

PART 5 – CLUSTERS OF PROGRAMS

INTRODUCTION

Part 5 identifies those programs that are considered to be clusters of federal programs. As defined by 2 CFR section 200.1, a cluster of programs means a grouping of closely related programs that share common compliance requirements. The clusters of programs included in this Part are research and development (R&D) and student financial assistance (SFA), as well as certain other programs included in Part 4, “Agency Program Requirements,” that are deemed to be clusters. A cluster of programs must be considered as one program for determining major programs, as described in 2 CFR section 200.518 (major program determination), and, with the exception of R&D as described in 2 CFR section 200.501(c), determining whether a program-specific audit may be elected.

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

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

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

RESEARCH AND DEVELOPMENT PROGRAMS

I. PROGRAM OBJECTIVES

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

II. PROGRAM PROCEDURES

As defined in 2 CFR section 200.1, *Research and Development*, “research” is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied.

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

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

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

III. COMPLIANCE REQUIREMENTS

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

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

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

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

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

A. Activities Allowed or Unallowed

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

B. Allowable Costs/Cost Principles

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

Compensation

The auditor should give particular attention to individual employee compensation and related benefits costs. See Frequently Asked Question 200.430-1, which addresses changes to current processes and compliance with the documentation standards of 2 CFR section 200.431(i) ([2CFR-FrequentlyAskedQuestions_2021050321.pdf \(cfo.gov\)](#)).

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

1. In accordance with the documentation standards of 2 CFR section 200.430(i), costs of compensation for personal services are allowable to the extent the total compensation for individual employees:
 - a. Is reasonable for the services rendered and conforms to the established written policy of the non-federal entity consistently applied to both federal and non-federal activities;
 - b. Follows an appointment made in accordance with a non-federal entity's rules or written policies and meets the requirements of federal statute, where applicable; and
 - c. Is determined and supported as provided in 2 CFR section 200.430(i), including that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.
2. The auditor should determine if the awards contain any negotiated wage or salary rates, or contain any restrictions on salaries and wages, such as the NIH restriction on the amount that may be charged for individual salaries (https://grants.nih.gov/grants/policy/salcap_summary.htm). If so, a sample of these should be included as a part of allowable costs testing.

Indirect (facilities and administrative) costs and cost transfers

1. Indirect or facilities and administrative (F&A) costs are a second major category of cost charged to R&D projects. (See the coverage in Part 3 relating to the review of indirect costs.)
2. Transfers of costs between cost centers or research projects are commonly used to correct the financial records (such as transfers of costs between projects when costs were initially charged to the wrong project and the non-federal entity's control system found the error) and for other valid reasons.
 - a. Cost transfers should be tested for allowability. A cost transfer from one project to another project may appear to be an unallowable charge to the second project. However, the auditor should assess whether, because of

the closely linked nature of the research as verified by the auditee, the costs would be allowable charges to either project. Alternatively, transfers would not be allowable under the second project if the terms and conditions of that project identify the costs as unallowable. Auditors should note that a significant number of cost transfers between unrelated projects could be an indication of poor internal controls and might result in a noncompliance finding.

F. Equipment and Real Property

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

M. Subrecipient Monitoring

When deciding whether the subrecipient monitoring compliance requirement applies, the auditor must assess whether the non-federal entity entered into any relationships under the federal award that it identified as subawards. A subrecipient relationship exists when funding from a pass-through entity is provided to another entity to perform a portion of the federal award. It does not include payments for the purpose of obtaining goods and services for the non-federal entity's own use. A subaward may be provided through any form of legal agreement, including an award that a pass-through entity makes under a federal cost-reimbursement contract that is subject to the FAR, in which case the subaward is termed a subcontract. In determining whether a subrecipient relationship exists, the substance of the relationship is more important than the term used to describe it (2 CFR section 200.331).

N. Special Tests and Provisions

R&D awards may contain special terms and conditions that could have a direct and material effect on the R&D cluster. The auditor should make inquiries of the non-federal entity's management and review a sample of the R&D awards to ascertain if such special terms and conditions exist. Entities should have internal controls to ensure that (1) federal awards are reviewed to identify special award terms and conditions, and (2) compliance with the special terms and conditions identified. When special terms and conditions exist that could have a direct and material effect on the R&D cluster, the auditor should determine the audit objectives and develop and perform procedures for internal control

and compliance as required under 2 CFR sections 200.514(c) and (d). One example of a specific cross-cutting special term and condition is key personnel.

Key Personnel

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

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

Suggested Audit Procedures

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

STUDENT FINANCIAL ASSISTANCE PROGRAMS

Department of Education

Department of Health and Human Services

ASSISTANCE LISTING 84.007 FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (FSEOG)

ASSISTANCE LISTING 84.033 FEDERAL WORK-STUDY PROGRAM

ASSISTANCE LISTING 84.038 FEDERAL PERKINS LOAN PROGRAM

ASSISTANCE LISTING 84.063 FEDERAL PELL GRANT PROGRAM

ASSISTANCE LISTING 84.268 FEDERAL DIRECT STUDENT LOANS

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

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

ASSISTANCE LISTING 93.264 NURSE FACULTY LOAN PROGRAM (NFLP)

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

ASSISTANCE LISTING 93.364 NURSING STUDENT LOANS (NSL)

ASSISTANCE LISTING 93.925 SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS – SCHOLARSHIPS FOR DISADVANTAGED STUDENTS (SDS)

I. PROGRAM OBJECTIVES

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

II. PROGRAM PROCEDURES

A. Overview

Institutions must apply to either the Secretary of Education (ED) or Secretary of Health and Human Services (HHS) to participate in their particular SFA programs. Some applications must be filed annually, others upon initial entry and once approved,

periodically thereafter. Institutions may be approved to participate in only one program or a combination of programs. Institutions are responsible for: (1) determining student eligibility; (2) verifying student data (when required); (3) calculating, as required, the amount of financial aid a student can receive; (4) drawing funds from the federal government and disbursing SFA funds to students directly or by crediting students' accounts; (5) making borrowers aware of loan repayment responsibilities; (6) submitting, as requested, data on borrowers listed on National Student Loan Data System (NSLDS®) roster; (7) returning funds to students and programs, as appropriate, if students withdraw, drop out, or are expelled from their course of study; (8) collecting SFA overpayments; (9) establishing, maintaining, and managing (including collecting loan repayments) a revolving loan fund for applicable programs; and (10) reporting the use of funds. Institutions may contract with third-party servicers to perform many of these functions.

B. Title IV Programs - General

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

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

C. Federal Supplemental Educational Opportunity Grants (FSEOG) (Assistance Listing 84.007)

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

D. Federal Work-Study (FWS) (Assistance Listing 84.033)

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

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

E. Federal Perkins Loan Program (Assistance Listing 84.038)

Under the Perkins Loan Extension Act of 2015 (Extension Act) (Pub. L. No. 114-105), the authority to award new Perkins Loans to graduate students expired on September 30, 2016, and the authority to award new Perkins Loans to undergraduate students expired September 30, 2017. No disbursements were permitted after June 30, 2018 (Pub. L. No. 114-105). Institutions are required to continue servicing their Perkins Loan portfolio (or contract with a third-party servicer for such servicing) and administrative and reporting requirements remain until the institution has completed the liquidation process and program closeout. Although the Federal Perkins Loan Program is a loan program in which the proceeds were received and expended in prior years, the federal government is at risk for the loans until the debt is repaid. The guidelines at 2 CFR 200.502(b) must be used to calculate the value of federal awards expended under the Federal Perkins Loan Program each year, because the HEA, regulations, and terms and conditions of the Federal Perkins Loan Program impose continuing compliance requirements other than to repay the loans.

F. Federal Pell Grant (Pell) (Assistance Listing 84.063)

The Federal Pell Grant program provides grants to eligible students enrolled in eligible undergraduate programs and certain eligible post-baccalaureate teacher certificate programs and is intended to provide a foundation of financial aid. The program is

administered by ED and postsecondary educational institutions. Maximum and minimum Pell Grant awards are established by statute, but the amount for which each student is eligible is based on Pell Grant Payment and Disbursement Schedules published every year by ED. ED provides funds to the institution based on actual and estimated Pell expenditures.

G. William D. Ford Federal Direct Loans (Direct Loan) (Assistance Listing 84.268) (Includes Direct Subsidized, Direct Unsubsidized, and Direct PLUS loans)

The Direct Loan Program makes Direct Subsidized Loans and Direct Unsubsidized Loans to eligible students, and Direct PLUS Loans to eligible graduate or professional students or to eligible parents of dependent undergraduate students, to pay for the cost of attending postsecondary educational institutions. Direct Loans are made by the Secretary of Education. The student's SAR or ISIR, along with other information, is used by the institution to originate a student's Direct Loan. The financial aid administrator is also required to provide and confirm certain information.

H. Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) (Assistance Listing 84.379)

The TEACH Grant program is a non-need-based grant program for eligible students who are enrolled in an eligible program, and who agree to serve as a full-time teacher, in a high-need field, in an elementary school, secondary school, or educational service agency serving low-income students for at least four years within eight years of ceasing enrollment at the institution where the TEACH Grant was awarded (34 CFR 686.1). If the grant recipient fails to complete the required teaching service, the TEACH Grant is treated as a Direct Unsubsidized Loan (34 CFR 686.43).

I. Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grant (IASG)) (Assistance Listing 84.408)

The Higher Educational Technical Corrections, Pub. L. No. 111-39, amended the HEA to allow an eligible student (less than 24 years old or enrolled in college at time of parent or guardian's death) whose parent or guardian died as a result of US military service in Iraq or Afghanistan after September 11, 2001, to receive this non-need-based grant if he or she was not eligible to receive a Pell Grant.

J. Nurse Faculty Loan Program (NFLP) (Assistance Listing 93.264)

The Nurse Faculty Loan Program (NFLP), as authorized by Title VIII of the Public Health Service Act (PHS Act), Section 846A, as amended by the Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, Section 5311, provides funding to institutions of nursing to support the establishment and operation of a distinct NFLP loan fund at the institution to increase the number of qualified nursing faculty. The award to the institution, the Federal Capital Contribution (FCC) award, must be deposited into the NFLP loan fund. The institution is required to deposit the Institutional Capital

Contribution (ICC) that is equal to no less than one-ninth of the FCC award. Participating institutions make loans from the regular NFLP loan fund to eligible graduate (master's and doctoral) nursing students to complete the nursing education program. Accredited collegiate institutions of nursing are eligible to apply for funding. Eligible institutions must offer an advanced education nursing degree program(s) that will prepare the graduate student to teach. The institution is fully responsible for administering the program (i.e., approving, disbursing, and collecting the loans).

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

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

Program guidance is available at <https://www.hrsa.gov/grants/find-funding/HRSA-22-047>.

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

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

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

L. Scholarships for Health Professions Students from Disadvantaged Backgrounds – Scholarships for Disadvantaged Students (SDS) (Assistance Listing 93.925)

The SDS program provides grants to eligible health professions and nursing institutions to award scholarships to financially needy full-time students from disadvantaged backgrounds who are attending institutions of medicine, osteopathic medicine, dentistry, nursing, pharmacy, podiatric medicine, optometry, veterinary medicine, public health, chiropractic, or allied health; institutions offering graduate programs in behavioral and mental health practice; or entities providing programs for the training of physician assistants. For purposes of this program, HHS defines disadvantaged as a student who (1) comes from an environment that has inhibited the individual from obtaining the knowledge, skills, and abilities required to enroll in and graduate from a health professions institution, or from a program providing education or training in an allied health profession; or (2) comes from a family with an annual income below a level based on low-income thresholds according to family size published by the US Bureau of the Census, adjusted annually for changes in the Consumer Price Index, and adjusted by the secretary of HHS for use in health professions and nursing programs.

