

MARSHALL UNIVERSITY
HUNTINGTON, WEST VIRGINIA

REPORT OF AUDIT
PELL GRANT PROGRAM
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM
COLLEGE WORK-STUDY PROGRAM
NATIONAL DIRECT STUDENT LOAN PROGRAM
GUARANTEED STUDENT LOAN PROGRAM

U.S. DEPARTMENT OF EDUCATION
ENTITY NUMBER: 1-55-6000-789-A1

FOR THE PERIOD
JULY 1, 1983 - JUNE 30, 1985

LEGISLATIVE AUDITOR'S OFFICE
STATE OF WEST VIRGINIA

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Joint Committee on Government and Finance:

In compliance with provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the Pell Grant, Supplemental Educational Opportunity Grant, College Work-Study, National Direct Student Loan and the Guaranteed Student Loan Programs at Marshall University.

Our examination covers the period July 1, 1983 through June 30, 1985. The results of the examination are set forth on the following pages of this report.

Respectfully submitted,

Theodore L. Shanklin

Theodore L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS/gkc

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Marshall University
Huntington, West Virginia

Report of Audit
Pell Grant Program
Supplemental Educational Opportunity Grant Program
College Work-Study Program
National Direct Student Loan Program
Guaranteed Student Loan Program

U.S. Department of Education
Entity Number:: 1-55-6000-789-A1

For the Period July 1, 1983 - June 30, 1985

Part I - Introduction

Background

Marshall University is an institution of higher education and was last approved on December 8, 1981 by the U.S. Department of Education for participation in the Student Financial Assistance Programs. Our examination of the Pell Grant Program, Supplemental Educational Opportunity Grant Program, College Work-Study Program and National Direct Student Loan Program for the two-year period ended June 30, 1985 and the Guaranteed Student Loan Program for the two-year period ended June 30, 1985 was directed toward the objectives set forth in the U.S. Department of Education's March 1984 Audit Guide for Student Financial Assistance Programs (Guide).

Pell Grant Program (PGP)

The PGP (formerly Basic Educational Opportunity Grant Program) was established under Title IV, Part A-1 of the Higher Education Act of 1965 (P.L. 89-329), as amended. The University began participating in the PGP on July 1, 1973. During the two-year period ended June 30, 1985, awards to students aggregated \$4,795,508.00 while up to 2,376 students annually participated in the program. U.S. Department of Education authorization award letters to the University aggregated \$4,802,790.00 and were in the amounts of \$2,143,987.00 and \$2,658,803.00 for the fiscal years ended June 30, 1984 and 1985, respectively.

Supplemental Educational Opportunity Grant Program (SEOGP)

The SEOGP was established under Title IV, Part A of the Higher Education Act of 1965, as amended. The University began participating in the SEOGP on July 1, 1966. During the two-year period ended June 30, 1985, up to 338 students participated in the program each year and awards to students aggregated \$227,403.00. U.S. Department of Education authorization award letters to the College aggregated \$230,314.00 and were in the amounts of \$113,050.00 and \$117,264.00 for the fiscal years ended June 30, 1984 and 1985, respectively.

College Work-Study Program (CWSP)

The CWSP was established under Title IV, Part C of the Higher Education Act of 1965, as amended. The University began participating in the CWSP on January 25, 1965. During the two-year period ended June 30, 1985, up to 740 students

participated in the program each year and expenditures for wages for the period aggregated \$1,066,430.00. U.S. Department of Education authorization award letters to the University were in the amounts of \$496,171.00 and \$496,171.00 for the fiscal years ended June 30, 1984 and 1985, respectively.

National Direct Student Loan Program (NDSLPL)

The National Direct Student Loan Program was established under the National Defense Education Act of 1958, which was transferred in 1972 to Part E of Title IV of the Higher Education Act of 1965. The University began participating in the NDSLPL on September 5, 1959 and since that date it has made 21,334 loans aggregating \$7,210,460.00. The principal outstanding on loans in default amounts to 6.56% of the matured principal on all loans as of June 30, 1985.

Guaranteed Student Loan Program (GSLP)

The GSLP was established under Title IV, Part B of the Higher Education Act of 1965, as amended. The University began participating in the GSLP on June 28, 1978. During the two-year period ended June 30, 1985, guaranteed loans were received by 6,166 students with 2,507 students and 3,659 students receiving loans in the fiscal years of 1983-84 and 1984-85, respectively.

In addition, the Parent Loans for Undergraduate Students (PLUS) program, which was also authorized under the same criteria, provided loans to 138 students during the two-year period ended June 30, 1985. During the fiscal year 1983-84, loans were made to 58 students while 80 students received loans during the fiscal year 1984-85.

Administration of Programs

The University officials responsible for overall administration of the programs are the Director of Financial Aid and the Vice President for Financial Affairs. The Director of Financial Aid is responsible for application processing and loan approvals, as well as the University's compliance with the various U. S. Department of Education regulations governing the University's participation in Federal and State financial assistance programs. The Vice President for Financial Affairs is responsible for the programs' financial management, general ledger accounting, payments, collections and financial reports.

Scope of Audit

Our audit of the Pell Grant Program, Supplemental Educational Opportunity Grant Program, College Work-Study Program, National Direct Student Loan Program and the Guaranteed Student Loan Program was performed in accordance with the financial and compliance elements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions (1981 Revision) and the Guide. The purpose of the audit was to formulate an opinion of the basic financial statement taken as a whole and to determine if these programs were administered in accordance with the applicable laws, regulations, agreements to participate, and U.S. Department of Education's directives which are set forth in the Guide.

The audit included:

1. Expressing an opinion on the statement of changes in Student Financial Assistance Programs fund balances and supplementary schedules.

