

# Increased Focus on the Pell Grant and Direct Loan Program for Colleges and Universities

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The U.S. Office of Budget and Management has released the 2019 Compliance Supplement, which comes with significant changes to the compliance requirements affecting colleges, universities and other higher education institutions that participate in the Student Financial Assistance programs provided by the Department of Education (DOE or Department), especially as it relates to reporting of single audit findings.

In order to address risks that the DOE has identified in both the Federal Pell Grant and Federal Direct Loan Program, auditors will now be required to report information in addition to the already required elements of a finding in their audit reports when exceptions are uncovered related to the disbursement and return of funds for these programs.

## Reasons for the Change

In the 2019 Compliance Supplement, both the Pell Grant and Direct Loan Program were identified as areas susceptible to significant improper payments. The DOE is seeking information related to the auditor's sampling of these programs that will assist in the Department's efforts to work with higher education organizations to help reduce such improper payments. In reporting their findings, external auditors will be required to report additional information in the Schedule of Findings and Questioned Costs for the Student Financial Aid Cluster.

## Additional Reporting Requirements

The additional information that is being requested for inclusion in any findings in relation to the Pell Grant and the Direct Loan Program includes a more detailed description about the sample selected for testing as well as the population from which it was selected. The DOE also requests that information regarding over- or under-payment of disbursements and returns for Pell and/or Direct Loans be reported on a per student basis, without using personally identifiable information. Sample and population details by the Office of Postsecondary Education Identification (OPEID) number should also be provided.

Although findings below \$25,000 are not required to be reported, the Department has urged auditors to provide instances of noncompliance relating to disbursements or returns of Pell and/or Direct Loan funds regardless of materiality or whether the error was subsequently corrected by the auditee. Reporting findings below \$25,000 remains optional; however, reporting such information will prevent additional requests for information by the Department.

This information on findings reported will be used by the DOE to better understand the causes of these issues and to better assist participating institutions address the underlying causes and reduce the number of issues in areas that have been deemed to be susceptible to improper payments.

## Contact Us

If you have any questions related to changes in reporting requirements for the Pell Grant or Direct Loan Program or the 2019 Compliance Supplement, please contact either of the following individuals or your PKF O'Connor Davies higher education engagement team.

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