Source of Governing Requirements

The ED programs are authorized by Title IV of the Higher Education Act (HEA) of 1965, as amended (20 USC 1001 et seq.). The regulations are found in 34 CFR 600 and 668-690.

The HHS programs in this cluster are authorized by the Public Health Service Act (PHS Act). The PHS Act was amended by the Health Professions Education Partnership Act of 1998, Pub. L. No. 105-392 and, for the NFLP, further amended by the Patient Protection and Affordable Care Act of 2010 (Affordable Care Act), Pub. L. No. 111-148, Section 5311.

Availability of Other Program Information

ED annually publishes the Federal Student Aid Handbook (*FSA Handbook*), which provides detailed guidance on administering the Title IV programs. This handbook and other guidance material are available at <https://fsapartners.ed.gov/knowledge-center/fsa-handbook>.

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

III. COMPLIANCE REQUIREMENTS

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

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

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

Sampling for Audits of Institutions for which SFA is Identified as a Major Program

For institutions where SFA is identified as a major program, when drawing sample items for testing compliance in student populations of 250 items or greater for Eligibility, Verification, Disbursements to or on Behalf of Students and Return of Title IV Funds, auditors must draw samples using a sampling methodology that incorporates a desired level of assurance (confidence level) and expected exception rate. If student-level sampling is performed for Cash Management, samples from student populations of 250 items or greater must also be drawn using a sampling methodology that incorporates a desired level of assurance (confidence level) and expected exception rate. Examples of acceptable methodologies can be found in the AICPA Audit Guide (Guide) *Government Auditing Standards and Single Audits*, among other sources, along with examples of sampling approaches for population of less than 250. See further information about this Guide and other sources in Part 8, Appendix VII, item VI – Audit Sampling of the Compliance Supplement. Samples should be representative of the populations from which they are selected and thus the results can be projected to the population and used to draw conclusions.

Required Information for the Pell Grant and Direct Loan Programs

The Pell Grant and Direct Loan programs have been designated as programs susceptible to significant improper payments. As such, ED needs information concerning the audit sample to understand more fully the results of the audit and identify ways that ED can work with institutions to reduce improper payments. ED has concluded that the audit access provisions in 2 CFR 200.517(b) and Title IV regulations at 34 CFR 668.23(e)(1)(ii) give it the authority to collect certain information from the single audit in order for ED to carry out its oversight responsibilities with regard to improper payments. Therefore, when auditors are testing the SFA cluster as a major program, auditors must prepare the information described below in

items 1, 2, and 3. See specific guidance below related to ED's request for the information in item 4.

Auditors must provide this information directly to Federal Student Aid, Director, Financial Management Group, at FSAPellandDLReporting@ed.gov, no later than 60 days after the Data Collection Form and reporting package are submitted to the Federal Audit Clearinghouse. A template is available on the following ED website to facilitate communication of this information:

<https://www2.ed.gov/about/offices/list/ocfo/fipao/improper-payments.html>.

1. For audit procedures related to tests that may identify improper payments disbursements and returns of Pell funds (i.e., tests related to Eligibility, Cash Management, Verification, Disbursements to or on Behalf of Students, and Return of Title IV Funds), the auditor must provide the following if these procedures are tested at the student-level:
 - a. A description of each sample drawn and details of the sample, including the number of sampled students that received Pell funds and amount of Pell funds disbursed to these sampled students for the period tested;
 - b. The number of students that received Pell funds and amount of Pell funds disbursed for the population from which the sample was drawn for the period tested by sample drawn.

If these procedures (i.e., tests related to Eligibility, Cash Management, Verification Disbursements to or on Behalf of Students, and Return of Title IV Funds), are **not** tested at the student-level, the auditor must provide the following:

- a. A description of each sample drawn and details of the sample, including the amount of Pell funds sampled for the period tested;
- b. The amount of Pell funds disbursed for the population from which the sample was drawn for the period tested by sample drawn.

For samples and populations related to Return of Title IV Funds, the total Pell disbursed to the students is required even though the Return of Title IV Funds questioned costs identified from testing of the sample are based on the refunds.

If samples were drawn by Office of Postsecondary Education Identification (OPEID) number, provide the sample and population details by OPEID number (an eight-digit number). If this information is not available by OPEID, provide the aggregated sample and population amounts for the institution as a whole.

			Sample (s)	Sample(s)	Population for Each Sample	Population for Each Sample
Sample Description	Related Compliance Requirement(s)	OPEID	Students Receiving Pell (#)	Pell Disbursed (\$)	Students Receiving Pell (#)	Pell Disbursed (\$)

2. For audit procedures related to tests that may identify improper payment disbursements and returns of Direct Loan funds (i.e., tests related to Eligibility, Cash Management, Verification, Disbursements to or on Behalf of Students, and Return of Title IV Funds), the auditor must provide the following if these procedures are tested at the student-level:

- a. A description of each sample drawn and details of the sample, including the number of sampled students that received Direct Loan funds and amount of Direct Loan funds disbursed to these sampled students for the period tested;
- b. The number of students that received Direct Loan funds and amount of Direct Loan funds disbursed for the population from which the sample was drawn for the period tested by sample drawn.

If these procedures (i.e., tests related to Eligibility, Cash Management, Verification Disbursements to or on Behalf of Students, and Return of Title IV Funds), are **not** tested at the student-level, the auditor must provide the following:

- a. A description of each sample drawn and details of the sample, including the amount of Direct Loan funds sampled for the period tested;
- b. The amount of Direct Loan funds disbursed for the population from which the sample was drawn for the period tested by sample drawn.

For samples and populations related to Return of Title IV Funds, the total Direct Loan funds disbursed to the students is required even though the Return of Title IV Funds questioned costs identified from testing of the sample are based on the returns.

If samples were drawn by OPEID number, provide the sample and population details by OPEID number (an eight-digit number). If this information is not available by OPEID, provide the aggregated sample and population amounts for the institution as a whole.

			Sample(s)	Sample(s)	Population For Each Sample	Population For Each Sample
Sample Description	Related Compliance Requirement	OPEID	Students Receiving Direct Loan (#)	Direct Loan Disbursed (\$)	Students Receiving Direct Loan (#)	Direct Loan Disbursed (\$)

3. For each finding related to disbursements or returns of Pell and/or Direct Loans, the auditor must provide the following, by unique sampled student and OPEID combination:
 - a. The amount of Pell and/or Direct Loans that were disbursed to each student identified in the finding.
 - b. The difference between the amount of Pell and/or Direct Loan funds that should have been disbursed or returned (i.e., an overpayment or underpayment) and the actual amount of funds disbursed or returned, regardless of whether the noncompliance was subsequently corrected by the institution after the error was identified as part of the audit. Also, provide the amount of Pell and Direct Loans disbursed to the students in question.

Note: For #3, if there were no Pell and/or Direct Loan overpayments or underpayments, enter \$0 in the overpayment and underpayment columns and enter the Pell and/or Direct Loan disbursement amounts in the disbursement columns.

Assign a unique identifier for each student (e.g., Student 1, Student 2) identified. Do not use the institutionally assigned number or Social Security Number.

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

Although auditors are not required to report all noncompliance as audit findings for amounts below \$25,000, ED requests that the following information also be provided for noncompliance that was not reported as an audit finding. Although providing this information is optional, including it may reduce the potential for subsequent information requests in accordance with Uniform Guidance 2 CFR 200.517(b) and Title IV regulations at 34 CFR 668.23(e)(1)(ii). This information should be sent to FSAPellandDLReporting@ed.gov.

If any instances of noncompliance relating to disbursements or returns of Pell and/or Direct Loan funds are identified but not reported as audit findings, because they did not meet the reporting thresholds at 2 CFR 200.516(a)(3), provide a summary of the noncompliance and amount of over or underpayment of Pell and/or Direct Loan by student using instructions in item three above.

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

A. Activities Allowed or Unallowed

1. *Health Professions Student Loans/Primary Care Loans /Loans for Disadvantaged Students (Assistance Listing 93.342) and Nursing Student Loans (NSL) (Assistance Listing 93.364)*

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

2. *Nurse Faculty Loan Program (NFLP) (Assistance Listing 93.264)*

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

C. Cash Management

SFA Title IV Programs: An institution requests funds from ED under the advance, reimbursement, or heightened cash monitoring payment methods. An institution's Program Participation Agreement will indicate whether the institution has been placed on the reimbursement or heightened cash monitoring payment method. An institution could have had more than one Program Participation Agreement during a given payment period in that it could have been placed on or taken off of the reimbursement or heightened cash monitoring payment method at any point during the fiscal year. Many institutions on the Advance method of payment elect to post Title IV disbursements prior to drawing funds from the G5 system. This is an acceptable practice and does not constitute the institution being on the Heightened Cash Monitoring (HCM) or Reimbursement. ED publishes a list of institutions on heightened cash monitoring or reimbursement by quarter at: [Heightened Cash Monitoring | Federal Student Aid](#).

For purposes of determining compliance with cash management requirements to minimize time between funds transfer and disbursement, a disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either Title IV funds or institutional funds used in advance of drawing down federal funds(34 CFR 668.164(a)(1)(i) & (ii)).

The payment methods and associated cash management requirements are listed below.

- *Advance Payment Method:* An institution submits a drawdown request for funds utilizing ED's electronic grants management system, known as G5, that may not exceed the amount of funds needed to make immediate disbursements to eligible

students and parents. If the request is accepted, ED initiates an electronic funds transfer to the institution's account. The institution must then disburse the requested funds no later than three business days following receipt of those funds from ED.

For institutions on the Advance Payment Method, any amount of Title IV funds not disbursed to recipients by the end of the third business day is considered excess cash. ED allows an institution to retain, for up to seven days, excess cash that does not exceed one percent of the total amount of funds drawn by the institution in the prior award year. The institution must return to ED any excess cash over the tolerable amount (one percent) and any amount remaining after the tolerance period (seven days). Questioned costs would be those in excess of the one percent threshold.