2. Evaluation of the institution's policies, procedures and practices used to administer the programs.
3. Determination of compliance with applicable sections of the acts, related Federal regulations and U.S. Department of Education policies and procedures.
4. Evaluation of the institution's system of internal control, accounting and reporting, and the controls maintained in the operation of and accounting for the funds provided for the programs.
5. Reconciliation of the information reported on the appropriate financial statements with ED Form 646-1 and ED Form 255-4 for the years audited.

As part of our audit, we obtained confirmation from selected students of their NDSL P loan balances as of June 30, 1985.

Part II - Highlights of Audit Results

During our audit, nothing came to our attention which caused us to believe that Marshall University had not generally administered its Student Financial Assistance Programs (PGP, SEOGP, CWSP, NDSL P, and GSLP) in accordance with the U.S. Department of Education's Federal regulations and directives cited in the Guide for PGP, SEOGP, CWSP, NDSL P and GSLP. However, certain areas of the University's management of the Student Financial Assistance Programs were in need of attention. More specifically, for the NDSL Program; (1) the NDSL receivables as of June 30, 1985 per the detail of the individual student loan balances does not agree with the receivable per the FISAP, (2) the University did not document their compliance with Federal Criteria in determining and collecting the amount of any overpayment made to students, (3) a promissory note was missing, and (4) promissory notes were not signed or dated by students. We noted for the CWS Program; (1) the University did not provide all of the required 20% matching for the Job Location and Development Program for the year ended June 30, 1985, and (2) the University took excessive administrative cost from the program for the year ended June 30, 1983. We also noted for the Pell Program that Pell accounting records and the final student payment summaries provided by the U.S. Department of Education were not in agreement for the 1983-84 and 1984-85 program years. The matters are discussed more fully under the "Findings and Recommendations" section of this report. (See pages 14-18.)

Part III - Auditors' Report on Statement of Changes in Student Financial Assistance Programs Fund Balances

The Joint Committee on Government and Finance:

We have examined the accompanying statement of changes in the Student Financial Assistance Programs fund balances of Marshall University for the two-year period ended June 30, 1985. Our examination was made in accordance with Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U.S. Comptroller General (GAO) in June 1972 and revised February 1981 and the U.S. Department of Education's March 1984 Audit Guide for Student Financial Assistance Programs and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying statement was prepared for the purpose of complying with the audit requirement relating to the Student Financial Assistance Programs of the U.S. Department of Education and is limited to the activities related to these programs.

As described in Note One and in accordance with prescribed practices of the Program, the University has not accrued interest on student loans receivable nor provided an allowance for doubtful loans receivable. Interest on loans is recorded when received. Uncollectible loans are recognized when cancelled or written-off in conformity with the National Direct Student Loan Program requirements. These practices do not conform with generally accepted accounting principles.

In our opinion, except for the effects of not accruing earned interest on student loans receivable and of not providing an allowance for doubtful loans receivable, the statement referred to above presents fairly the changes in Student Financial Assistance Programs fund balances of Marshall University for the two-year period ended June 30, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the accompanying statement of changes in Student Financial Assistance Programs fund balances taken as a whole. The information included in the supplementary schedule of disbursements and expenditures for each Student Financial Assistance Program for the two-year period ended June 30, 1985 is presented for purposes of additional analysis and is not a required part of the accompanying statement of changes in Student Financial Assistance Programs fund balances. The information has been subjected

to the auditing procedures applied in the examination of the accompanying statement of changes in Student Financial Assistance Programs fund balances of Marshall University and, in our opinion, is fairly stated in all material respects in relation to the accompanying statement taken as a whole.

Respectfully submitted,


Theodford L. Shanklin, CPA, Director
Legislative Postaudit Division

March 17, 1989

Auditors: Raymond V. Shingler, CPA, Supervisor
Donald T. Moore, Auditor-in-Charge

MARSHALL UNIVERSITY
STATEMENT OF CHANGES IN STUDENT FINANCIAL ASSISTANCE
PROGRAMS FUND BALANCES
FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 1985

	<u>Grants and College Work-Study</u>		
	<u>Pell</u>	<u>SEOG</u>	<u>CWS</u>
Additions:			
Federal Awards	\$4,802,790.00	\$ 230,314.00	\$ 992,342.00
Other	-0-	-0-	-0-
Other Administrative Cost Allowance Received	22,800.00	-0-	-0-
Total Additions	4,825,590.00	230,314.00	992,342.00
Deductions:			
Grants	4,789,971.53	227,403.10	-0-
Wages	-0-	-0-	1,066,430.10
Job Location and Development Cost	-0-	-0-	11,121.02
FICA Matching			24.98
Other Benefits			5,710.68
Administrative Expenses	22,800.00	2,910.70	104,453.02
Loan Cancellations	-0-	-0-	-0-
Collection Costs	-0-	-0-	-0-
Defaulted Loan Principal and Interest Assigned to and Accepted by the U.S. Dept of Ed.	-0-	-0-	-0-
Other Costs or Losses	-0-	-0-	-0-
Total Deductions	4,812,771.53	230,313.80	1,187,739.80
Other Changes:			
Institutional Matching Funds	-0-	-0-	222,592.32
Interest	-0-	-0-	-0-
Reimbursement on Loans Cancelled	-0-	-0-	-0-
Transfer Among Programs	-0-	6,000.00	(6,000.00)
Carry Forwards/Carry Backs	-0-	-0-	(12,850.00)
			(11,879.00)
Funds Used In excess or (Less than) Authorized	(9,277.85)	(6,000.00)	27,496.03
Total Other Changes	(9,277.85)	-0-	219,359.35
Net Increase in Fund Balance	3,540.62	0.20	23,961.55
Beginning Fund Balance, July 1, 1983	7,122.57	200.00	(68,727.16)
Ending Fund Balance, June 30, 1985	\$ 10,663.19	\$ 200.20	(\$ 44,765.61)

