Audit of COVID-19 Student Financial Assistance Program

Report No. 20/21-03
November 10, 2020
Date: November 10, 2020

To: Kevin Coughlin Jr., Vice President – Enrollment Services

From: Trevor L. Williams, Chief Audit Executive

Subject: Audit of COVID-19 Student Financial Assistance Program – Report No. 20/21-03

We have completed an audit of the 2019 Novel Coronavirus (“COVID-19”) Student Financial Assistance Program for the period April 1, 2020, through July 31, 2020. The objectives of our audit were to determine whether the University was compliant with the requirements of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the guidance provided by the U.S. Department of Education (USDOE) as it pertained to:

a) the eligibility of students receiving distributions; b) the manner in which distribution amounts were calculated; and c) the manner of how eligible students were selected.

The USDOE granted the University $38,301,957 of which FIU determined it would allocate $19,150,979, fifty (50) percent of the total funds received, to emergency financial aid grants to be distributed to students. The emergency financial aid grants were distributed to 9,549 students from a total of 13,967 applications submitted between April 22 and June 3, 2020, when funds ran out.

Overall, our audit found that the COVID-19 Student Financial Assistance Program has adequate procedures and controls in place to ensure compliance with the CARES Act and the USDOE. However, opportunities for improvement exist in the award calculation and the student selection process. The audit resulted in four recommendations, which management has already addressed.

We want to take this opportunity to express our appreciation to you and your staff for the cooperation and courtesies extended to us during the audit.

Attachment

C: FIU Board of Trustees
Mark B. Rosenberg, University President
Kenneth G. Furton, Provost, Executive Vice President, and Chief Operating Officer
Kenneth A. Jessell, Senior Vice President and Chief Financial Officer
Javier I. Marques, Vice President and Chief of Staff, Office of the President
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OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to the approved annual plan for the 2020-2021 fiscal year, we have completed an audit of the 2019 Novel Coronavirus (“COVID-19”) Student Financial Assistance Program for the period April 1, 2020, through July 31, 2020. The objectives of our audit were to determine whether the University was compliant with the requirements of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the guidance provided by the U.S. Department of Education (USDOE) as it pertained to: a) the eligibility of students receiving distributions; b) the manner in which distribution amounts were calculated; and c) the manner of how eligible students were selected.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, promulgated by The Institute of Internal Auditors. The audit included tests of the accounting and student records and such other auditing procedures, as we considered necessary under the circumstances. Audit fieldwork was conducted from July through August 2020.

During the audit, we:

- Reviewed the CARES Act, guidance communication from the USDOE, the Board of Governors' CARES Act Compliance Guidance, and the University’s CARES Act Funding Awarding Guidelines;
- Tested student’s eligibility to receive CARES emergency financial aid;
- Evaluated the established controls and procedures over the awarding process;
- Tested student’s total CARES emergency financial aid calculations;
- Interviewed responsible personnel;
- Reviewed supporting documentation; and
- Tested selected students.

Sample sizes selected for testing were determined on a judgmental basis applying a non-statistical sampling methodology.

As part of our audit, we reviewed internal audit reports issued during the last three years to determine whether there were any prior recommendations related to the scope and objectives of this audit. There were no prior recommendations related to COVID-19 Student Financial Assistance Program.
BACKGROUND

The COVID-19 Student Financial Assistance Program originated after The United States Congress (“Congress”) passed The Coronavirus Aid, Relief, and Economic Security (CARES) Act (“H.R. 748”) and the U.S. President signed into law on March 27, 2020. Section 18004(a)(1) of the CARES Act awarded approximately $14 billion in assistance to higher education institutions through the Higher Education Emergency Relief Fund (HEERF). Congress appointed the U.S. Secretary of Education to distribute the emergency funds to the higher education institutions. The amount each institution received depended on its relative share of full-time enrolled students who were not exclusively enrolled in distance education courses.

According to the CARES Act, institutions of higher education shall use no less than fifty (50) percent of the aid received through HEERF to provide emergency financial aid grants to students that showed expenses related to the disruption of campus operations due to the COVID-19 crisis.