- *Heightened Cash Monitoring (HCM) Payment Methods:* An institution must credit a student's account for the amount of Title IV funds the student is eligible to receive and pay the amount of any credit balance due before the institution submits a request for funds or seeks reimbursement. In other words, the "costs" that must be paid prior to a request for funds (HCM1) or a reimbursement (HCM2) are the amounts of the eligible disbursement and any credit balance. An institution's request may not exceed the amount of the disbursements the institution made to the students included in that request. While HCM is an ED prescribed payment method, for purposes of testing in using Part 3 of the Compliance Supplement, it would fall generally under the Reimbursement Payment method since the school must disburse funds before ED makes a payment.
 - *HCM1 Payment Method:* After making a disbursement to eligible students from institutional funds and submitting disbursement records to the Common Origination and Disbursement (COD) system, the institution draws down funds to cover those disbursements through G5 the same way as an institution on the Advance Payment Method. **Note:** Due to the effects of the COVID-19 pandemic, in a December 2020 Federal Register Notice, ED permitted institutions on the HCM1 payment method to submit a request for funds without first paying credit balances due, as long as the institution pays the credit balances no later than three calendar days after receiving the funds for those students. This flexibility goes through the end of the payment period that begins after the date that the COVID-19 national emergency ends. Assuming the emergency ends on May 11, 2023, the flexibility would extend through the end of the payment period that begins after that date. For example: Spring Semester ends on May 20, 2023 and Summer begins on June 5, 2023. The flexibility ends on the last day of the Summer.
 - *HCM2 Payment Method:* After making disbursements to eligible students from institutional funds, a reimbursement payment request must be submitted for those funds the same way as an institution on the Reimbursement Payment Method (see Reimbursement Payment Method below). HCM2 differs from Reimbursement only to the extent that ED may modify the documentation required and the review procedures used to review the payment request.

- *Reimbursement Payment Method:* An institution must credit a student's account for the amount of Title IV funds the student is eligible to receive and pay the amount of any credit balances due before the institution seeks reimbursement from ED for those disbursements. The reimbursement request must include supporting documentation for the disbursements. After the reimbursement request is approved, ED initiates an electronic funds transfer to the institution's account.

G5 is the system through which institutions request and return Title IV funds. The G5 External Award Activity Report is a statement for an institution's G5 awards that displays both cumulative and detailed information on drawdown activity, refunds, adjustments, available balances, and authorization changes for each award.

Cash Management Program Requirements for Direct Loans – Monthly Reconciliations

To assist institutions in reconciling their internal accounting records with the G5 System, using their Unique Entity Identifier (UEI), institutions can obtain a G5 External Award Activity Report (<https://www.g5.gov/>; under the "Payment" tab) showing cumulative and detail information for each award. The External Award Activity Report can be created with date parameters (Start and End Dates) and viewed on-line. To view each draw per award, the G5 user may click on the award number to view a display of individual draws for that award.

HHS Programs

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

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

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

E. Eligibility

1. Eligibility for Individuals

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

In the process of a student applying for ED federal financial aid, an ISIR is sent electronically to the institution and a SAR, or information on how to access the SAR, is sent to the student. The original ISIR or SAR for an award year may contain codes that relate to student eligibility requirements numbers 2, 4, 5, 9, 10, and 12 in Appendix A. If the original ISIR or SAR does not contain codes relating to those eligibility requirements, and the institution has no information indicating otherwise, the student can be considered to have met them. The *ISIR Guide* contains all the ISIR and SAR codes and is available at [The ISIR Guide, 2022-2023 \(ed.gov\)](https://www.ed.gov/isa). The ISIR Guide changes annually and should be obtained and reviewed for the period under audit.

(1) *Calculation of Benefits*

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

The determination of need-based SFA award amounts is based on financial need. Financial need is defined as the student’s COA minus the student’s EFC (as computed by the central processor and included on the student’s SAR/ISIR). Once a student is awarded any financial aid, to find remaining financial need one would use the following formula -- COA minus EFC minus Estimated Financial Assistance (EFA) (§ 668.2) = remaining need. To avoid overpayments, need-based SFA awards cannot exceed the student’s overall financial need. f.

Non need-based SFA awards are not limited to financial need but cannot exceed the student's COA. To determine non need-based SFA awards (unsubsidized aid) one would use the following formula – COA minus EFA.

An institution may (1) exclude from both estimated financial assistance and the COA, financial assistance provided by a state if that assistance is designated by the state to offset a specific component of the COA; (2) include the one-time cost of a student obtaining his or her first professional license or certificate (please note that starting in the 2023-24 award year the inclusion of costs associated with obtaining a first professional license or certificate is no longer restricted to a one-time allowance and is no longer optional if part of a student's program or occupation); and (3) include a limited allowance for room and board in a student's COA for students who are less than half-time students. In this context, a limited allowance for room and board is an allowance for up to three semesters (or equivalent), with no more than two of the semesters being consecutive at any one institution (sections 480(j)(3), 472(13), and 472(4)(C) of HEA; [20 USC 1087vv(j)(3), 20 USC 1087ll(13) and (4)(C)]).

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

A crossover payment period is one that includes both June 30 and July 1 overlapping two award years. If a student enrolls in a crossover payment period, the institution must consider the crossover payment period to occur entirely within one award year and must have a valid SAR or valid ISIR for the selected award year. The choice of which award year the institution assigns to a crossover payment period ("header" or "trailer") must be outlined in the institution's Pell Grant crossover payment period policy and can be made on a student-by-student basis. The crossover payment period may be assigned to a different award year for Pell Grant purposes than the award year used for the student's other Title IV

aid for that period. See Volume 3 of the *FSA Handbook* for additional information on crossover payment periods.

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

(2) *Federal Pell Grant (Assistance Listing 84.063)*

Each year, based on the maximum Pell Grant established by Congress, ED provides to institutions Payment and Disbursement Schedules for determining Pell awards. The Payment Schedule provides the maximum scheduled award a student would receive for a full academic year as a full-time student based on their EFC and COA. The Disbursement Schedules are used to determine annual awards for full-time, three-quarter time, half-time, and less-than-half-time students. All Schedules, however, are based on the COA of a full-time student for a full academic year (see Chapter 3 in Volume 3, Calculating Pell and Iraq & Afghanistan Service Grant Awards, of the *FSA Handbook* for the year(s) being audited for guidance on selecting formulas for calculating cost of attendance, prorating costs for programs less or greater than an academic year, and determining payment periods). Disbursement schedules for 2021–2022 and 2022-2023 award year can be found at the following link: [2021-2022 Federal Pell Grant Payment and Disbursement Schedules | Knowledge Center](#) ; and <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-03-24/revised-2022-2023-federal-pell-grant-payment-and-disbursement-schedules>. Students that receive Pell or IASG may not receive more than six Scheduled Awards (12 semesters, or the equivalent) as measured by the percentage of “lifetime eligibility used” (LEU) field in COD (tracked by ED) (20 USC 1070a(c)(5)). The LEU maximum percentage for student eligibility is 600 percent.

The steps to determine Pell awards that an institution must perform are as follows:

- (a) Determine the student’s enrollment status (full-time, three-quarter time, half-time, or less than-half-time) in accordance with the requirements under definitions of those terms in 34 CFR 668.2(b). Note that for nonterm credit and clock hour programs, students are always considered to be

full-time for Pell Grant purposes except to the extent that fewer cost of attendance components are included in the calculation of a Pell Grant award for less-than-half-time students (see Chapter 3 in Volume 3, *Calculating Pell and Iraq & Afghanistan Service Grant Awards*, of the *FSA Handbook* for more information). There are also special considerations for determining enrollment status for students enrolled in correspondence courses, as described under 34 CFR 690.8.

- (b) Calculate the cost of attendance. This is always based on the cost for a full-time enrollment status for a full academic year. If the student is enrolled in a program or enrollment period that is longer or shorter than an academic year, the costs must be prorated so that they apply to one full academic year. There are two allowable proration methods. Costs can be on an actual cost-per-student basis or an average cost for groups of similar students. If the student is enrolled less than half-time, the only allowable cost components are tuition and fees, allowance for books, and supplies, transportation allowance, allowance for dependent care, and room and board for a limited duration.
- (c) Determine the annual award, based on the cost of attendance calculated above and the EFC, from the Payment and Disbursement Schedule for the student's enrollment status (i.e., full-time, three quarter-time, half-time, or less than half-time).
- (d) Determine the payment period. For term programs , standard or nonstandard, the payment period is the term.
- (e) Calculate the payment for the payment periods. The calculation of the payment for the payment period may vary depending on the formula used, the length of the program compared to the academic year, and whether the institution uses an alternative calculation for students who attend summer terms or for students enrolled in correspondence courses (34 CFR 690.62 through 690.66. Also see Chapter 3 in Volume 3, *Calculating Pell and Iraq & Afghanistan Service Grant Awards*, of the *FSA Handbook*).
- (f) Disburse funds at prescribed times (this is tested under III.N. 2, "Special Tests and Provisions - Disbursements To or On Behalf of Students") (34 CFR 690.61 through 690.66, and 690.75 through 690.76; Pell Grant Payment

Schedules; General Provisions regulations, part 668, subpart K, and *FSA Handbook*).

Additional Pell Grant Award Eligibility

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

For a student who is eligible for the additional Pell Grant funds, the institution must pay the student all of the student's eligible Pell Grant funds, up to 150 percent of the student's Pell Grant Scheduled Award for the award year. Note that the provisions of the law state that any Pell Grant received will be included in determining the student's Pell Grant duration of eligibility and Lifetime Eligibility Used (LEU) in accordance with section 401(c)(5) of the HEA (also see Dear Colleague Letter GEN-13-14 at <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2013-05-16/gen-13-14-subject-federal-pell-grant-duration-eligibility-and-lifetime-eligibility-used>).

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

A non-Pell eligible student whose parent or guardian died as a result of US military service in Iraq or Afghanistan after September 11, 2001, can receive an IASG grant. The student must have been less than 24 years old or, if 24 years old or older, enrolled in an institution of higher education when the parent or guardian died. The amount of the grant is specified by ED annually. All other Pell requirements apply but, unlike Pell Grants, these non-need-based grants do not count as estimated financial assistance (20 USC 1070h; *FSA Handbook*, Volume 1, Chapter 6; and electronic announcement dated November 6, 2009 (<https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2009-11-06/general-subject-operational-implementation-increased-title-iv-student-assistance-children-certain-deceased-members-us-military>)).

- (4) *Campus-Based Programs (FWS, FSEOG) (Assistance Listing 84.033, Assistance Listing 84.007)*

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

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

(5) *TEACH Grants (Assistance Listing 84.379)*

The TEACH Grant is a non-need-based grant that provides annual grants of up to \$4,000 to eligible undergraduate and graduate students who agree to teach specified high-need subjects at an elementary school, secondary school, or educational service agency serving primarily disadvantaged populations for four years within eight years of ceasing enrollment at the institution where they received their TEACH Grants. The aggregate amount of TEACH Grants that a student may receive for undergraduate or post-baccalaureate study may not exceed \$16,000. The aggregate amount that a graduate student may receive may not exceed \$8,000. If the student is enrolled less than full-time, including less than half-time, the amount of the annual TEACH Grant that he or she may receive must be reduced in accordance with 34 CFR 686.21. The amount of the TEACH Grant, in combination with other assistance the student may receive, may not exceed the cost of attendance. If the TEACH Grant and other aid exceeds the cost of attendance for an academic year, the student's aid package must be reduced. The TEACH Grant may replace a student's EFC, but the amount of the grant that exceeds the student's EFC is considered estimated financial assistance (34 CFR 686.21).

- Note: Under the Budget Control Act of 2011 sequester required reductions to TEACH Grant award amounts remain in effect for the 2022-2023 award year (awards first disbursed on or after

October 1, 2022, and before October 1, 2023). The Federal FY 2023 Sequester reduction is 5.70% from the TEACH Grant statutory maximum award amount of \$4,000. This is a dollar reduction of \$228, resulting in an adjusted maximum award amount of \$3,772.