See Notes to Financial Statement

<u>Student Loans</u>		
	<u>NDSL</u>	<u>Total</u>
\$	256,374.00	\$6,281,820.00
	27,894.28	27,894.28
	<u>-0-</u>	<u>22,800.00</u>
	284,268.28	6,332,514.28
	-0-	5,017,374.63
	-0-	1,066,430.10
	-0-	11,121.02
	-0-	24.98
	-0-	5,710.68
	-0-	130,163.72
	81,527.11	81,527.11
	19,454.43	19,454.43
	13,273.56	13,273.56
	<u>0.74</u>	<u>0.74</u>
	114,255.84	6,345,080.97
	28,487.00	251,079.32
	63,165.33	63,165.33
	91,344.00	91,344.00
	-0-	-0-
	-0-	(12,850.00)
	-0-	(11,879.00)
	<u>-0-</u>	<u>12,218.18</u>
	<u>182,996.33</u>	<u>393,077.83</u>
	353,008.77	380,511.14
	<u>2,773,669.28</u>	<u>2,712,264.69</u>
	<u>\$3,126,678.05</u>	<u>\$3,092,775.83</u>

Notes to Statement of Changes in Student Financial
Assistance Programs Fund Balances

(1) Basis of Presentation

The accompanying statement of changes in Student Financial Assistance Programs fund balances has been prepared in accordance with accounting practices prescribed for such programs by the U.S. Department of Education's fiscal control and fund accounting procedures and the format as set forth in the publication Audit Guide for Student Financial Assistance Programs. The purpose of the statement is to present, in summary form, student financial assistance activities of Marshall University for the two-year period ended June 30, 1985, which have been financed by the U.S. Department of Education. Except as described in the following paragraph, these accounting practices are in agreement with generally accepted accounting principles.

The National Direct Student Loan Program does not provide for accrual of interest on student loans receivable nor for a provision of allowance for doubtful loans. Interest on loans is recorded as received and uncollectible loans are recognized when the loans are cancelled or written-off. These practices are in conformity with the National Direct Student Loan Program requirements. The effects of these variations from generally accepted accounting principles have not been determined.

Because the statement of changes in fund balances presents only a selected portion of the activities of Marshall University, it is not intended to and does not present either the financial position, changes in fund balances or the current funds, revenues, expenditures and other changes in fund balances of the University.

(2) Administrative Expenses

Participating colleges earn an Administrative Cost Allowance to use as an offset to the actual cost of administering the Student Financial Assistance Programs. The U.S. Department of Education pays the allowance earned by the Pell Grant Program directly to the College. The campus-based programs, (i.e. Supplemental Educational Opportunity Grant Program, College Work-Study Program and the National Direct Student Loan Program) provide for the allowance to pay the College from monies in the various programs. The Regulations also allow for the payment of the allowance from each of the programs or from any one of the programs.

The University's earned allowance from the campus-based programs was \$107,363.72 and this amount is reflected in the \$130,163.72 for Administrative Expenses in the Total Column on Exhibit A. The Administrative Expenses shown under the SEOG, CWS and Student Loans columns are the actual amount to be paid from each of the programs.

(3) Other Changes

These changes represent increases or decreases to the various program funds due to transfers among programs, carry forwards and carry backs within the same programs from and to fiscal years outside our audit period, overdraws of Federal authorizations, amounts returned to the U.S. Department of Education, and Federal awards authorized but not requested.

(4) Combined Totals

The combined totals contain the totals of similar accounts of the various programs. The totaling of the accounts is for memorandum only and does not indicate that the combined balances are available for any purpose other than provided by laws, rules and regulations governing the separate programs.

(5) Pell Grant Program Fund Balance, Beginning Year

The ending fund balance at June 30, 1983 was understated by \$135.00. This understatement resulted from the failure to consider voided checks applicable to fiscal year 1982-83 but voided in fiscal year 1983-84.

Fund Balance, Ending Year (June 30, 1983)	\$6,987.57
Voided Checks Applicable to Fiscal Year 1982-83 but Not Voided Until Fiscal Year 1983-84	<u>135.00</u>
Fund Balance, Beginning of Year	<u>\$7,122.57</u>

(6) College Work-Study Program Fund Balance, Beginning Year

The ending fund balance at June 30, 1983 was overstated by \$512.53. This overstatement resulted from the failure to consider a June 30, 1983 payable.

Fund Balance, Ending Year (June 30, 1983)	(\$68,214.63)
Failure to Include Workmans' Compensation Payable at June 30, 1983	<u>(512.53)</u>
Fund Balance, Beginning of Year	<u>(\$68,727.16)</u>

Part IV - Auditors' Report on Internal Accounting Control

The Joint Committee on Government and Finance:

We have examined the statement of changes in fund balances for the Student Financial Assistance Programs of Marshall University for the two-year period ended June 30, 1985, and have issued our report thereon dated March 7, 1989,

As part of our examination, we made a study and evaluation of the system of internal accounting control of Marshall University to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities and Functions (1981 Revision). For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

1. Receipts
2. Disbursements
3. Granting of Loans
4. Payment of Administrative Expenses
5. Collection of Loan Principal and Interest
6. Payment of Litigation Costs
7. Cancellation of Loans
8. Federal and Institutional Capital Contribution
9. Posting of Transactions

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of performing the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Marshall University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Marshall University taken as a whole or on any of the categories of

controls identified in the first paragraph. However, except as described in the "Findings and Recommendations" section of this report our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management and the U.S. Department of Education and should not be used for any other purpose.