Eligible expenses allowed by the CARES Act include:

- Food
- Housing
- Course Materials
- Technology
- Health Care
- Child Care

The USDOE granted the University $38,301,957 of which FIU determined it would allocate $19,150,979, fifty (50) percent of the total funds received, to emergency financial aid grants to be distributed to students. The task of applying, managing, and distributing the funds was handled by the Office of Financial Aid and the Office of Scholarships. The Office of Financial Aid initiated the emergency financial aid request to be drawn from the USDOE’s Grants Management System (“G5”) and provided technical and regulatory expertise. The Office of Scholarships oversaw the application, selection, and awarding process.

The University created a Task Force consisting of 14 members from different departments to establish eligibility requirements and determine the methodology for awarding the funds to students. Students were required to complete an Emergency Aid application through the University’s Website. The Office of Scholarships verified the data from the application and performed an eligibility check. After eligibility was established, the Office of Scholarships calculated the award amount and followed a priority hierarchy to distribute
the funds. The emergency financial aid grants were distributed to 9,549 students from a total of 13,967 applications submitted between April 22 and June 3, 2020, when funds ran out. Subsequently, an additional 2,362 applications were received through July 27, 2020.

**Compliance with CARES Act and the U.S. Department of Education**

The U.S. Department of Education required the University to sign and submit a Certificate of Funding and Agreement prior to receiving the funds. This agreement established the terms and conditions for the funding. Specifically:

- No less than fifty (50) percent of the funds are to provide emergency financial aid to students.
- Grants are to be used to cover expenses directly associated with the disruption of campus operations due to coronavirus, such as food, housing, course materials, technology, health care, and child care.
- Submit reports 30 days and 45 days after the date of the Certification.

**Eligibility**

For students to receive the emergency financial aid grants, they had to meet several eligibility requirements from the CARES Act, the USDOE, and the University.

The CARES Act specified that only those students who had expenses related to the disruption of campus operations due to the coronavirus were eligible to receive the aid. The University’s Emergency Aid application required students to determine if their expenses were due to the coronavirus. Once this determination was made, students moved to the next set of eligibility requirements established by the USDOE and FIU.

The USDOE recommended that only students that are or could be eligible to participate in programs under Section 484 in Title IV of the Higher Education Act of 1965, as amended (“HEA”), may receive emergency financial aid grants. In order to qualify under Section 484 of the HEA, the student must meet the following criteria:

- Be a U.S. citizen or eligible noncitizen
- Have a valid Social Security number
- Be registered with Selective Service (if student is male)
- Have a high school diploma or GED
- Maintain Satisfactory Academic Progress (SAP)
The previous requirements are part of the FAFSA (Free Application for Federal Student Aid) application process. Therefore, if the student is approved for FAFSA, then the student is deemed to meet the requirements under Section 484 of the HEA. During the student eligibility validation process, University staff checked for completed FAFSA applications in the system to confirm student eligibility under Title IV. Additionally, the USDOE suggested that the emergency financial aid grants exclude students who were registered in fully-online programs before the CARES Act was signed.

The University required students to apply for the emergency financial aid grants through the University’s Website. The application asked the students to do the following:

- To select from a drop-down menu if they were international students or not
- To mark if the expenses being claimed were COVID-19 related
- To categorize and provide the amount of expenses claimed
- To attest that the information provided was accurate and truthful

The University then checked for enrollment in the 2020 spring and/or 2020 summer terms. Additionally, they checked for enrollment in fully-online programs.

**Calculation and Distribution of Emergency Financial Aid**

Congress and the USDOE provided universities with the discretion on how to award the emergency assistance to students. FIU developed the following need-type priority hierarchy:

1. Food
2. Housing
3. Educational Technology
4. Health Care
5. Child Care
6. Other (books, transportation, etc.)
The recommendation from the USDOE was to use the Cost of Attendance (COA) as a way to calculate the emergency financial aid per student. The cost of attendance for a student is an estimate of that student’s educational expenses for the period of enrollment. The University created the chart below in order to establish an award cap amount for each need-type on a monthly basis.

<table>
<thead>
<tr>
<th>Table 1 – Cap Amount by Need Category (based on COA Monthly Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Month Living Expenses</td>
</tr>
<tr>
<td>Room (Housing)</td>
</tr>
<tr>
<td>Board (Food)</td>
</tr>
<tr>
<td>Transportation</td>
</tr>
<tr>
<td>Personal (utilities / medical / Internet)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: FIU’s CARES Act Funding Awarding Guidelines

Students enrolled during the spring term were able to receive up to two (2) months of each individual need category and those enrolled during the summer term were able to receive up to three (3) months of each individual need category, with no student being able to receive more than three (3) months total. According to the chart, the maximum amount an undergraduate student could receive for three months was $3,048, while the maximum amount for a graduate student was $4,197. Both amounts are under the maximum annual Federal Pell Grant Program aid of $6,195, as suggested by the USDOE’s guidance.

