U.S. DEPARTMENT OF EDUCATION

Finding Number  FA 07-
CFDA Number  84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, and 84.376
Program Title  Student Financial Assistance Cluster (SFA)

- Federal Supplemental Educational Opportunity Grants (FSEOG)
- Federal Family Education Loans (FFEL)
- Federal Work-Study (FWS)
- Federal Perkins Loans (FPL)
- Federal Pell Grant Program (PELL)
- Federal Direct Student Loans (FDSL)
- National Science and Mathematics Access to Retain Talent Grant (SMART)

State Educational Entity  Florida Agricultural and Mechanical University (FAMU)
Finding Type  Material Noncompliance and Significant Deficiencies
Prior Year Findings  Report No. 2007-146, Finding Nos. FA 06-083, FA 06-084, FA 06-085, FA 06-086, FA 06-089, FA 06-094, FA 06-095, FA 06-096, FA 06-097, FA 06-098, FA 06-099, and FA 06-100
Finding  The institution was not always able to ensure compliance with Title IV Higher Education Act (HEA) Federal program requirements.
Criteria  34 CFR 668.16, Standards of Administrative Capability, and various regulations specific to Title IV HEA programs

Federal regulations require that for an institution to continue to participate in any Title IV HEA program, the institution must demonstrate to the Secretary of the U.S. Department of Education (USED) that it is capable of adequately administering that program under various standards established in Title 34, Section 668.16, Code of Federal Regulations. These administrative capability standards include, among other items:

- The institution’s ability to administer Title IV HEA programs in accordance with all statutory provisions;
- The designation of a capable individual to be responsible for administering Title IV HEA programs in which it participates and for coordinating those programs with the institution’s other Federal and non-Federal programs of student financial assistance;
- The use of an adequate number of qualified staff to administer Title IV HEA programs in which the institution participates;
- The administration of Title IV HEA programs with adequate checks and balances in its system of internal controls, including separating the functions of authorizing payments and disbursing or delivering funds; and
- Establishing and maintaining records required by regulations and Title IV HEA programs.

Condition  The institution disbursed approximately $96 million from the Title IV HEA programs listed above during the 2006-07 fiscal year. The institution reported on the 2006-07 Fiscal Operations Report and Application to Participate (FISAP) that of the 13,418 students enrolled, 10,499 (78 percent) were eligible aid applicants.

In our report No. 2007-146, we noted deficiencies in the institution’s administration of Title IV HEA programs as discussed in Finding Nos. FA 06-083, FA 06-084, FA 06-085, FA 06-086, FA 06-089, FA 06-094, FA 06-095, FA 06-096, FA 06-097, FA 06-098, FA 06-099, and FA 06-100. During our current audit, the institution certified that new procedures were not completely implemented by June 30, 2007, and institution
staff were continuing to work toward compliance with administrative requirements for Title IV HEA programs. Since the beginning of the 2007-08 fiscal year the President has hired a new management team that appears to be aggressively implementing new procedures to bring the institution into compliance; however, due to the timing of these changes and the continuing need to hire adequately qualified staff, the prior year findings had not been completely corrected as of June 30, 2007.

Deficiencies noted in the institution’s administration of Title IV HEA programs during the 2005-06 fiscal year that continued during the 2006-07 fiscal year, included (Finding Nos. from Report No. 2007-146 are provided):

- Inadequate procedures to ensure that unclaimed Title IV HEA funds contained in unnegotiated student checks were returned to applicable Federal programs. (FA 06-084)
- The institution’s interest allocation method did not properly allocate interest earned on FPL funds deposited in the bank and investment accounts; and FPL funds were not properly deposited into an interest bearing bank account. (FA 06-085)
- Inadequate monthly reconciliations of the institution’s program accounts to Federal records for drawdowns and disbursements, to bank statements, and to the institution’s accounting records. (FA 06-086)
- Inadequate procedures to ensure that Title IV HEA funds were properly awarded to eligible students. As a result, the institution overawarded and underawarded Title IV HEA funds to its students. (FA 06-089)
- Undocumented notifications of FDSL or FPL student or parent loan borrowers within 30 days before or after crediting a student’s account with FDSL or FPL funds. (FA 06-094)
- Inadequate procedures to ensure accurate calculation and timely return of Title IV HEA funds to applicable Federal programs for students who officially or unofficially withdrew or had not attended. (FA 06-095, 096, 097)
- The institution did not always timely and accurately report FDSL student loan borrowers’ enrollment status changes to the National Student Loan Data System. (FA 06-098)
- Inadequate procedures to ensure that exit counseling materials were provided to FDSL and FPL student loan borrowers after graduation, withdrawal, or ceasing to be enrolled at least half-time. (FA 06-099 and 100)

**Cause**

These deficiencies were primarily attributable to continued problems related to implementation of the institution’s PeopleSoft systems and continued staffing shortages in the Financial Aid Office.