Respectfully submitted,


Theodora L. Shanklin, CPA, Director
Legislative Postaudit Division

March 17, 1989

Auditors: Raymond V. Shingler, CPA, Supervisor
Donald T. Moore, Auditor-in-Charge

Part V - Auditors' Report on Compliance

The Joint Committee on Government and Finance:

We have examined the accompanying statement of changes in Student Financial Assistance Programs fund balances of Marshall University for the two-year period ended June 30, 1985 and have issued our report thereon dated March 7, 1989. As part of our examination, we made a study and evaluation of those internal administrative methods and procedures established by Marshall University to administer and account for Student Financial Assistance Programs in accordance with the significant administrative requirements of the U.S. Department of Education's March 1984 Audit Guide for Student Financial Assistance Programs (Guide), Section II and the following compliance requirements:

- I. Cash Management
- II. Financial Reporting
- III. Institutional Eligibility and Participation
- IV. Coordination of Student Aid Programs
- V. Student File Maintenance Fiscal Procedures and Record Keeping
- VI. Student Eligibility
- VII. Institutional Disbursements to Award Recipients
- VIII. Refund Calculation and Overpayment Determination Procedures

We understand that procedures and systems in conformity with the criteria contained in these significant administrative requirements are considered by the U.S. Department of Education to be adequate for its purposes in accordance with the provisions of the Higher Education Act, as amended. Based on this understanding of our study and evaluation, we believe the Institution's procedures and systems were adequate for the U.S. Department of Education's purposes.

In addition, our examination also included tests of controls to ensure compliance with the provisions of certain major program terms and conditions identified in Section II - Compliance Requirements of the Guide. Based upon our examination, we found that for the items tested the institution complied with the material terms and conditions of the student financial assistance award agreements except as described in the "Findings and Recommendations" section of this report.

Further, based on our examination and the procedures referred to above, except as discussed in the preceding paragraph, nothing came to our attention to indicate that Marshall University had not complied with the material terms and conditions identified in the first paragraph above of Marshall University's Student Financial Assistance Programs.

This report is intended solely for the use of Marshall University, the cognizant audit agency and other Federal audit agencies and should not be used for any other purpose.

Respectfully submitted,



Theodora L. Shanklin, CPA, Director
Legislative Postaudit Division

March 17, 1989

Auditors: Raymond V. Shinger, CPA, Supervisor
Donald T. Moore, Auditor-in-Charge

Findings and Recommendations

National Direct Student Loan Program Receivables Not Supported by the Detail

Our reconciliation of the National Direct Student Loan (NDSL) receivables per the detail of the individual student loan balances does not agree with the calculated NDSL receivables per the FISAP as of June 30, 1985. The NDSL receivables per the detail of the individual student loan balances was \$2,840,980.19 while the calculated NDSL receivables per the FISAP was \$2,859,704.53. The detail is less than the FISAP by \$18,724.34.

When this matter was brought to the attention of University officials their response was that individual loan ledger cards were missing or misplaced. In addition they pointed out that currently the difference is much less. According to a reconciliation prepared by the University as of June 30, 1988 the detail exceeded the calculated NDSL receivable per the FISAP by \$1,149.90.

We recommend the University take the necessary steps to locate these differences.

University's Response

As of June 30, 1981, the subsidiary records of the student loans receivable were \$616.01 greater than the general ledger control account. For fiscal year ending June 30, 1988, again the detail subsidiary records exceeded the control receivable by \$1,149.90. For June 30, 1985, the University's records indicate that the detail records exceed the control record by \$840. However, for June 30, 1985, the Auditors would not accept the University's subsidiary summary because it did not contain adequate information regarding each account. In the summer of 1988, an attempt was made to reconstruct the 1985 subsidiary files to satisfy the Auditor's concerns. However, the ledger cards had been intermingled because of the changing status of the various borrowers over a period of three years (1985-1988). Because of this, the records could not be reconstructed with absolute accuracy in a reasonable time period.

Since the June 30, 1981 and June 30, 1988 subsidiary records exceed the ledger control accounts, the University disagrees with the finding and believes the size of the discrepancy results from the impossible task of reconstructing a detailed subsidiary ledger three years later. Marshall acknowledges the need to maintain more complete subsidiary account information and agrees that more information needs to be contained in the subsidiary summary. Therefore, effective with fiscal year 1987-1988, a subsidiary records system was implemented which contains additional information for all subsidiary records. This will greatly enhance the reconciliation process between the subsidiary and the control.

Required Matching Funds Not Provided

The University did not provide all of the required 20% matching for the Job Location and Development Program for the 1984-85 fiscal year. As a result, the Federal CWS funds were over expended by the amount of the matching not provided by the University.

The total cost of the Job Location and Development Program was \$13,901.04 of direct expenditures. The matching portion required to be provided by the

University was \$2,780.21 and this amount was reported on the FISAP. However, a review of the records showed that only \$1,744.19 of matching had been provided. This difference of \$1,036.02 is the amount which should be returned to the CWS account since it represents an over expenditure from Federal CWS funds.

In order to off-set this overclaim of matching expenditures we were provided with a summary sheet showing the dollar amount attached to some in-kind matching. However, a review of this in-kind matching showed it could not be documented. All that was provided for support was the name of the employee whose salary was claimed at 25%. Invoices or other documentation could not be located.

We recommend that the University do the following:

- Reimburse the CWS account \$1,036.02, from University funds for the excess expenditures made.
- Maintain records to adequately support and document any in-kind matching claimed.

University's Response

A correction is in process and procedures have been reviewed to avoid this occurrence in the future.

Excess Administrative Cost Taken

The Legislative Auditor's Audit Report for the period ended June 30, 1983, established \$10,261.79 as the amount of administrative cost payable from the College Work-Study (CWS) Program and \$202.38 as the amount payable from the Supplemental Educational Opportunity Grant (SEOG) Program. However, when the amounts were taken by the University, \$201.90 in excess administrative cost was taken from the CWS Program.