(6) *Direct Loans (Assistance Listing 84.268)*

In determining loan amounts for Direct Subsidized Loans, the financial aid administrator subtracts from the COA, the EFC, and the EFA for the period of enrollment that the student (or parent on behalf of the student) will receive from federal, state, institutional or other sources. Direct Unsubsidized Loans, Direct PLUS Loans, TEACH Grants, loans made by an institution to assist the student, and state-sponsored loans may be used to replace the EFC (34 CFR 685.102(b)). A financial aid administrator may use professional judgment to offer dependent-level Direct Unsubsidized Loans (but no other Title IV aid) to a dependent student whose parents do not support the student and who refuse to complete a FAFSA (20 USC 1087(a)).

The annual loan limits apply to the length of the institution's academic year. Except for Direct PLUS loans and Direct Unsubsidized Loans made to graduate or professional students, proration of the annual loan limit is required when a program is less than an academic year as measured in either clock hours or credit hours or number of weeks; or when a program exceeds an academic year but the remaining portion of the program is less than an academic year in length. For the purpose of determining annual loan limits for a borrower who received an associate or bachelor's degree and has re-enrolled in another eligible program for which the prior degree is a prerequisite, the grade level determination includes the number of years that a student has completed in the previously completed program of undergraduate study.

Annual Limits for Direct Subsidized Loans and Direct Unsubsidized Loans

Direct Subsidized Loans and Direct Unsubsidized Loans have annual loan limits that vary based on the student's grade level and (for Direct Unsubsidized Loans) dependency status (34 CFR 685.203). The annual loan limit is the maximum amount that a student may receive for an academic year.

For undergraduate students there is a combined annual loan limit for Direct Subsidized Loans and Direct Unsubsidized Loans, of

which not more than a specified amount may be comprised of Direct Subsidized Loans (“annual subsidized maximum”).

For dependent undergraduate students (excluding dependent undergraduates whose parents are unable to borrow Direct PLUS Loans), the combined Direct Subsidized Loan and Direct Unsubsidized Loan annual loan limits are (34 CFR 685.203(a) and (b):

- \$5,500 for **dependent first-year undergraduates**, not more than \$3,500 of which may be subsidized;
- \$6,500 for **dependent second-year undergraduates**, not more than \$4,500 of which may be subsidized; and
- \$7,500 for **dependent third-, fourth-, and fifth-year undergraduates**, not more than \$5,500 of which may be subsidized.

For independent undergraduate students (and for dependent undergraduate students whose parents are unable to obtain Direct PLUS Loans), the annual loan limits are (34 CFR 685.203(a) and (c):

- \$9,500 for **independent first-year undergraduates**, not more than \$3,500 of which may be subsidized;
- \$10,500 for **independent second-year undergraduates**, not more than \$4,500 of which may be subsidized; and
- \$12,500 for **independent third-, fourth-, and fifth-year undergraduates**, not more than \$5,500 of which may be subsidized.

Note that the annual subsidized maximum is the same for both dependent and independent undergraduate students. However, the combined subsidized/unsubsidized annual loan limits are higher for independent undergraduates and for dependent undergraduates whose parents are unable to borrow Direct PLUS Loans.

An undergraduate student who is not eligible for a Direct Subsidized Loan may receive up to the total combined subsidized/unsubsidized annual loan limit in Direct Unsubsidized Loans.

For undergraduate students, the annual loan limit must be prorated if the student is enrolled in a program (or in the remaining portion of a program) that is less than an academic year in length. (For

details on loan proration requirements, see Volume 3, Chapter 5, of the *FSA Handbook*. The *FSA Handbook* is available at <https://fsapartners.ed.gov/knowledge-center/fsa-handbook>.)

For graduate and professional degree students, there is an annual loan limit only for Direct Unsubsidized Loans (graduate and professional students are not eligible to receive Direct Subsidized Loans). The annual loan limit for graduate and professional students is \$20,500 in Direct Unsubsidized Loans (34 CFR 685.203(b)(2)(iii) and 685.203(c)(2)(v)).

There are higher Direct Unsubsidized Loan annual loan limits for graduate and professional students who are enrolled in certain health professions programs. (For details on the increased annual loan limits for certain health professions students, see Volume 3, Chapter 5, of the *FSA Handbook*. The *FSA Handbook* is available at <https://fsapartners.ed.gov/knowledge-center/fsa-handbook>.)

Aggregate Loan Limits for Direct Subsidized Loans and Direct Unsubsidized Loans

Under 34 CFR 685.203(d) and (e) the aggregate loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans (a borrower's maximum allowable outstanding loan debt, excluding capitalized interest, but including amounts borrowed under the Federal Family Education Loan program prior to 2010) are:

- \$31,000 for **dependent undergraduate students** (except for dependent students whose parents are unable to borrow Direct PLUS Loans), not more than \$23,000 of which may be subsidized;
- \$57,500 for **independent undergraduate students** (and for dependent students whose parents are unable to borrow Direct PLUS Loans, not more than \$23,000 of which may be subsidized; and
- \$138,500 for **graduate and professional students**, not more than \$65,500 of which may be subsidized. The total \$138,500 limit includes loans for undergraduate study. The \$65,500 subsidized maximum includes subsidized loans received for undergraduate study and subsidized loans received by graduate and professional students for periods of enrollment beginning before July 1, 2012, when graduate and professional students were eligible to receive subsidized loans.

Direct PLUS (PLUS)

Direct PLUS Loans are available to parents of dependent undergraduate students and to graduate and professional students (34 CFR 685.200(b) and (c)(2)). A parent or graduate/professional student with an adverse credit history is prohibited from obtaining a Direct PLUS Loan unless he or she meets additional criteria. A parent must meet the same citizenship and residency requirements as a student. Similarly, a parent who owes a refund on an SFA grant or is in default on an SFA loan is ineligible for a PLUS loan unless satisfactory arrangements have been made to repay the grant or loan.

There are no fixed annual or aggregate loan limits for Direct PLUS Loans. A Direct PLUS loan may not exceed the student's cost of attendance minus other financial aid awarded during the period of enrollment for that student (34 CFR 685.101(b), 685.200, and 34 CFR 685.203(f), (g), (h) and (j) also apply).

b. *HHS Programs*

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

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

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

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

(1) *Nurse Faculty Loan Program (NFLP) (Assistance Listing 93.264)*

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

(2) *Scholarships for Disadvantaged Students (Assistance Listing 93.925)*

Individual student awards must be at least 50 percent of the student's annual tuition costs. The maximum amount of \$30,000 must be awarded for students whose tuition is more than \$60,000; however, no student can be awarded SDS funds greater than \$30,000 in a given year. Scholarships will be awarded by institutions to any full-time student who is from a disadvantaged background; has a financial need for a scholarship; and is enrolled (or accepted for enrollment) in a program leading to a degree in a health profession or nursing. Such scholarships may be expended only for tuition expenses, other reasonable educational expenses, and reasonable living expenses incurred in the attendance of such institution (42 USC 293a; Section 737, PHS Act).

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

Not Applicable

3. Eligibility for Subrecipients

Not Applicable

L. Reporting

1. Financial Reporting

- a. *SF-270, Request for Advance or Reimbursement (Form 270, Request for Title IV Reimbursement or Heightened Cash Monitoring 2 [OMB No. 1845-0089])* – Not Applicable..
- b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- c. *SF-425, Federal Financial Report* – Not Applicable
- d. *Common Origination and Disbursement (COD) System (OMB No. 1845-0039).*

SFA – Title IV Programs

Institutions submit Direct Loan, Pell Grant, TEACH Grant, and IASG origination records and disbursement records to the COD system. Origination records can be sent well in advance of any disbursements, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. An institution follows up with a disbursement record for that student no earlier than (1) seven calendar days prior to the disbursement date under the Advance or Heightened Cash Monitoring 1 payment methods, or (2) the date of the disbursement under the Reimbursement or Heightened Cash Monitoring 2 Payment Method (see [Federal Register, Volume 86, Number 119, June 24, 2021](#)). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the institution. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, or Accepted. In testing the origination and disbursement data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student disbursement data within 15 calendar days after the institution makes a disbursement or becomes aware of the need to make an adjustment to previously reported student disbursement data or expected student disbursement data. Institutions may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Key items to test on origination records, if applicable, are: Social Security number, award amount, enrollment date, verification status code (when the applicant is selected for verification), transaction number, cost of attendance, and the “Academic Start Date” and “Academic End Date”. Key items to test on disbursement records are disbursement date and amount. The information may be accessed by the institution for the auditor (34 CFR 690.83; *FSA Handbook*, technical references on obtaining reports for each award year are located at <https://fsapartners.ed.gov/knowledge-center/library/system-technical-references/2020-11-24/2021-2022-cod-technical-reference> COD Technical Reference; choose the award year, Volume VI, appendices, Section 7).

2. Performance Reporting

Not Applicable

3. Special Reporting

ED Form 646-1, Fiscal Operations Report and Application to Participate (FISAP) (OMB No. 1845-0030) – This electronic report is submitted annually to receive funds for the campus-based programs. The institution uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. By October 1, 2022, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year 2021–2022 and the *Application to Participate* for the 2022–2023 award year (FWS, FSEOG 34 CFR 673.3; *Fiscal Operations Report and Application to Participate Instructions*).

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

Part I, Identifying Information, Certification, and Warning

Part II, Application to Participate

- Information on enrollment
- Assessments and expenditures
- Information on eligible aid applicants

Part III, Fiscal Operations Report

- All sections

Part IV, Fiscal Operations Report Federal Supplemental Educational Opportunity Grant (FSEOG) Program

- All sections

Part V, Fiscal Operations Report Federal Work-Study (FWS) Program

- All sections

Part VI, Program Summary for Award Year

- Distribution of Program Recipients and Expenditures by Type of Student (trace a sample of line items)

4. Special Reporting for Federal Funding Accountability and Transparency Act

Not Applicable

N. Special Tests and Provisions

1. Verification

Compliance Requirements An institution is required to establish written policies and procedures that incorporate the provisions of 34 CFR 668.51 through 668.61 for verifying applicant information for those applicants selected for verification by ED. The institution shall require each applicant whose application is selected by ED to verify the information required for the Verification Tracking Group to which the applicant is assigned.

However, certain applicants are excluded from the verification process as listed in 34 CFR 668.54(b). A menu of potential verification items for each award year is published in the *Federal Register*, and the items to verify for a given application are selected by ED from that menu and indicated on the student's output documents. Verification tracking groups and verification items for each award year can also be found in the annual *FSA Handbook*, Application and Verification Guide, Chapter 4. The institution shall also require applicants to verify any information used to calculate an applicant's EFC that the institution has reason to believe is inaccurate and provide an accurate code for the individual's verification status in the COD system. (34 CFR 668.54(a); *FSA Handbook* Application and Verification Guide, Chapter 4).

Note: For the 2022-2023 award year, the requirement for verification of most FAFSA[®]/ISIR information was again waived by ED due to the COVID-19 national emergency, except for Identity/Statement of Educational Purpose and High School Completion Status under Verification Tracking Groups V4 and V5, as outlined in Dear Colleague Letter [GEN-22-06](#). However, this waiver does not exempt institutions from resolving conflicting information if concerns arise. For 2023-2024, the same waiver was not extended, but there were some modifications for incarcerated students as outlined in [GEN-22-09](#).