**Effect**

While individually these deficiencies may not be indicative of administrative weakness, collectively they negatively impact the ability for the institution to satisfactorily meet the numerous compliance requirements for administration of Title IV HEA programs. Additionally, as a result of the deficiencies, the institution is liable for returning questioned costs. As of October 2007, the institution had repaid $639,674.30 to USED in response to the USED Letters of Determination (LOD) for Federal audit findings for the 2003-04 and 2004-05 fiscal years. The 2005-06 LOD had not been received as of January 2008.

**Recommendation**

The institution should continue its efforts to review its administration and delivery processes and make appropriate changes to comply with Title IV HEA program requirements. In addition, as new procedures are fully implemented, the institution should review prior fiscal years student financial assistance activity and, return Title IV HEA funds as applicable to Federal programs or lenders. The
institution should also perform random self-checks during the 2007-08 fiscal year to ensure that its revised procedures are working as intended.

Auditor General Contact
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FAMU Response and
Corrective Action Plan

Responses to Deficiencies Noted in the Institution’s Administration of Title IV Programs

The Division of Audit and Compliance completed a compliance review of corrective actions taken by the University to address the deficiencies noted in the Auditor General Report No. 2007-146. The objective of the compliance review was to: a) Verify and validate the implementation of the University’s corrective actions to determine if they resolve the Auditor General’s financial aid audit findings, and b) Determine whether the University’s Student Financial Assistance procedures are effective by conducting tests of transactions for the fall semester 2007 and spring semester 2008. The results are presented below:

Issue: Inadequate procedures to ensure that unclaimed Title IV HEA funds contained in un-negotiated student checks were returned to applicable Federal programs. (FA 06-084)

Response: The University has established procedures for ensuring that unclaimed Title IV HEA funds contained in un-negotiated student checks are returned to applicable Federal programs. Substantial progress has been made in addressing this issue. Completion date: March 2008.

Issue: The institution’s interest allocation method did not properly allocate interest earned on FPL funds deposited in the bank and investment accounts; and FPL funds were not properly deposited into an interest bearing bank account. (FA 06-085)

Response: The University has developed adequate investment Policy and Procedures (P&P) including a method for allocating interest earned on Federal Perkins Loans (FPL) fund deposited in investment accounts. Additionally, excess FPL funds are being deposited in an interest bearing bank account. Completion date: February 2008.

Issue: Inadequate monthly reconciliations of the institution’s program accounts to Federal records for drawdowns and disbursements, to bank statements, and to the institution’s accounting records. (FA 06-086)

Response: Procedures have been implemented to ensure adequate monthly reconciliations of all Title IV HEA program accounts to federal records, bank statements, and the institution’s accounting records. Completion data: February 2008.

Issue: Inadequate procedures to ensure that Title IV HEA funds were properly awarded to eligible students. As a result, the institution overawarded and
underawarded Title IV HEA funds to its students. (FA 06-089)

Response: The University has established adequate policies and procedures to ensure that Title IV HEA funds are properly awarded to eligible students. The new procedures are designed to prevent over-award and under-award of Title IV HEA funds to students. Completion date: March 2008.

Issue: Undocumented notifications of FDSL or FPL student or parent loan borrowers within 30 days before or after crediting a student’s account with FDSL or FPL funds. (FA 06-094)

Response: The Student Financial Aid Office submits notifications of FDSL or FPL student or parent loan borrowers within 30 days before or after crediting a student’s account with FDSL or FPL funds. Further, the notifications are documented. Completion date: February 2008.

Issue: Inadequate procedures to ensure accurate calculation and timely return of Title IV HEA funds to applicable Federal programs for students who officially or unofficially withdrew or had not attended. (FA 06-095,096, 097)

Response: The University has established adequate procedures for ensuring timely return of Title IV HEA funds to applicable Federal programs for students who officially or unofficially withdrew or had not attended. In addition, the PeopleSoft system automatically calculates the amount of financial aid to be returned. Completion date: February 2008.