The amount due from the SEOG Program was \$202.38 and this amount was taken. The amount due from the CWS Program was \$10,261.79, however due to administrative oversight \$10,463.69 was taken or an excess of \$201.90. We recommend the University reimburse the CWS Program fund for this \$201.90 excess payment received. On February 2, 1989 the required corrective action was taken.

University's Response

On February 2, 1989 the required corrective action was taken.

Compliance With Federal Criteria Not Documented

The University could not document their compliance with 34 CFR Part 668 of the Student Assistance General Provisions. This criteria requires the University to identify and collect the amount of any overpayment made to students. Due to this lack of documentation, the University may have funds due from other students but there was no evidence to show if the amount of any overpayment was calculated nor an attempt made to collect any amount due.

34 CFR Part 668 Student Assistance General Provisions Section 668.21 (C) (1) states, "Any cash that an institution disbursed to a student for a payment period under any title IV program other than the College Work-Study, Guaranteed

Student Loan or Parent Loans for Undergraduate Students Program becomes an overpayment if before the first day of classes of that payment period the student officially withdraws, drops out, or is expelled."

"An institution shall determine under paragraph (C) (3) of this section, whether any cash it disbursed to a student for a payment period under any title IV program other than the College Work-Study, Guaranteed Student Loan or Parent Loans for Undergraduate Students Program amounts to an overpayment if the student withdraws, drops out, or is expelled on or after the first day of classes of that payment period."

Also, (C) (3) of this section states in part, "In determining whether a student received an overpayment and the amount of that overpayment, the institution shall subtract from the cash disbursed to the student for non-institutional costs, the non-institutional costs that were to be paid by the disbursement for the portion of the payment period during which the student was enrolled. Non-institutional educational costs may include, but are not limited to, room and board (if not contracted for with the institution), books and supplies, transportation and miscellaneous expenses."

We reviewed selected student's files for those students who withdrew or dropped out of school. Our review of these files showed that in some instances the students received overpayments. However, there was no documentation in the files to show the University calculated the amount, billed for or collected the overpayment from the students.

A University official stated that when a student withdraws from college a determination is made, on an individual basis, whether the student received an overpayment. If so, the student is notified of the overpayment and an attempt is made to collect. The official further stated that the basis for the overpayment determination and the following notification and collection attempt was not documented in the student's file. This same official also stated that written procedures have been established but they may be too general. The University official stated they had been lax in documenting their basis for the overpayment determination decision but stated this would be corrected.

Our review disclosed that the University could not document their compliance with the cited Federal criteria which requires the University to determine the amount of any overpayment made to the student and to collect this overpayment as determine. Based on our review we recommend the University adequately document their compliance with Section 668.21 (C) of 34 CFR Part 668 of the Student Assistance General Provisions.

University's Response

The University must take exception with the Auditor's findings and recommendations under "University Not Complying With Federal Criteria Regarding Overpayments Made to Students." As noted, the University's policy on overpayment determination reveals that such a determination is made on an individual case by case review. The necessary reviews were completed even though the suggested documentation of such reviews was not maintained. In the cases reviewed with the Auditor, substantiation for the University's determination regarding overpayment was provided upon request. While the University's practices during this period in the determination of overpayments may have been considered

lenient and the appropriate documentation unavailable, to state that the University did not comply is inaccurate. The University has become more strict in its assessment of overpayments in recent years. It should be noted that documentation of such assessments is now being maintained.

Pell Accounting Records and Final Student Payment Summaries Not in Agreement

The Pell financial accounting records for program years 1983-84 and 1984-85 do not agree with the applicable final student payment summaries provided by the U.S. Department of Education. For each year the accounting records are less than the final student payment summaries.

Our review of the University's accounting records and comparison with the applicable payment summary showed that for 1983-84 the accounting records were less than the payment summary by \$1,085.49. For 1984-85 the accounting records were less than the payment summary by \$3,777.84. In both instances the payment summary was identified as the final by the U.S. Department of Education.

The University's accounting system for the Pell Program consists of general ledger cards maintained on a fiscal year basis. Disbursements of grant payments, voided checks, and refunds for different program years are recorded on the fiscal year ledger card. Such a system could permit errors to occur by not identifying the disbursements, voided checks, and refunds to the appropriate program year. University officials indicated this is probably the reason for the differences. Based on our review we conclude that the University's Pell accounting records and the U.S. Department of Education final student payment summaries are not in agreement. We therefore recommend the University do the following:

- Reconcile the accounting records to the final student payment summaries of 1983-84 and 1984-85.
- Notify the U.S. Department of Education of any differences.
- Maintain subsidiary ledgers for grants by program year.

University's Response

As of July 1, 1988, the institution does maintain separate ledgers for the grant award period, associating the award disbursement and recoveries with the grant year as well as the fiscal year.

Missing Promissory Note

Our review of the students files for the 69 selected students showed that one promissory note for \$250.00 was missing. University officials had no idea the note was missing and said the note should have been in the student's file or on file elsewhere.

34 CFR Part 674 National Direct Student Loan Program Regulations, Subpart B, Section 674.32 (a) (1) states, "to receive a loan a student must sign a promissory note before the institution makes any advance."

We recommend the University take the necessary steps to locate the missing note and if necessary and possible contact the student and arrange to obtain another note. Furthermore, on all future transactions comply with the cited Federal regulations.

University's Response

An attempt to contact the student involved has been made.

Unsigned Promissory Notes

Our review of the files for the 69 selected students showed that in three instances a student had at least one promissory note which had not been signed by the student indicating receipt of the loan, nor dated. University officials stated that at times, specifically at registration, cashiers are very busy and sometimes may fail to have students sign and date their promissory note.