Audit Objectives Determine whether the institution established policies and procedures to verify information in student aid applications for students selected for verification by ED.

Determine whether the institution conducted verifications of selected applications, made corrections, and reported the verification status in COD, as applicable, in accordance with the requirements.

Suggested Audit Procedures

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

2. Disbursements to or on Behalf of Students

With the exception of FWS, disbursements are made on a payment period basis and the disbursement must be made during the current payment period (34 CFR 668.164(b)(1)). For purposes of testing Title IV deadlines or timeframes, "days" refers to calendar days unless the requirement specifies "business days."

An Institution must define the payment period for each program. There are three types of payment periods that an institution may use—payment periods that measure progress in credit hours and use standard terms; payment periods that measure progress in credit hours and use non-standard terms; and payment periods that measure progress in credit hours and do not have academic terms or for a program that measures progress in clock hours (34 CFR 668.4 Payment period). An institution may make early or late disbursements under limited circumstances provided for at 34 CFR 668.164 sections (i), (j), and (k).

A standard or non-standard program can also be a subscription-based program. A subscription-based program is a standard or nonstandard term program in which the institution charges a student for each term on a subscription basis with the expectation that the student will complete a specified number of credit hours (or the equivalent) during that term. However, classes in a subscription-based program are not required to begin or end within a specific timeframe in each term. Students must complete a cumulative number of credit hours (or the equivalent) during or following the end of each term before receiving subsequent disbursements of title IV, HEA program funds. An institution establishes an enrollment status (for example, full-time or half-time) that will apply to a student throughout the student's enrollment in the program, except that a student may change his or her enrollment status no more often than once per academic year.

Except for the fact that classes are not required to start and end within a term, the rules and requirements for term-based programs that are not subscription-based also apply to subscription-based programs. For more information about subscription-based programs, please see the FSA Handbook, Volume 3.

An institution may credit a student's ledger for only allowable costs and, unless on the reimbursement or Heightened Cash Monitoring 1 or 2 payment method, with the student or parent's authorization, retain a credit balance for each disbursement. An institution on the reimbursement or Heightened Cash Monitoring 1 or 2 payment method must disburse credit balances to students whether or not the institution has an authorization to hold the credit balance and must disburse the credit balance to the student prior to requesting funds from ED.

Note: Due to COVID-19, IHEs that are on HCM1 under section 668.162(d)(1), the secretary temporarily modified the cash management requirements to permit those institutions to submit a request for funds without first paying the credit balances due to the students for whom those funds were requested. This flexibility extends through the end of the payment period that begins after the date on which the federally declared national emergency related to COVID-19 is rescinded.

- a. The payment period for a student enrolled in an eligible program that measures progress in credit hours and has standard academic terms (semesters, trimesters, or quarters), or has non-standard terms that are substantially equal in length, is the academic term (34 CFR 668.4(a)). (Non-standard terms are substantially equal in length if no term is more than two weeks of instructional time longer than any other term (34 CFR 668.4(h)).
- b. The payment period for a student enrolled in an eligible program that measures progress in credit hours and uses non-standard terms that are not substantially equal in length is as follows (34 CFR 668.4(b)):
 - (1) For Pell Grant, IASG, FSEOG, and TEACH Grants, the payment period is the academic term.
 - (2) For Direct Loans,
 - (a) If the program is one academic year or less in length (i) the first payment period is the period of time in which the student successfully completes half the number of credit hours in the program and half the number of weeks of instructional time in the program, and (ii) the second payment period is the period of time in which the student completes the program.
 - (b) If the program is more than one academic year in length—
 - (i) For the first academic year and any subsequent full academic year:

- (A) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the academic year and half the number of weeks of instructional time in the academic year; and
 - (B) The second payment period is the period of time in which the student completes the academic year.
- (ii) For any remaining portion of an eligible program that is more than half, but less than a full, academic year in length:
- (A) The first payment period is the period of time in which the student successfully completes half the number of credit hours in the remaining portion of the program and half the number of weeks of instructional time in the remaining portion of the program; and
 - (B) The second payment period is the period of time in which the student successfully completes the remainder of the program.

Please note: for a remaining portion to be more than half of an academic year, both measurements (hours and weeks) must exceed half of the institution's academic year definition.

- (iii) For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program. In order for a remaining portion to be more than half of an academic year, both measurements (hours and weeks) must exceed half of the institution's academic year definition. If only one measurement (or neither) exceed half of the institution's academic year definition, the remaining portion is the final payment period.
- c. The payment period for a student enrolled in an eligible program that measures progress in credit hours and does not have academic terms or for a program that measures progress in clock hours (34 CFR 668.4(c)):
- (1) If the program is one academic year or less in length (a) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the program and half the number of weeks instructional time in the program; and (b) the second payment period is the period of time in which the student successfully completes the program.

- (2) If the program is more than one academic year in length—
- (a) For the first academic year and any subsequent full academic year (i) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the academic year and half the number of weeks of instructional time in the academic year, and (ii) the second payment period is the period of time in which the student successfully completes the academic year.
 - (b) For any remaining portion of an eligible program that is more than half (both measurements of hours and weeks exceed the institution's academic year definition) but less than a full academic year in length (i) the first payment period is the period of time in which the student successfully completes half the number of credit or clock hours in the remaining portion of the program and half the number of weeks of instructional time in the remaining portion of the program, and (ii) the second payment period is the period of time in which the student successfully completes the remainder of the program.
 - (c) For any remaining portion of an eligible program that is not more than half an academic year (only one or neither measurement of hours and weeks exceed the institution's academic year definition), the final payment period is the remainder of the program.

If an institution is unable to determine when a student has successfully completed half of the credit hours in a program, academic year, or remainder of a program, the student is considered to begin the second payment period of the program, academic year, or remainder of a program at the later of (i) the date the institution determines the student has completed half of the academic coursework in the program, academic year, or remainder of the program; or (ii) half the number of weeks of instructional time in the program, academic year, or remainder of the program (34 CFR 668.4(c)(3)).

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

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

Timing and Appropriateness of Disbursements

As described in 34 C.F.R. § 668.164(c), institutions may credit (charge) a student's ledger account with Title IV funds to pay for allowable charges associated with the payment period and prior year charges of not more than \$200, in accordance with the timeframes described below. A prior year is any loan period or award year prior to the current loan period or award year, as applicable. Institutions may include the cost of books and supplies as allowable charges, provided that the requirements in 34 C.F.R. § 668.164(c)(2) are met.

Except as discussed below, the earliest an institution may disburse SFA funds (other than FWS) (either by paying the student directly or crediting the student's account) is:

- For students enrolled in credit-hour programs with terms that are substantially equal in length (excluding subscription-based programs), 10 days before the first day of classes of the payment period or module for which the disbursement is intended (34 CFR 668.164(i)(1)(i)).
- For students enrolled in credit-hour programs with terms that are not substantially equal in length (excluding subscription-based programs), non-term credit-hour programs, or clock-hour programs, the later of:
 - 10 days before the first day of classes of a payment period, or
 - The date the student completed the previous payment period for which they received Title IV funds.
- For students enrolled in subscription-based programs, the later of:
 - 10 days before the first day of classes of a payment period, or
 - The date the student completed the cumulative number of credit hours associated with the student's enrollment status in all prior terms that the student attended under the definition of a subscription-based program in 34 CFR 668.2.

If an institution credits a student's account with its own funds (i.e., funds not drawn down from ED) earlier than 10 days before the first day of classes, ED considers that the institution made that disbursement on the tenth day before the first day of classes (34 CFR 668.164(a)(2)(ii)).

There are exceptions to this 10-day rule for Direct Loans and FWS:

- An institution may not make a disbursement of a Direct Loan to a first-year undergraduate who is a first-time borrower until 30 days after the first day of classes of the payment period (34 CFR 668.164(i)(2)(i) and 34 CFR 685.303(b)(5)). However, an institution is not subject to this delayed disbursement requirement for first-year, first-time borrowers if:

- The institution has a cohort default rate of less than 15 percent for each of the three most recent fiscal years for which data are available does not have to wait the 30 days, or
- The institution is an eligible home institution originating a loan to cover the student's cost of attendance in a study-abroad program and has a cohort default rate of less than 5 percent for the single most recent fiscal year for which data are available does not have to wait the 30 days (34 CFR 685.303(b)(5)(i)(A) and (B)).

If an institution credits the account of a student who is subject to the 30-day delayed disbursement requirement for Direct Loans with its own funds (i.e., funds not drawn down from ED) earlier than 30 days before the first day after the beginning of the payment period, ED considers that the institution made that disbursement on the 30th day after the beginning of the payment period (34 CFR 668.164(a)(2)(i)).

- An institution may not compensate a student employed under the FWS program until the student earns that compensation (34 CFR 675.16(a)(5)).

Notification of Disbursements

Prior to making a disbursement, the school must notify students of the amount and type of Title IV funds they are expected to receive, and how and when those disbursements will be made (often referred to as an award letter or college financing plan) (34 CFR 668.165(a)(1)).

Additionally, when Direct Loans or TEACH funds are being credited to a student's account, the institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement (a minimum of 14 or 30 days depending on confirmation process). The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR 668.165). Institutions that implement an affirmative confirmation process (as described in 34 CFR 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan or TEACH Grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than seven days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.

Credit Balances

When Title IV funds are credited to a student account and they exceed the amount of tuition and fees, room and board, and other authorized charges assessed the student, a credit balance is created. The institution must pay the resulting credit balance directly to the student or parent borrower within 14 days after (1) the first day of class of a payment period if the credit balance occurred on or before that day, or (2) the balance occurred if that was after the first day of class.

An institution is permitted to hold credit balances if it obtains a voluntary authorization from the student. Regardless of any authorization obtained by the institution, the institution must pay any remaining loan balance by the end of the loan period and any other remaining Title IV funds by the end of the last payment period in the award year for which the funds were awarded.

Institutions on reimbursement or heightened cash monitoring payment methods generally cannot maintain credit balances, even with written authorization. However, because of the COVID-19 pandemic, ED temporarily permitted institutions on the HCM1 payment method to submit a request for funds without first paying credit balances due. This flexibility goes through the end of the payment period that begins after the date that the COVID-19 national emergency ends.

Returning Funds After 240 Days

Note: As outlined under 34 CFR 668.164(1), an institution must have a process that ensures SFA funds never escheat to a state or revert to the institution or any other third party. A failure to have such a process in place would call into question an institution's administrative capability, its fiscal responsibility, and its system of internal controls required under the FSA regulations.

Pell

To disburse Pell funds, the institution must have received a valid ISIR from the central processor by the earlier of the student's last date of enrollment or the deadline date established by the secretary in a notice published in the *Federal Register* (the deadline date is normally in the month of September following the end of the award year). Late disbursements of Pell for students that are now ineligible (e.g., no longer enrolled) are allowed if, before the date the student became ineligible, an ISIR or SAR was processed that contained an official EFC. The institution has discretion in disbursing funds within a payment period, but generally must disburse the full amount before the end of the payment period.

When making a late disbursement or retroactive payment of Pell for a completed period, an institution determines a student's enrollment status for the completed period based only on the hours completed by the student for that period (34 CFR 690.76(b)).