Issue: The institution did not always timely and accurately report FDSL student loan borrowers’ enrollment status changes to the National Student Loan Data System. (FA 06-098)

Response: Currently, the University reports FDSL student loan borrowers’ enrollment status changes to the National Student Loan Data System promptly and accurately. Completion date: February 2008.

Issue: Inadequate procedures to ensure that exit counseling materials were provided to FDSL and FPL student loan borrowers after graduation, withdrawal, or ceasing to be enrolled at least half-time. (FA 06-099 and 100)

Response: The University has developed and implemented adequate procedures to ensure that exit counseling is performed and exit counseling materials are provided to FDSL and FPL student loan borrowers after graduation, withdrawal, or ceasing to be enrolled at least half-time. Completion date: February 2008.

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Estimated Corrective Action Date
March 2008
The institution was not always able to ensure it was administering the R&D grants in compliance with OMB Circulars A-21 and A-133, and grant award requirements.

**Criteria**

OMB Circular A-21, *Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements With Educational Institutions*, and OMB Circular A-110, Sections .22, Payment, .51, Monitoring and Reporting Program Performance, and .71, Closeout Procedures

**Condition**

The institution disbursed approximately $20 million from R&D grants during the 2006-07 fiscal year. In our report No. 2007-146, we noted that the institution did not always have adequate procedures to administer R&D grants as discussed in Finding Nos. FA 06-112, FA 06-115, FA 06-120, and FA 06-122. During our current audit, the institution certified that new procedures were not completely implemented as of June 30, 2007, and institution staff were continuing to work toward compliance with administrative requirements for R&D grants.

Since the beginning of the 2007-08 fiscal year, the President has hired a new management team that appears to be aggressively implementing new procedures to bring the institution into compliance; however, due to the timing of these changes, and the continuing need to hire adequately qualified staff, the prior year’s findings had not been completely corrected as of June 30, 2007.

Deficiencies noted, in the institution’s administration of R&D grants during the 2005-06 fiscal year that continued during the 2006-07 fiscal year include (Finding Nos. from report No. 2007-146 are provided):

- Lack of documentation demonstrating the allowability of indirect costs charged. (FA 06-112)
- Inadequate procedures to ensure timely remittance of interest earned on Federal grant funds to the U.S. Department of Health and Human Services (USDHHS). (FA 06-115)
- Inadequate procedures to ensure the completeness and accuracy of information reported to Federal agencies in SF-269 and SF-272 reports. (FA 06-120)
- The institution’s accounting and grant records reflected numerous expired Federal grant accounts that the institution had not closed. (FA 06-122)

**Cause**

These deficiencies were primarily attributable to continued problems related to implementation of the institution’s PeopleSoft systems and continued staffing shortages in the areas responsible for administering Federal grants.

**Effect**

While individually these deficiencies may not be indicative of administrative weakness, collectively they appear to negatively impact the ability for the institution to satisfactorily meet the numerous compliance requirements for administration of Federal grants. Additionally, as a result of these deficiencies, the institution is liable for returning questioned costs that USDHHS may assess.
Recommendation

The institution should continue its efforts to implement new procedures to comply with administrative requirements for R&D grants. In addition, as new procedures are implemented, the institution should review prior fiscal years' R&D grant activity and return funds, as applicable, to appropriate Federal agencies. The institution should also continue to work with applicable Federal agencies to resolve prior audit issues.

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FAMU Response and Corrective Action Plan

Issue•Lack of documentation demonstrating the allowability of indirect costs charged
Response•The Division of Research and the Office of Contracts and Grants will adhere to the revised Indirect Cost (F&A) policy. Additionally, the implementation of PeopleSoft 9.0 will provide a mechanism to assist in the monitoring of these charges.

Issue•Inadequate procedures to ensure timely remittance of interest earned on federal grant funds to the U.S. Department of Health and Human Services (USDHHA).
Response•Adequate procedures are being developed to monitor and report interest earned on federal grant funds to USDHHA. The PeopleSoft system will be used to identify the applicable projects and identify any interest earned for immediate submission.

Issue•Inadequate procedures to ensure the completeness and accuracy of information reported to federal agencies in SF-269 and SF-272 reports.
Response•The University plans to utilize the Billing Module in PeopleSoft 9.0 upon its implementation scheduled for 7/1/08. The new process will provide more complete and accurate information to be used for reporting.

Issue•The institution’s accounting and grant records reflected numerous expired federal grant accounts that the institution had not closed.
Response•FAMU is scheduled to close all expired grants by March/April timeframe.

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Estimated Corrective Action Date

April/May 2008

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