34 CFR National Direct Student Loan Program Regulations, Subpart B, Section 674.32 (a) (1) states, "To receive a loan a student must sign a promissory note before the institution makes any advance." Furthermore, Subpart A, Section 674.16 (f) (4) states, "In either case, the borrower must sign for the funds in the Schedule of Advances part of the note."

Promissory notes are only valid when they are signed by the individual party involved and represent the only binding commitment against that individual. The student then could refuse to repay the loan on the grounds that he/she did not receive the loan. Such an action could result in a financial loss to the University.

We recommend the University take the necessary steps to obtain the student's required signatures and in the future comply with the cited Federal regulations.

University's Response

Attempts have been made to contact two of the three students involved. There is no available address for the third student. This loan has been assigned to the federal government for collection.

Part VI - Auditors' Comments on Audit Resolution Matters
Relating to the Student Financial Assistance Programs

The College has taken corrective action on two of the three findings from the prior audit report of the National Direct Student Loan Program, College Work-Study Program, Supplemental Educational Opportunity Grant Program and the Pell Grant Program (formerly Basic Educational Opportunity Grant Program) for the period July 1, 1981 through June 30, 1983.

Finding No. 1 There is a weakness in internal control in that the person who makes the CWS award also distributes the compensation checks.

Action Taken Effective July 1, 1984 the responsibility for the distribution of the CWS compensation checks was moved from the Financial Aid Office to the Bursar's Office.

Finding No. 2 The time record card in use by the CWS students reflects the time a student worked each day but does not identify the exact hours worked.

Action Taken Effective July 1, 1984 the CWS Student time card was revised to reflect the specific hours a student worked.

The University has not taken the necessary action to correct the following finding:

Finding No. 1 As of June 30, 1981, the subsidiary records of the student loans receivable were \$616.01 greater than the general ledger control accounts.

Action Taken As of June 30, 1985, the subsidiary records of the student loans receivable were \$18,724.34 less than the general ledger control accounts.

SUPPLEMENTAL INFORMATION

MARSHALL UNIVERSITY
 SCHEDULE OF DISBURSEMENTS AND EXPENDITURES
 FOR EACH STUDENT FINANCIAL ASSISTANCE PROGRAM
 FOR THE PERIOD JULY 1, 1983 THROUGH JUNE 30, 1985

<u>Disbursements</u>	<u>Year Ended June 30,</u>		<u>Total</u>
	1984	1985	
National Direct Student Loan Program:			
Funds Advance to Students	\$ 399,598.85	\$ 453,856.08	\$ 853,454.93
Collection Costs	13,511.38	5,943.05	19,454.43
Other Costs or Losses	-0-	0.74	0.74
	<u> </u>	<u> </u>	<u> </u>
Total Disbursements	<u>\$ 413,110.23</u>	<u>\$ 459,799.87</u>	<u>\$ 872,910.10</u>
<u>Expenditures</u>			
Pell Grant Program	\$2,142,901.37	\$2,647,070.16	\$4,789,971.53
Supplemental Educational Opportunity Grant Program	113,050.00	117,263.80	230,313.80
College Work-Study Program	<u>573,856.10</u>	<u>608,148.04</u>	<u>1,182,004.14</u>
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$2,829,807.47</u>	<u>\$3,372,482.00</u>	<u>\$6,202,289.47</u>

MARSHALL UNIVERSITY
STATEMENT OF CHANGES IN STUDENT FINANCIAL
ASSISTANCE PROGRAMS FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1985

Grants and College Work-Study

	<u>Pell</u>	<u>SEOG</u>	<u>CWS</u>
Additions:			
Federal Awards	\$2,658,803.00	\$ 117,264.00	\$ 496,171.00
Other	-0-	-0-	-0-
Other-Administrative Cost Allowance Received	11,830.00	-0-	-0-
Total Additions	2,670,633.00	117,264.00	496,171.00
Deductions:			
Grants	2,647,070.16	117,263.80	-0-
Wages	-0-	-0-	541,396.21
Job Location & Development Costs	-0-	-0-	11,121.02
FICA Matching	-0-	-0-	16.00
Other Benefits	-0-	-0-	1,088.49
Loan Cancellations	-0-	-0-	-0-
Collection Costs	-0-	-0-	-0-
Administrative Expenses	11,830.00	-0-	55,630.81
Defaulted Loan Principal and Interest Assigned to and Accepted by U.S. Dept. of Ed.	-0-	-0-	-0-
Other Costs or Losses	-0-	-0-	-0-
Total Deductions	2,658,900.16	117,263.80	609,252.53
Other Changes:			
Institutional Matching Funds	-0-	-0-	100,048.13
Interest	-0-	-0-	-0-
Reimbursement of Loans Cancelled	-0-	-0-	-0-
Funds Used in Excess of (Less Than) Authorization	(9,774.00)	-0-	(17,949.97)
Carry Forwards/Carry Backs	-0-	-0-	14,467.00
			(11,879.00)
Total Other Changes	(9,774.00)	-0-	84,686.16
Net Increase (Decrease) in Fund Balance	1,958.84	0.20	(28,395.37)
Beginning Fund Balance, July 1, 1984	8,704.35	200.00	(16,370.24)
Ending Fund Balance, June 30, 1985	\$ 10,663.19	\$ 200.20	(\$ 44,765.61)

<u>Student Loans</u> <u>NDSL</u>	<u>Combined</u> <u>Total</u>
\$ 104,374.00	\$3,376,612.00
15,421.51	15,421.51
-0-	11,830.00
119,795.51	3,403,863.51
-0-	2,764,333.96
-0-	541,396.21
-0-	11,121.02
-0-	16.00
-0-	1,088.49
25,878.08	25,878.08
5,943.05	5,943.05
-0-	67,460.81
8,458.31	8,458.31
0.74	0.74
40,280.18	3,425,696.67
11,598.00	111,646.13
30,136.87	30,136.87
91,344.00	91,344.00
-0-	(27,723.97)
-0-	14,467.00
	(11,879.00)
133,078.87	207,991.03
212,594.20	186,157.87
2,914,083.85	2,906,617.96
\$3,126,678.05	\$3,092,775.83