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

IASG

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

TEACH Grant

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

When making a late disbursement or retroactive payment of TEACH Grant funds for a previously completed period, an institution determines a student's enrollment status for the completed period based only on the hours completed by the student for that period (34 CFR 686.33(b)).

Direct Loan

Except in the case of an allowable late disbursement (34 CFR 685.303(d)), before disbursing the loan proceeds, the institution must determine that the student maintained continuous eligibility from the beginning of the loan period. In order for an institution to disburse Direct Loan funds to a student, the student must generally be enrolled at least half-time as a regular student. However, a student may be eligible to receive Direct Loan funds if the student is enrolled at least half-time in preparatory coursework for no longer than a 12-month consecutive period under 668.32(a)(1)(ii) and 685.203(a)(6). Students may also be eligible for Direct Loan funds if they are enrolled at least half-time in teacher certification coursework under 34 CFR 685.203(a)(7).

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

FWS

The student's wages are earned when the work is performed. The institution shall ensure that the student is paid at least once per month. The federal share must be paid by check

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

HHS Programs

HPSL/PCL/LDS and NSL

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

Nurse Faculty Loan Program (NFLP) (Assistance Listing 93.264)

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

Audit Objectives Determine if the institution (1) followed ED requirements for timing and appropriateness of disbursements, (2) made appropriate and timely disbursement notifications, (3) complied with requirements for returning credit balances, and (4) returned to ED funds that it attempted to disburse after 240 days.

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

Suggested Audit Procedures

For ED programs

- a. For a sample of student disbursements, identify the student's payment period and each disbursement date. Ascertain if the disbursement was made in accordance with the disbursement timing requirements and if the amount credited (charged)

to student ledger accounts complied with the requirements for allowable current year and prior year charges.

- b. For the disbursements selected in step a., determine whether the institution provided notification to the student of the amount and type of Title IV funds they are expected to receive and how and when those disbursements will be made.
- c. For Direct Loan or TEACH grant disbursements selected in step a., determine if the institution provided timely notification to the student of the (1) the date and amount of the disbursement; (2) the student/parent's right to cancel; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel.
- d. For the disbursements selected in step a., that created a credit balance, determine if the credit balance was paid to the student or parent borrower (1) within 14 days or (2) if the institution obtained an authorization to hold credit balances and was not on the reimbursement or heightened cash monitoring payment methods (except for HCM1 institutions for the period covered by the COVID-19 flexibilities), by the end of the loan period or last payment period in the award year for which the funds were awarded.

For HHS Programs

- e. Review loan or other files to verify that the institution performed required procedures and obtained required documents prior to disbursing funds.

3. Using a Servicer or Financial Institution to Deliver Title IV Credit Balances to a Card or Other Access Device

Compliance Requirements: An institution may enter into an arrangement with a servicer or a financial institution to make a direct payment of FSA credit balances to students through electronic funds transfer to a bank account designated by a student or parent, to issue a check payment to the student or to use an access device such as a debit, demand, or smart card provided by the servicer or its financial partner.

Regulations at 34 CFR 668.164(e) and (f) establish two different types of arrangements between schools and financial account providers: Tier One arrangements and Tier Two arrangements. The type of arrangement determines the provisions that are applicable to the school.

Tier One Arrangement

A Tier One arrangement is an arrangement between a school and a third-party servicer, under which the servicer performs one or more of the functions associated with processing direct payments of Title IV funds on behalf of the school, and the school or third-party servicer makes payments to one of the following:

- One or more financial accounts that are offered to students under the contract;
- A financial account where information about the account is communicated directly to students by the third-party servicer, or the school on behalf of or in conjunction with the third-party servicer; or
- A financial account where information about the account is communicated directly to students by an entity contracted or affiliated with the third-party servicer. (34 CFR 668.164(e)(1)).

Examples of functions associated with processing direct payments of Title IV funds on behalf of the school include: receiving Title IV funds; posting Title IV funds to student accounts; calculating a student's Title IV credit balance; processing documents for direct payment to students; and disbursing or delivering FSA funds.

Tier Two Arrangement

A Tier Two arrangement is an arrangement between a school and a financial institution, or entity that offers financial accounts through a financial institution, under which financial accounts are offered and marketed directly to students (34 CFR 668.164(f)(1)). ED considers that a financial account is marketed directly if: (a) the school communicates information directly to its students about the financial account and how it may be opened; (b) the financial account or access device is cobranded with the school's name, logo, mascot, or other affiliation and is marketed principally to students at the institution; or (c) a card or tool that is provided to the student for school purposes, such as a student ID card, is validated, enabling the student to use the device to access a financial account (34 CFR 668.164(f)(3)).

The requirements applicable to schools with Tier Two arrangements differ depending on whether the school meets certain thresholds. If, in the school's prior three award years, the school had an average 500 or more students, or an average of 5 percent or more of its enrollment, receiving credit balances, then the school must comply with additional provisions (34 CFR 668.164(f)(2)(i) and (ii)).

Required Disclosures

A school must disclose conspicuously on its Web site the contract(s) establishing the Tier One or Tier Two arrangement, except for any portions that, if disclosed, would compromise personal privacy, proprietary information technology, or the security of information technology or of physical facilities (34 CFR 668.164(e)(2)(vi) and 668.164(f)(4)(iii)).

Schools with Tier One arrangements or Tier Two arrangements above the threshold must also disclose on their Web site: (a) the total consideration for the year, monetary and non-monetary, paid or received by the parties under the terms of the contract; (b) for any year in which the school's enrolled students open 30 or more financial accounts under the arrangement, (i) the number of students who had financial accounts under the contract at

any time during the most recently completed award year, and (ii) the mean and median of the actual costs incurred by those account holders. This disclosure must be updated within 60 days after the end of each award year.

A school must also provide to ED an up-to-date URL for the contract for publication in a centralized database accessible to the public. Unless the school has a Tier Two arrangement under the threshold, the URL must also include the contract data described in the paragraph above (34 CFR 668.164(e)(2)(viii); 668.164(f)(4)(iii)(B); 668.164(f)(4)(v)).

For additional details, see [Electronic Announcement Dated July 1, 2016](#); Cash Management Electronic Announcement #2: Posting Contract Information and Providing Contract URL to the Department of Education and [Electronic Announcement Dated June 16, 2017](#); Cash Management Electronic Announcement #7: Tier One and Tier Two Contract Data Reporting Format

Other Requirements of Tier One and Tier Two Arrangements

Schools have a series of obligations to ensure that students are protected when they enter into a Tier One or Tier Two arrangement:

- *Student Choice*: All Tier One and Tier Two schools must establish a selection process under which the student chooses one of several options for receiving payments by electronic funds transfer. (34 CFR 668.164(d)(4)(i))
- *Student Consent*: All Tier One and Tier Two schools must ensure that the student's consent to open the financial account is obtained before an access device, or any representation of an access device, is sent to the student, except that a school may send the student an access device that is a card provided to the student for school purposes, such as a student ID card, so long as the school or financial institution obtains the student's consent before validating the device to enable the student to access the financial account (34 CFR 668.164(e)(2)(i) and 668.164(f)(4)(i)(B)).
- *Terms and Conditions*: All Tier One and Tier Two schools must inform the student of the terms and conditions of the financial account before the financial account is opened (34 CFR 668.164(e)(2)(iii) and (f)(4)(ii)).
- *Credit Cards and Extending Credit*: All Tier One and Tier Two schools must ensure that financial accounts are not marketed or portrayed as, or converted into, credit cards. (34 CFR 668.164(e)(2)(v) and (f)(4)(vii)). Tier One schools must also ensure that no credit is extended or associated with the financial account (34 CFR 668.164(e)(2)(v)(B)).
- *Student Costs*: All Tier One and Tier Two schools must ensure that the student does not incur any cost for opening the financial account or initially receiving an access device. (34 CFR 668.164(e)(2)(iv)(B)(1) and (f)(4)(x)). Tier One schools

must also ensure that the student does not incur costs for conducting point-of-sale transactions in a State or conducting a balance inquiry or withdrawal of funds at an ATM in a State that belongs to the surcharge-free regional or national network (34 CFR 668.164(e)(2)(iv)(B)). Tier One schools must also ensure no fee is charged to the student for any transaction or withdrawal that exceeds the balance in the financial account or on the access device, except that a transaction or withdrawal that exceeds the balance may be permitted only for an inadvertently authorized overdraft, so long as no fee is charged to the student for such inadvertently authorized overdraft (34 CFR 668.164(e)(2)(v)(B)).

- *Student Access:* Tier One schools and any Tier Two schools above the threshold must ensure that the student has access to the funds in the financial account through a surcharge-free Automated Teller Machines (ATMs) sufficient in number and housed and serviced such that Title IV funds are reasonably available to students, including at the times the school or its third-party servicer makes direct payments into them (34 CFR 164(e)(2)(iv)(A) and (f)(4)(vi)). Tier One schools must also ensure that the student is provided convenient access to funds in part and in full up to the account balance via domestic withdrawals and transfers without charge, during the student's entire period of enrollment following the date that such title IV, HEA program funds are deposited or transferred to the financial account (34 CFR 668.164(e)(2)(v)(C)).
- *Best Financial Interest of Students:* Tier One schools and any Tier Two schools above the threshold must ensure that the terms of the accounts offered pursuant to the arrangement are not inconsistent with the best financial interests of the students opening them. ED considers this requirement to be met if (a) the school documents that it conducts reasonable due diligence reviews at least every two years to ascertain whether the fees imposed under the arrangement are, considered as a whole, consistent with or below prevailing market rates; and (b) all contracts for the marketing or offering of accounts pursuant to the arrangement to the school's students make provision for termination of the arrangement by the school based on (i) complaints received from students or (ii) a determination by the school that the fees assessed under the arrangement are not consistent with or are higher than prevailing market rates. (34 CFR 164(e)(2)(ix and (f)(4)(vii)).

These schools must take affirmative steps, by way of contractual arrangements with the third-party servicer as necessary, to ensure that requirements for these arrangements are met with respect to all accounts offered pursuant to the arrangement (34 CFR 668.164(e)(2)(x) and (f)(4)(ix)).

Additional guidance on Tier One and Tier Two arrangements can be found in Dear Colleague Letter [GEN-22-14](#); Volume 4, Chapter 2 of the FSA Handbook; and the [Cash Management Q&A](#).

Audit Objective: Determine if the institution uses a servicer or a financial institution to deliver Title IV credit balance refunds (or to make direct payments of FSA credit balances) and if the institution is following applicable ED requirements.