**Student Selection**

After student eligibility for CARES emergency financial aid was established, the University followed the student priority hierarchy below to award the emergency aid grants. Once the funds started to run low the University decided to award aid mainly to Pell-eligible students.

i. Pell-eligible undergraduate students
ii. Undergraduate students within two (2) terms of graduation
iii. Retention/persistence
iv. Graduate students

According to the Office of Scholarships, the list of applicants was verified daily, and the students were categorized between eligible, ineligible, and those pending documents. Students who were identified to be “at risk” with health and safety concerns, were prioritized for award, regardless of their place on the priority hierarchy, as long as they met the requirements for CARES and submitted an application for funding.
OBSERVATIONS AND RECOMMENDATIONS

Our overall assessment of internal control is presented in the table below. In summary, we noted that the University established an emergency aid awarding process consistent with the guidelines. However, opportunities for improvement exist as it relates to the calculation of awards, the reviewing of eligibility requirements, and the systematic selection of eligible students. Our observations and recommendations pertaining to these identified areas are detailed on the following pages of this report. We have also included management’s response to our observations and recommendations, along with their implementation dates.

**Table:**

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>SATISFACTORY</th>
<th>OPPORTUNITIES TO IMPROVE</th>
<th>INADEQUATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Controls</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy &amp; Procedures Compliance</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Risk</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Risk</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**INTERNAL CONTROLS LEGEND**

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>SATISFACTORY</th>
<th>OPPORTUNITIES TO IMPROVE</th>
<th>INADEQUATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Controls</td>
<td>Effective</td>
<td>Opportunities exist to improve effectiveness</td>
<td>Do not exist or are not reliable</td>
</tr>
<tr>
<td>Policy &amp; Procedures Compliance</td>
<td>Non-compliance issues are minor</td>
<td>Non-compliance issues may be systematic</td>
<td>Non-compliance issues are pervasive, significant, or have severe consequences</td>
</tr>
<tr>
<td>Effect</td>
<td>Not likely to impact operations or program outcomes</td>
<td>Impact on outcomes contained</td>
<td>Negative impact on outcomes</td>
</tr>
<tr>
<td>Information Risk</td>
<td>Information systems are reliable</td>
<td>Data systems are mostly accurate but need to be improved</td>
<td>Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions</td>
</tr>
<tr>
<td>External Risk</td>
<td>None or low</td>
<td>Potential for damage</td>
<td>Severe risk of damage</td>
</tr>
</tbody>
</table>
Compliance with CARES Act and the U.S. Department of Education

The University signed and submitted a Certificate of Funding and Agreement before receiving the funds. Following the rules established by Congress, 50 percent of the funds ($19,150,979) were distributed to students that claimed expenses directly associated with the disruption of campus operations due to the coronavirus. Records show that the University filed the required 30-day and 45-day reports with the USDOE. The University fully complied with the requirements and guidance established by Congress and the USDOE.

Student Eligibility

We randomly selected a sample of 30 students to test for eligibility against the data in PantherSoft. The testing included the following eligibility requirements:

- Students were enrolled in the University during the 2020 spring and/or 2020 summer terms.
- Students were attending in-person classes and not enrolled in fully online programs.
- Students were citizens or permanent residents.
- Students were degree seeking.
- Students had satisfactory academic progress.

We also tested for the following:

- Ensured there was no conflict of interest between a student on an employee-dependent waiver and an employee involved in the awarding process;
- Confirmed that expenses awarded to the student matched those included in the application; and
- Confirmed the student filed a FAFSA application.