MARSHALL UNIVERSITY
STATEMENT OF CHANGES IN STUDENT FINANCIAL
ASSISTANCE PROGRAMS FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1984

		<u>Grants and College Work-Study</u>		
		<u>Pell</u>	<u>SEOG</u>	<u>CWS</u>
Additions:				
	Federal Awards	\$2,143,987.00	\$ 113,050.00	\$ 496,171.00
	Other	-0-	-0-	-0-
	Other-Administrative Cost Allowance Received	10,970.00	-0-	-0-
	Total Additions	2,154,957.00	113,050.00	496,171.00
Deductions:				
	Grants	2,142,901.37	110,139.30	-0-
	Wages	-0-	-0-	525,033.89
	FICA Matching	-0-	-0-	8.98
	Other Benefits	-0-	-0-	4,622.19
	Loan Cancellations	-0-	-0-	-0-
	Collection Costs	-0-	-0-	-0-
	Administrative Expenses	10,970.00	2,910.70	48,822.21
	Defaulted Loan Principal and Interest Assigned to and Accepted by U.S. Dept. of Ed.	-0-	-0-	-0-
	Total Deductions	2,153,871.37	113,050.00	578,487.27
Other Changes:				
	Institutional Matching Funds	-0-	-0-	122,544.19
	Interest	-0-	-0-	-0-
	Transfer Among Programs	-0-	6,000.00	(6,000.00)
	Funds Used in Excess of (Less Than) Authorization	496.15	(6,000.00)	45,446.00
	Carry Forwards/Carry Backs	-0-	-0-	(14,467.00)
				(12,850.00)
	Total Other Changes	496.15	-0-	134,673.19
	Net Increase in Fund Balance	1,581.78	-0-	52,356.92
	Beginning Fund Balance, July 1, 1984	7,122.57	200.00	(68,727.16)
	Ending Fund Balance, June 30, 1985	\$ 8,704.35	\$ 200.00	(\$ 16,370.24)

<u>Student Loans</u> <u>NDSL</u>	<u>Combined</u> <u>Total</u>
\$ 152,000.00	\$2,905,208.00
12,472.77	12,472.77
-0-	10,970.00
164,472.77	2,928,650.77
-0-	2,253,040.67
-0-	525,033.89
	8.98
-0-	4,622.19
55,649.03	55,649.03
13,511.38	13,511.38
-0-	62,702.91
4,815.25	4,815.25
73,975.66	2,919,384.30
16,899.00	139,433.19
33,028.46	33,028.46
-0-	-0-
-0-	39,942.15
-0-	(14,467.00)
-0-	(12,850.00)
49,917.46	185,086.80
140,414.57	194,353.27
2,773,669.28	2,712,264.69
\$2,914,083.85	\$2,906,617.96

Schedule 3

MARSHALL UNIVERSITY
PELL GRANT PROGRAM
BALANCE SHEET AS OF JUNE 30, 1985

<u>Assets</u>	
Cash on Hand and in Depository	\$ 2,319.66
Accounts Receivable - Redeposits for 82/83	1,557.00
83/84	3,172.21
84/85	6,432.32
Administrative Cost Receivable	<u>120.00</u>
Total Assets	<u>\$13,601.19</u>

<u>Liabilities and Fund Balance</u>	
Liabilities:	
Grants Payable 84/85	\$ 2,818.00
Administrative Cost Payable	120.00
Fund Balance	<u>10,663.19</u>
Total Liabilities and Fund Balance	<u>\$13,601.19</u>

Schedule 4

MARSHALL UNIVERSITY
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM
BALANCE SHEET AS OF JUNE 30, 1985

Assets

Cash on Hand and in Depository	\$ 0.20
Funds Receivable	<u>200.00</u>
Total Assets	<u>\$ 200.20</u>

Liabilities and Fund Balance

Liabilities	\$ -0-
Fund Balance	<u>200.20</u>
Total Fund Balance	<u>\$ 200.20</u>

Schedule 5

MARSHALL UNIVERSITY
COLLEGE WORK-STUDY PROGRAM
BALANCE SHEET AS OF JUNE 30, 1985

Assets

Cash on Hand and in Depository	\$14,645.88
Funds Receivable from University:	
Job Location & Development Program Costs	1,036.06
Overclaim of 1982-83 Administrative Costs	<u>201.90</u>
Total Assets	<u>\$15,883.84</u>

Liabilities and Fund Balance

Liabilities:	
Accrued Wages Payable	\$50,735.17
Administrative Expenses Payable	4,384.30
Job Location and Development Program Costs Payable	5,180.30
Workmans' Compensation Payable	<u>349.68</u>
Total Liabilities	60,649.45
Fund Balance	<u>(44,765.61)</u>
Total Liabilities and Fund Balance	<u>\$15,883.84</u>

MARSHALL UNIVERSITY
 NATIONAL DIRECT STUDENT LOAN PROGRAM
 BALANCE SHEET AS OF JUNE 30, 1985

Assets

Cash on Hand and in Depository	\$ 266,973.52
Student Loans Receivable (See Schedule 8)	<u>2,859,704.53</u>
Total Assets	<u>\$3,126,678.05</u>

Liabilities and Fund Balance

Liabilities	\$ -0-
Fund Balance:	
Capital:	
Federal Contributions:	
Authorized	3,740,443.97
Repaid	<u>-0-</u>
Balance	3,740,443.97
Institutional Contributions:	
Authorized	416,147.50
Repaid	<u>-0-</u>
Balance	416,147.50
Capital Fund Balance	4,156,591.47
Non-Capital Fund Deficits (See Schedule 9)	<u>(1,029,913.42)</u>
Total Fund Balance	<u>3,126,678.05</u>
Total Liabilities and Fund Balance	<u>\$3,126,678.05</u>