Suggested Audit Procedures

- a. For any arrangements that the institution has with an outside entity to make direct payments of Title IV credit balances by EFT, obtain the full contract (including all attachments, appendices, affiliation agreements, and addendums) and any promotional material provided by the entity to the school and to students and parents. Determine whether the arrangement is a Tier One Arrangement or a Tier Two Arrangement. *Note: As you are reviewing these records, you should be alert to evidence that the entity is performing functions associated with processing direct payments, which would be indicative of a Tier One Arrangement, especially the following functions provided by ED as examples: receiving Title IV funds; posting Title IV funds to student accounts; calculating a student's Title IV credit balance; processing documents for direct payment to students; and disbursing or delivering FSA funds.* If the entity is not associated with processing direct payments of Title IV funds on behalf of the institution and a Tier Two arrangement exists, obtain information about the population of students receiving credit balances in the prior three award years and determine whether the institution was below or above the credit balance threshold.
- b. For institutions with any Tier One or Tier Two arrangement, (1) determine whether the school established a selection process under which the student chooses an option for receiving payments by electronic funds transfer; (2) for sample of students for whom a financial account under the arrangement was opened, determine whether the school informed the student of the terms and conditions of the financial account and obtained the student's consent to open the financial account; (3) through review of the contract between the school and servicer determine that (a) the financial account or access device is not marketed or portrayed as, or converted into, a credit card and (b) the student would not incur costs for opening the account or receiving the access device; (4) determine whether the school contract(s) establishing the arrangement between the school and financial account provider exist on the school's website; and (5) obtain documentation to determine if the school provided a URL for the contract to ED for publication in the Cash Management Contracts Database. (You may check the database directly at [Cash Management Contracts | Federal Student Aid](#))
- c. For institutions with any Tier One arrangement or a Tier Two arrangement above the threshold, (1) through review of the contract between the school and servicer, (a) determine that students would have access to the funds through surcharge-free ATMs, including at the times payments are made; and (b) determine that the contracts make provisions for termination of the arrangement by the school based on i) complaints received from students or ii) a determination by the school that the fees assessed under the arrangement are not consistent with or are higher than prevailing market rates; (2) through review of the latest due diligence review, determine that the school is performing such reviews at least every two years to ascertain whether the fees imposed under the arrangement are consistent with or below prevailing market rates; (3) determine whether all required cost information

related to the arrangement existed on the school's website and that the cost information was updated within 60 days after the end of each award year; and (4) obtain documentation to determine if the school provided a URL for the cost information to ED for publication in the Cash Management Contracts Database. (You may check the database directly at [Cash Management Contracts | Federal Student Aid](#))

- d. For institutions with any Tier One arrangement, through review of the contract between the school and servicer, determine that the student (1) would not be extended any credit with the financial account; (2) would not incur costs for conducting point-of-sale transactions and balance inquiries, or as overdraft fees; and (3) would be provided access to funds up to the account balance without charge during the student's entire period of enrollment.

4. Return of Title IV Funds

SFA - Title IV Programs

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

A student is considered to have withdrawn from a payment period or period of enrollment (34 CFR 668.22(a)(2)) if the student does not meet one of the withdrawal exemptions and:

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

- For a student in a subscription-based or a non-term program, the student is unable to resume attendance within a payment period or period of enrollment for more than 60 days after ceasing attendance, unless the student is on approved leave of absence.

Under the September 2, 2020, final regulations, ED revised the definition of a program “offered in modules” for Title IV purposes to only include a program that uses a standard term or nonstandard-term academic calendar, is not a subscription-based program, and has a course or courses in the program that do not span the entire length of the payment period or period of enrollment (34 CFR 668.22(1)). A student is not considered to have withdrawn from a program offered in modules if the institution obtains written confirmation from the student, at the time that otherwise would have been a withdrawal, of the date that he or she will attend a module that begins later in the same payment period or period of enrollment and, for standard and non-standard-term programs offered in modules, excluding subscription-based programs, that module begins no later than 45 calendar days after the end of the module the student ceased attending.

For a subscription-based program, a student is not considered to have withdrawn if the institution obtains written confirmation from the student at the time that otherwise would have been a withdrawal, of the date that he or she will resume attendance, and that date occurs within the same payment period or period of enrollment and is no later than 60 calendar days after the student ceased attendance.

For a non-term program, a student is not considered to have withdrawn if the institution obtains written confirmation from the student at the time that otherwise would have been a withdrawal, of the date that he or she will resume attendance, and that date is no later than 60 calendar days after the student ceased attendance.

If the institution obtains the written confirmation, but the student does not return as scheduled, the student is considered to have withdrawn. The student’s withdrawal date and the total number of calendar days in the payment period or period of enrollment are the date and days that would have applied had the student not provided written confirmation of future attendance (34 CFR 668.22(a)(2)(ii)(C)).

R2T4 Withdrawal Exemptions

Under 34 CFR 668.22(a)(2)(ii)(A), ED established withdrawal exemption criteria which, if met, allows a student who has withdrawn or otherwise ceased attendance to not be considered a withdrawn student for Title IV purposes, which means that no R2T4 calculation is necessary for that student. Prior to conducting an R2T4 calculation for a student who has ceased attendance during a payment period or period of enrollment, an institution should review the student’s circumstances to see if the student qualifies for any of the R2T4 withdrawal exemptions.

The withdrawal exemption categories are as follows:

- a. Withdrawal exemption for graduates/completers

- A student who completes all the requirements for graduation from his or her program before completing the days or hours in the period that he or she was scheduled to complete is not considered to have withdrawn

Note: Institutions with clock-hour programs in which a student graduates without successfully completing all of the established hours in the program must re-prorate the amount of Title IV aid and only pay the student for the hours successfully completed. See the 2022–2023 *FSA Handbook*, Volume 3 for more information and examples.

- b. Withdrawal exemptions for programs offered in modules
- (1) A student is not considered to have withdrawn if the student successfully completes one module that includes 49 percent or more of the number of days in the payment period, excluding scheduled breaks of five or more consecutive days and all days between modules
 - (2) A student is not considered to have withdrawn if the student successfully completes a combination of modules that when combined contain 49 percent or more of the number of days in the payment period, excluding scheduled breaks of five or more consecutive days and all days between modules
 - (3) A student is not considered to have withdrawn if the student successfully completes coursework equal to or greater than the coursework required for the institution's definition of a half-time student under section 668.2 for the payment period

For additional information and examples regarding withdrawal exemptions, please see the 2022–2023 *FSA Handbook*, Volume 5, Chapter 1.

Post-withdrawal Disbursements

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

Post-withdrawal disbursements of loan funds may be credited to the student's account if current-year outstanding charges exist on the student's account, up to the amount of the

current-year outstanding charges only after obtaining confirmation from the student, or parent in the case of a parent PLUS loan, that he or she still wishes to have some or all of the loan funds disbursed.

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

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

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

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

Withdrawal Date

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

- a. The institution is required to take attendance for some or all of its students by an entity outside of the institution (such as the institution's accrediting agency or state agency);

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

Note: As provided in the [Department's Program Integrity Q&As for Return of Title IV Funds](#), the monitoring of whether online students log into classes does not by itself result in an institution being an institution that is required to take attendance for Title IV, HEA program purposes because monitoring logins alone is not monitoring academic engagement (as defined under 34 CFR 600.2). However, an institution that collects and maintains information about students' online activities for the purpose of tracking academic engagement is considered to be an institution that is required to take attendance for programs involving such tracking if that tracking:

- (1) Involves monitoring student attendance in a synchronous class, lecture, recitation, or field or laboratory activity, physically or online via a distance education platform, where there is an opportunity for interaction between the instructor and students; or
- (2) Is used to administratively withdraw students or to enforce an institutional attendance policy.

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

Title IV funds may be expended only towards the education of the students who can be proven to have been in attendance at the institution. In a distance education context, documenting that a student has logged into an online distance education platform or system is not sufficient, by itself, to demonstrate attendance by the student. To avoid returning all funds for a student that did not begin attendance, an institution must be able to document "attendance at any class." To qualify as a last date of attendance for Return

of Title IV purposes, an institution must demonstrate that a student participated in class or was otherwise engaged in an academically related activity, such as by contributing to an online discussion or initiating contact with a faculty member to ask a course-related question.

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

Calculation of the Amount of Title IV Assistance Earned

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

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

Use of Payment Period or Period of Enrollment

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

Percentage of Payment Period or Period of Enrollment Completed

The percentage of the payment period completed or period of enrollment completed is determined in the case of a program that is measured in (1) credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date; or (2) clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date. The total number of calendar days in a payment or enrollment period includes all days within the period, except that institutionally scheduled breaks of at least five consecutive calendar days (including module programs that a student is not required to attend for five consecutive calendar days) and days in which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period (34 CFR 668.22(f)).

The September 2, 2020, final regulations added a definition of the number of days a student was scheduled to complete in a module by indicating under 34 CFR 668.22(1)(9) that a student in a program offered in modules is scheduled to complete the days in a module if the student's coursework in that module was used to determine the amount of the student's eligibility for title IV, HEA funds for the payment period or period of enrollment.

When a student enrolls in a module during a payment period or period of enrollment, the student is considered to be enrolled in a program offered in modules and the institution must determine the number of days in the denominator of the R2T4 calculation based on whether the coursework, including full-term courses, was used to determine the amount of eligibility for Title IV aid. This determination will depend on several factors:

- Whether the institution uses an R2T4 Freeze Date;
- The Title IV programs for which the student was eligible; and
- Which modules/courses the student attended during the period.

An R2T4 Freeze Date is an optional (not required) policy that uses the student's enrollment schedule at a fixed calendar point to determine the number of days the student is scheduled to attend during the period for R2T4 purposes. If the institution uses an R2T4 Freeze Date, the days in a module/course are included in the R2T4 calculation if the student attends the module/course or is enrolled in the module/course on the R2T4 Freeze Date, regardless of the types of Title IV aid awarded.

Institutions that choose to not establish an R2T4 Freeze Date will monitor changes in the student's enrollment throughout the period and which module/course days to include in the R2T4 calculation will, in part, depend on the type of Title IV aid awarded.

If the student is only eligible for Pell Grant, Iraq-Afghanistan Service Grant, and/or TEACH Grant funds during the period and the institution does not use an R2T4 Freeze Date, the days in a module/course must be included in the denominator of the R2T4 calculation only if the student actually attends the module/course.

If the student is eligible for Direct Loan or FSEOG funds during the period (regardless of eligibility for other Title IV programs) and does not use an R2T4 Freeze Date, the days in a module/course must be included in the R2T4 calculation if the student was enrolled in the module/course on the first day of the period or enrolled in the module/course at any time during the period.

For additional information, please review the 2022–2023 *FSA Handbook*, Volume 5, Chapter 2.

Institution's Return of Unearned Aid

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

CARES Act R2T4 Waiver and Reporting

Note: Section 3508 of the CARES Act waives Return of Title IV Funds (R2T4) requirements for students whose withdrawals were related to the novel coronavirus disease (COVID-19). The CARES Act also provides that, for those students: (1) Direct Loan and TEACH Grant funds received for the period will be cancelled (Sec. 3508); (2) The period will not count toward the student’s Subsidized Loan usage for purposes of the 150 percent Direct Subsidized Loan Limit (Sec. 3506); and (3) Pell Grant funds received for the period will be excluded from the student’s Lifetime Eligibility Used (Sec. 3507).

Note: The *FAFSA Simplification Act* eliminated the Subsidized Loan usage requirements for all loans that were first disbursed on or after July 1, 2021.

These waivers apply to payment periods that include March 13, 2020, through the last date of the COVID-19 national emergency. For institutions basing R2T4 calculations on a period of enrollment, the waiver may apply to a student who begins attendance in a payment period that includes the last date that the national emergency is in effect and withdraws after the conclusion of that payment period but within the applicable period of

enrollment. (See Electronic Announcement 2020-05-15 UPDATED Guidance for interruptions of study related to Coronavirus (COVID-19) (Updated June 16, 2020)

For COVID-19 related guidance, including waivers and exemptions to Title IV rules, please see the following webpages:

- The Department of Education’s COVID-19 Information and Resources for Schools and School Personnel: <https://www.ed.gov/coronavirus/program-information>
- Office of Postsecondary Education COVID-19 Title IV FAQ: <https://www2.ed.gov/about/offices/list/ope/covid19faq.html>

The CARES Act requires institutions to report to ED information specific to each student for whom it was not required to return Title IV funds under the waiver exception (and for each student for which Title IV funds were previously returned and are now being redrawn). The law also requires institutions to report to ED the total amount of Title IV grant or loan assistance that was not returned as a result of the CARES Act provisions.