There were no exceptions found in the 30 students sampled. Three (3) of the 30 students tested were found to be taking fully-online classes during the terms attended. However, these students were allowed to receive CARES emergency financial aid based on the University’s interpretation of the guidance from the USDOE to only disallow students enrolled in fully-online programs, as opposed to fully-online classes. This guidance was
found on the FAQs posted by the USDOE. Notwithstanding, the CARES Act states that students in distance learning courses are not allowed to receive the aid as they do not have expenses related to the disruption of campus operations due to the coronavirus. Upon questioning the Office of Scholarships, they informed us that, “a student who enrolls in all online classes for one term may be using the library and other campus services, as well as living on campus—so yes, the disruption of campus operations may have caused expenses if they could not access computer labs or were relying on FIU for WIFI. Students who enroll in a fully online program are not allowed to take in-person courses, are often out of state, or located all over Florida, and are not in the dorms. They don’t have the same expectation for utilization of campus services.”

Furthermore, they informed us that FIU’s Financial Aid Director meets frequently with the financial aid directors from other State University System institutions and confirmed that USF, UF, FAU, UCF, FPU, and UWF only excluded students in fully-online programs. We were able to confirm that USF’s Financial Aid Director also disallowed funding for students in fully-online programs and used the same interpretation as FIU. Additionally, we confirmed with the Audit Manager from UCF that the university took the position that “students in fully online programs are not eligible to apply for aid; however, students taking online courses [but not within an online program] are eligible.” Thus, we concluded that the University’s exclusion of students enrolled exclusively in fully-online programs and the inclusion of those enrolled in fully-online classes (but not within an online program) to receive CARES emergency financial aid was consistent with the strict language of the available USDOE guidance.
We reviewed and analyzed the overall population of the Master File consisting of 9,549 students who received CARES emergency financial aid for student eligibility. Using the data available we identified students with potential calculation, eligibility, and other issues, as follows:

1) **Calculation Errors**

We found that 29 students had aid amounts that exceeded the total individual need-types allowable, although none exceeded the Federal Pell Grant maximum. These errors resulted in $22,609 of overstated awards, ranging from $91 to $2,500, distributed to students who applied between April 22 and May 25, 2020. The overstated amounts were found in students with hard-coded totals entered into the Master File and used to calculate and distribute the aid. Management hard coded the amounts in the file to match the disbursements, as otherwise using a formula would have created discrepancies between the file and the actual disbursement amounts.

Upon notifying the Office of Scholarships, they indicated that the students represented cases where CARES aid was awarded and disbursed with incorrect amounts during the mass awarding process. When questioned regarding the cause of the incorrect amounts, management stated that the two possible causes for the posting error was that either the amounts had copied over incorrectly or the award doubled for some students during the mass posting process. Management discovered the issue early on and said they started to double-check postings. Further, they stated that since the awards had already been disbursed, they decided not to reduce the student’s awards and cause a balance due to be reflected on their accounts due to the error.

Inadequate controls surrounding the CARES emergency financial aid calculation process may result in over awards, thus preventing other needy students from receiving emergency aid.

**Recommendation**

<table>
<thead>
<tr>
<th>The Office of Scholarships should:</th>
</tr>
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<tbody>
<tr>
<td>1.1 Develop operating procedures to ensure that future award data are double-checked, and totals validated, especially when transferring data between files, prior to disbursing funds.</td>
</tr>
</tbody>
</table>
Management Response/Action Plan

1.1 We will update our procedures to include a testing step where we load the external award in stage then run a query to consolidate awards and check for overawards.

Implementation date: November 10, 2020

Complexity rating: 3 - Complex
2) Financial Aid Over-Award

Pursuant to the Office of Scholarships' guidelines, financial aid of three (3) months was paid to students who were eligible for both the spring and summer terms. We found one (1) student who, although being ineligible for the summer term, was paid three (3) months of the monthly maximum graduate need amount of $1,399, totaling $4,197. When the student applied on May 15, 2020, the student was determined ineligible under the SAP requirement for the summer term. However, since the student enrolled in both spring and summer terms, the Master File calculated three (3) months of financial aid. On May 29, 2020, management inquired about the student’s eligibility, and the SAP Coordinator confirmed that the student was SAP ineligible for the summer term. This would have made the student ineligible for the third month of financial aid. On June 8, 2020, the Office of Scholarship disbursed three (3) months of financial aid to the student, resulting in an over-award of $1,399.

Although the U.S. Department of Education requires students to be Title IV eligible for CARES emergency financial aid, which includes SAP eligibility, the facts indicate that management was aware the student was SAP ineligible at the time they disbursed the funds. However, we are unable to determine with any degree of certainty, whether the error which caused the over-award was the result of not correcting the Master File prior to disbursing the funds or whether management disregarded the student’s ineligibility for the summer term.