Schedule 7

MARSHALL UNIVERSITY
 NATIONAL DIRECT STUDENT LOAN PROGRAM
 ANALYSIS OF STUDENT LOANS RECEIVABLE
 TWO-YEAR PERIOD ENDED JUNE 30, 1985
 AND THE PERIOD SEPTEMBER 1959 THROUGH JUNE 30, 1985

	For the Period September, 1959 through June 30, 1985	Two-Year Period Ended June 30, 1985
Balance, Beginning of Period	\$ -0-	\$2,580,933.82
Funds Advanced to Students	7,210,460.16	853,454.93
Collection Costs Added To Borrowers		
Loan Balance	<u>4,274.83</u>	<u>1,779.49</u>
Total	7,214,734.99	3,436,168.24
Less Credits:		
Collections	3,090,722.07	489,480.18
Cancellations:		
Teaching Service - Prior to July 1, 1972	633,337.93	3,497.35
- July 1, 1972 and After	267,012.94	44,527.96
Military Service	3,687.48	125.00
Death	24,418.17	2,580.60
Disability	2,430.00	-0-
Bankruptcy	81,915.89	24,769.77
Defaulted Loan Principal and Interest Assigned to and Accepted by the U.S. Department of Education	251,444.37	11,682.11
Loan Principal Adjustment-Other	<u>61.61</u>	<u>(199.26)</u>
Total Credits	<u>4,355,030.46</u>	<u>576,463.71</u>
Balance, June 30, 1985	2,859,704.53	<u><u>\$2,859,704.53</u></u>
Total of Individual Loan Balances	<u>2,840,980.19</u>	
Difference	<u><u>\$ 18,724.34</u></u>	

Schedule 8

MARSHALL UNIVERSITY
 NATIONAL DIRECT STUDENT LOAN PROGRAM
 STATEMENT OF CHANGES IN NON-CAPITAL AND CAPITAL FUND BALANCE
 FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 1985

<u>Non-Capital Fund Balance</u>	<u>Year Ended June 30,</u>		<u>Total For</u>
	<u>1984</u>	<u>1985</u>	<u>the Period</u>
Additions:			
Interest Income on Loans -			
- Collected	\$ 28,761.27	\$ 26,786.18	\$ 55,547.45
- Cancelled	3,601.94	2,424.49	6,026.43
- Assigned	665.25	926.20	1,591.45
Reimbursement on Loans			
Cancelled	-0-	91,344.00	91,344.00
Other Income	12,472.77	15,421.51	27,894.28
	<u>45,501.23</u>	<u>136,902.38</u>	<u>182,403.61</u>
Deductions:			
Loan Principal and Interest			
Cancelled:			
Teaching Service	41,686.80	10,982.11	52,668.91
Military Service	153.13	-0-	153.13
Death	2,109.19	600.00	2,709.19
Bankruptcy	11,699.91	14,295.97	25,995.88
Collection Costs	13,511.38	5,943.05	19,454.43
Defaulted Loan Principal			
and Interest Assigned to			
and Accepted by U.S. Dept. Ed.	4,815.25	8,458.31	13,273.56
Other Costs or Losses	-0-	0.74	0.74
	<u>73,975.66</u>	<u>40,280.18</u>	<u>114,255.84</u>
Net (Decrease) Increase for Year	(28,474.43)	96,622.50	68,147.77
Fund Deficit, Beginning Year	(1,098,061.19)	(1,126,535.62)	(1,098,061.19)
Non-Capital Fund Deficit			
End of Year	<u>(\$1,126,535.62)</u>	<u>(\$1,029,913.42)</u>	<u>(\$1,029,913.42)</u>
Capital Fund Balance			
	<u>Federal</u>	<u>Institutional</u>	<u>Total</u>
Fund Balance, Beginning of Period	\$3,484,069.97	\$ 387,660.50	\$3,871,730.47
Add Contributions:			
July 1, 1983 - June 30, 1984	152,000.00	61,889.00	168,889.00
July 1, 1984 - June 30, 1985	104,374.00	11,598.00	115,972.00
	<u>256,374.00</u>	<u>28,487.00</u>	<u>284,861.00</u>
Capital Fund Balance			
End of Period	<u>\$3,740,443.97</u>	<u>\$ 416,147.50</u>	<u>\$4,156,591.47</u>

MARSHALL UNIVERSITY
 NATIONAL DIRECT STUDENT LOAN PROGRAM
 COMPUTATION OF DEFAULT RATE
 AS OF JUNE 30, 1985
 (CUMULATIVE INFORMATION)

Principal Outstanding on Loans in Default

Total Amount Advanced on Loans in Default	\$ 466,158.00
Deduct: Principal Amount Repaid or Cancelled	<u>72,518.00</u>
 Total Remaining Principal Amount Which Has Not Been Paid, Cancelled or Assigned on Notes in Default	 <u>\$ 393,640.00</u>

Total Amount of Matured Principal

Total Amount Advanced - All Borrowers	\$7,210,460.16
Deduct: Amount Not in Repayment Status	
Student Status	\$1,042,892.00
Grace Period	<u>167,883.00</u>
 Total Amount Not in Repayment Status	 <u>1,210,775.00</u>
 Total Amount of Matured Principal	 <u>\$5,999,685.16</u>

Percentage of Loans in Default (\$393,640.00 - \$5,999,685.16)	6.56%
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STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, Director, Legislative Postaudit Division, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 23RD day of MAY,
1989.


Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the U.S. Department of Education; Marshall University; West Virginia Board of Regents; Governor; Attorney General; and, State Auditor.