costs) Emergency Food Assistance Program (Food Commodities)
		Forest Service Schools and Roads Cluster
USDA	10.665 10.666	Schools and Roads--Grants to States Schools and Roads--Grants to Counties
		Community Facilities Loans and Grants Cluster
USDA	10.766 10.780	Community Facilities Loans and Grants Community Facilities Loans and Grants (Community Programs)
		Economic Development Cluster
DOC	11.300 11.307	Investments for Public Works and Economic Development Facilities Economic Adjustment Assistance

Section 8 Project-Based Cluster

HUD	14.182	Section 8 New Construction and Substantial Rehabilitation
	14.195	Section 8 Housing Assistance Payments Program
	14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation
	14.249	Section 8 Moderate Rehabilitation Single Room Occupancy

CDBG - Entitlement Grants Cluster

HUD	14.218	Community Development Block Grants/Entitlement Grants
	14.225	Community Development Block Grants/Special Purpose Grants/Insular Areas

CDBG - Disaster Recovery Grants -Pub. L. No. 113-2 Cluster

HUD	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)
	14.272	National Disaster Resilience Competition

HOPE VI Cluster

HUD	14.866	Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)
	14.889	Choice Neighborhoods Implementation Grants

Housing Voucher Cluster

HUD	14.871	Section 8 Housing Choice Vouchers
	14.879	Mainstream Vouchers

477 Cluster

DOI	15.025	Services to Indian Children, Elderly and Families
	15.026	Indian Adult Education
	15.113	Indian Social Services – Welfare Assistance
	15.114	Indian Education – Higher Education Grant
	15.130	Indian Education – Assistance to Schools
DOL	17.265	Native American Employment and Training
HHS	93.558	Temporary Assistance for Needy Families
	93.569	Community Services Block Grant
	93.575	Child Care and Development Block Grant
	93.594	Tribal Work Grants – Native Employment Works
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Note: The DOL and HHS programs listed above have separate program supplements in Part 4 of the Supplement. The 477 cluster or the program supplement applies as indicated at the beginning of the 477 cluster.

Fish and Wildlife Cluster

DOI	15.605	Sport Fish Restoration
	15.611	Wildlife Restoration and Basic Hunter Education

Employment Service Cluster

DOL	17.207	Employment Service/Wagner-Peyser Funded Activities
	17.801	Disabled Veterans' Outreach Program (DVOP)
	17.804	Local Veterans' Employment Representative (LVER) Program

WIOA Cluster

DOL	17.258	WIA/WIOA Adult Program
	17.259	WIA/WIOA Youth Activities
	17.278	WIA/WIOA Dislocated Worker Formula Grants

Highway Planning and Construction Cluster

DOT	20.205	Highway Planning and Construction
	20.219	Recreational Trails Program
	20.224	Federal Lands Access Program
	23.003	Appalachian Development Highway System

Federal Transit Cluster

DOT	20.500	Federal Transits—Capital Investment Grants
	20.507	Federal Transit—Formula Grants
	20.525	State of Good Repair Grants Program
	20.526	Bus and Bus Facilities Formula Program

Transit Services Programs Cluster

DOT	20.513	Enhanced Mobility for Seniors and Individuals with Disabilities
	20.516	Job Access and Reverse Commute Program
	20.521	New Freedom Program

Highway Safety Cluster

DOT	20.600	State and Community Highway Safety
	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I
	20.602	Occupant Protection Incentive Grants
	20.609	Safety Belt Performance Grants
	20.610	State Traffic Safety Information System Improvements Grants

20.611	Incentive Grant Program to Prohibit Racial Profiling
20.612	Incentive Grant Program to Increase Motorcyclist Safety
20.613	Child Safety and Child Booster Seat Incentive Grants
20.616	National Priority Safety Programs

Clean Water State Revolving Fund Cluster

EPA	66.458	Capitalization Grants for Clean Water State Revolving Funds
	66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds

Drinking Water State Revolving Fund Cluster

EPA	66.468	Capitalization Grants for Drinking Water State Revolving Funds
	66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds

Special Education Cluster (IDEA)

ED	84.027	Special Education--Grants to States (IDEA, Part B)
	84.173	Special Education--Preschool Grants (IDEA Preschool)

TRIO Cluster

ED	84.042	TRIO--Student Support Services
	84.044	TRIO--Talent Search
	84.047	TRIO--Upward Bound
	84.066	TRIO--Educational Opportunity Centers
	84.217	TRIO--McNair Post-Baccalaureate Achievement

Aging Cluster

HHS	93.044	Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers
	93.045	Special Programs for the Aging--Title III, Part C--Nutrition Services
	93.053	Nutrition Services Incentive Program

Hurricane Sandy Relief Cluster

HHS	93.095	HHS Programs for Disaster Relief Appropriations Act--Non-Construction
	93.096	HHS Programs for Disaster Relief Appropriations Act--Construction

Health Center Program Cluster

HHS	93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
	93.527	Grants for New and Expanded Services under the Health Center Program

TANF Cluster

HHS	93.558	Temporary Assistance for Needy Families (TANF) State Programs
	93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs

CCDF Cluster

HHS	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Medicaid Cluster

HHS	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program

Foster Grandparent/Senior Companion Cluster

CNS	94.011	Foster Grandparent Program
	94.016	Senior Companion Program

Disability Insurance/SSI Cluster

SSA	96.001	Social Security--Disability Insurance (DI)
	96.006	Supplemental Security Income (SSI)

Foreign Food Aid Donation Cluster

USAID	98.007	Food for Peace Development Assistance Program
	98.008	Food for Peace Emergency Program