Inadequate controls over the disbursement of funds may result in financial aid over-awards and/or violation of the Title IV requirements established by the USDOE.

Recommendation

<table>
<thead>
<tr>
<th>The Office of Scholarships should:</th>
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<tbody>
<tr>
<td>2.1 Develop operating procedures to ensure that a thorough review of eligibility qualifications is conducted prior to disbursing awards.</td>
</tr>
</tbody>
</table>

Management Response/Action Plan

2.1 We will update our procedures to include an eligibility step prior to award testing, to run an additional check on eligibility.

**Implementation date:** November 10, 2020

**Complexity rating:** 3 - Complex
3) **Unsystematic Student Selection**

After filtering and analyzing the Master File of all 16,329 applicants, we found a total of 1,457 students who did not receive CARES emergency financial aid, even though they applied prior to June 3, 2020. This is the last date a student application was approved for emergency aid. We asked management to provide an explanation of why a sample of 50 students did not receive CARES emergency financial aid although they applied prior to the funds being exhausted.

According to management, 14 out of the 50 students (28%) sampled were eligible to receive funds; however, they may not have received an award for the following reasons:

- Nine (9) students appear eligible but may not have been selected because funds were beginning to become limited at the time. However, our review found that the application date for these nine students ranged from May 7 through June 2, and the last application for which a student received CARES emergency financial aid was dated June 3. There were 59 applications during the first three (3) days of June that were awarded $129,067 in emergency financial aid.
- Two (2) students may have been the result of undetected report pulling errors as they were missing from the file.
- One (1) student was found in the Master File’s Dean of Students (DOS) tab and may have been deleted from the appropriate tab during one of the cleanup processes. Student was moved from the correct tab and placed under the DOS tab in the Master File.
- One (1) student may have been disqualified because the student’s non-degree program was reviewed when the application was first received as opposed to reviewing their degree-seeking program.
- One (1) grad student graduated from undergrad in spring 2020 and there was a FAFSA correction on April 22, 2020. It is possible that the undergrad program was originally reviewed.

Notwithstanding the foregoing explanations, the Office of Scholarships asserted it was unable to determine the exact cause for why these eligible students did not receive an award, and could only attribute this to process failure due to file manipulation and human error, which they acknowledged was a known risk to their process.

Inadequate controls surrounding the student selection may result in an unintended but unfair and biased process, thus, preventing needy students who filed timely applications from receiving emergency financial aid.
Recommendations

The Office of Scholarships should:

<table>
<thead>
<tr>
<th></th>
<th>Ensure its operating practices include a systematic process of awarding aid to eligible applicants in the chronological order of complete application filings.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
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<td></td>
<td>Ensure that a full review of eligibility qualifications is conducted prior to disqualifying an application.</td>
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<tr>
<td>3.2</td>
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</tbody>
</table>

Management Response/Action Plan

3.1 Emergency aid can be awarded strategically, but cannot always be systematic. We will update our awarding protocol to accurately describe the many pathways to awarding a student. Order of completion will not necessarily be the deciding factor.

**Implementation date:** November 10, 2020

**Complexity rating:** 2 - Moderate

3.2 We will update our procedures to include an eligibility step prior to award testing, to run an additional check on eligibility.

**Implementation date:** November 10, 2020

**Complexity rating:** 2 - Moderate
### APPENDIX I – Recommendation Rating Legend:

<table>
<thead>
<tr>
<th>Legend: Complexity of Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
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<tr>
<td><strong>2</strong></td>
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<tr>
<td><strong>3</strong></td>
</tr>
<tr>
<td><strong>4</strong></td>
</tr>
</tbody>
</table>
### APPENDIX II – OIA Contact and Staff Acknowledgment:

**OIA contact:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joan Lieuw</td>
<td>305-348-2107</td>
<td><a href="mailto:jlieuw@fiu.edu">jlieuw@fiu.edu</a></td>
</tr>
</tbody>
</table>

**Contributors to the reports:**

In addition to the contact named above, the following staff contributed to this audit in the designated roles:

- Manuel Sanchez (supervisor and reviewer); and
- Dayan Borges (auditor)
Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.