To implement this CARES Act relief for each student who withdraws as a result of the COVID-19 national emergency, ED requires the institution to:

- a. Use the Coronavirus Indicator checkbox in the COD System to indicate that an aid recipient’s actual disbursement(s) qualifies for Direct Loan cancellation (and the exclusion from the Direct Loan annual limits and Subsidized Loan usage calculations), or the exclusion from Pell Grant LEU calculations and TEACH Grant award limits.
- b. Report the amount of SFA funds not returned under Section 3508 of the CARES Act, either by adding a Coronavirus Indicator to calculations using the R2T4 Tool for each withdrawn student who qualifies for CARES Act relief, or by reporting the total amount of funds not returned at the institution level. Both of these types of reporting are performed in the COD System. The COD System allows institutions to produce a report that lists all the disbursements that have been marked with the Coronavirus Indicator. Additional information can be found at [092320CODSystemImpInfoAddCODSysChangesSupCARESActPhaseTwoAttac h.pdf \(ed.gov\)](#). That report 1) identifies students who have been flagged as qualifying for CARES Act relief and 2) ensures that none of those funds were returned. Additional information and examples of how to identify students who have withdrawn due to COVID-19 can be found in an [Electronic Announcement published on March 19, 2021](#).

Student’s Return of Unearned Aid

The amount a student is responsible for returning is calculated by subtracting the amount of unearned aid that the institution is required to return from the total amount of unearned Title IV assistance to be returned. However, the student need only return 50 percent of

the total grant assistance that was disbursed (and that could have been disbursed) for the payment period or period of enrollment. After the 50 percent rule is applied, a student does not have to return an overpayment amount of \$50 or less.

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

Allocation of Return of Title IV Funds

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

- a. Unsubsidized Federal Direct Stafford Loans
- b. Subsidized Federal Direct Stafford Loans
- c. Federal Direct PLUS
- d. Federal Pell Grant
- e. Iraq and Afghanistan Service Grant
- f. Federal Supplemental Educational Opportunity Grants
- g. Teacher Education Assistance for College and Higher Education Grants

Timing of Return of Title IV Funds

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

An institution that is not required to take attendance must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (34 CFR 668.22(j)). The institution must also notify the recipient of Title IV loans returned (34 CFR 685.306(a)(2)).

Compliance Requirements Applicable for a Student Who Does Not Begin Attendance When a recipient of Title IV grant or loan assistance does not begin

attendance at an institution during a payment period or period of enrollment, all disbursed Title IV grant and loan funds must be returned. The institution must determine which Title IV funds it must return or if it has to notify the lender or the secretary to issue a final demand letter (34 CFR 668.21).

Not beginning attendance

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

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

If a student does not begin attendance, the institution must return all FSEOG, TEACH Grants, Pell Grant, and IASG program funds that were credited to the student's account or disbursed directly to the student for that payment period or period of enrollment (34 CFR 668.21(a)(1)).

Direct Loan Funds

The institution must return all Direct Loan funds that were

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

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

Note: Under the HEROES Act waivers outlined in the December 11, 2020 Federal Register, ED waived the requirement for institutions to notify the Direct Loan servicer where Direct Loan funds for living expenses are paid directly to a student who does not begin attendance. This COVID-19 waiver is applicable through the end of the payment period that begins after the date on which the federally declared national emergency related to COVID-19 is rescinded.

Deadline for return of funds by the institution

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

Timely return of funds by the institution

An institution returns Title IV funds timely if:

- a. The institution deposits or transfers the funds into the bank account it maintains under 34 CFR 668.163 as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;
- b. The institution initiates an EFT as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;
- c. The institution initiates an electronic transaction, as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance, that informs the lender to adjust the borrower's loan account for the amount returned; or
- d. The institution issues a check as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; an institution does not satisfy this requirement if
 - (1) The institution's records show that the check was issued more than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; or
 - (2) The date on the cancelled check shows that the bank used by the secretary endorsed that check more than 45 days after the date that the institution becomes aware that the student will not or has not begun attendance (34 CFR 668.21(d)).

Audit Objectives Determine if the institution—

Accurately calculated return of Title IV funds for withdrawn students who began attendance, allocated the return of Title IV funds as required, returned Title IV funds timely (unless the student qualified for R2T4 relief under the CARES Act or met one of the R2T4 withdrawal exemptions) , and notified borrowers of returned loans;

Timely returned all Title IV funds when a student did not begin attendance as required;

Followed the requirements for post-withdrawal disbursements as applicable; and

For returns not made due to withdrawals as a result of COVID-19 related circumstances, (a) determined that students qualified for R2T4 relief under the CARES Act and (b) met the reporting requirements for students who qualified for R2T4 relief.

Suggested Audit Procedures

- a. Using a sample of students who ceased attendance during a payment period or period of enrollment (including those who met one of the withdrawal exemptions), dropped, on a leave of absence, never began attendance or terminated during the audit period ascertain if returns of Title IV funds were properly calculated. Obtain and inspect student academic and financial aid files, student ledger accounts, financial records, and, if applicable, attendance records. Ensure that for students enrolled in distance education courses, documented attendance includes academic engagement, not merely logging in to an online platform; when applicable to the determination of last day of attendance (See the discussion under *FSA Handbook*, Volume 5, Chapter 2: Documenting attendance when students are enrolled in distance education courses). From the records determine:
 - (1) If the student's enrollment status is correct (official or unofficial withdrawal or enrolled or graduated only if the student met the requirements for one of the withdrawal exemptions).
 - (2) Whether the calculation is calculated accurately. Calculating return of Title IV funds may be made using the worksheets found in the Appendix to Volume 5 of the *FSA Handbook*.
- b. For instances in the sample tested in procedure a. above where a return of Title IV was required, trace the return of Title IV funds to disbursement and accounting records (including canceled checks to ED and students) to verify that returned Title IV funds were applied to programs in the required order and were timely. Ascertain that within 45 days (or within 30 days for students that never began attendance) of becoming aware that the student had withdrawn, deposits or transfers were made into the federal funds account, electronic transfers were initiated, or checks were issued. When an institution issues a check, the return of Title IV is not timely if the institution's records show that the check was issued more than 45 days after the institution becomes aware that the student withdrew (or more than 30 days for students that never began attendance) or the date on the cancelled check shows that the bank used by ED endorsed the check more than 60 days after the institution becomes aware that the student withdrew (or more than 45 days for students that never began attendance).
- c. For a sample of students who received Title IV assistance, for which no return of Title IV funds were made, review academic and enrollment records (including class attendance records if they are required) to ascertain whether the students sufficiently completed the payment or enrollment period to earn the Title IV funds received (earned 100% of Title IV funds received if completed more than 60% of

the payment period/period of enrollment) or met one of the withdrawal exemptions. When doing this, for students who received all failing and/or all incomplete grades, review records to ascertain whether the students had attended the institution or had attended but withdrawn (unofficial withdrawals). Ensure that for students enrolled in distance education courses, documented attendance includes academic engagement, not merely logging in to an online platform.

- d. For instances in the sample tested in procedure a. above where the student or parent was eligible for a post-withdrawal disbursement, ascertain if appropriate notification of the post-withdrawal disbursement was given to the student or parent. Review evidence of the student or parent's acceptance or rejection of the post-withdrawal disbursement. Determine if the institution followed the student or parent's instructions regarding the post-withdrawal disbursement.
- e. For instances in the sample tested in procedure a. above where the institution did not return Title IV funds due to withdrawals as a result of COVID-19 related circumstances, determine that (a) the student began attendance in a payment period or period of enrollment that includes March 13, 2020, or began between March 13, 2020 and the last date of the national emergency, and (b) qualified for R2T4 relief under the CARES Act (either because the student was enrolled in an affected program or provided a written attestation explaining why the withdrawal was the result of the COVID-19 emergency).
- f. For instances in the sample tested in procedure a. above where the institution did not return Title IV funds due to withdrawals as a result of COVID-19 related circumstances, determine that the institution reported to ED (a) information specific to each student that qualified for the R2T4 relief and, if the institution chose to report the amount of R2T4 relief received under the CARES Act on a student-by-student basis, (b) the total amount of Title IV grant or loan assistance that was not returned for each student as a result of the CARES Act R2T4 relief.

5. Enrollment Reporting

Compliance Requirements Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the NSLDS (*OMB No. 1845-0035*), although FFEL loans are no longer made or a part of the SFA Cluster, a student may have a FFEL loan from previous years that would require enrollment reporting for that student (Pell, 34 CFR 690.83(b)(2); FFEL, 34 CFR 682.610; Direct Loan, 34 CFR 685.309; Perkins 34 CFR 674.19(f)). The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions. Institutions must review, update, and certify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institution's Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment. There are two categories of enrollment information, "Campus Level" and "Program Level,"

both of which need to be reported accurately and have separate record types. The *NSLDS Enrollment Reporting Guide* provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process. The guide can be accessed at https://fsapartners.ed.gov/knowledge-center/library/resource-type/NSLDS%20User%20Resources?nslds_type=NSLDS%20User%20Documentation.

Institutions are responsible for accurately reporting all Campus-Level Record data elements. ED considers the following data elements to be high risk:

- OPEID Number – This is the OPEID for the location that the student is actually attending.
- Enrollment Effective Date – The date that the current enrollment status reported for a student was first effective. (See 4.4.2 of the *NSLDS Enrollment Reporting Guide* for the specific requirements for reporting the Enrollment Effective Date. Also see 4.4.3 of the *NSLDS Enrollment Reporting Guide* for additional guidance on effective dates for Withdrawal versus Graduation and Electronic Announcement titled – *NSLDS Enrollment Reporting – Submission Dates, Effective Dates and Certification Dates*, dated April 20, 2017, for additional information and examples at <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2017-04-20/general-subject-nslds-enrollment-reporting-submission-dates-effective-dates-and-certification-dates>.)
- Enrollment Status – The student’s enrollment status as of the reporting date; full-time (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (G), withdrawn (W), deceased (D), never attended (X) and record not found (Z). (See 4.4.4 of the *NSLDS Enrollment Reporting Guide* for additional guidance on reporting graduated and withdrawn for the Campus-Level Record versus the Program Level Record and 4.4.10 for further guidance on Enrollment Status reporting at the Campus-Level Record and the Program-Level Record.)
- Certification Date – The Date enrollment certified by institution. At a minimum, institutions are required to certify enrollment every 60 days or every other month.

Institutions are responsible for accurately reporting all Program-Level Record data elements. ED considers the following data elements to be high risk:

- OPEID Number – This is the OPEID for the location that the student is actually attending.
- CIP Code – The Classification of Instructional Programs (CIP) is a set of codes that define fields of study. CIP Codes are maintained by ED's National Center for Education Statistics (NCES). They were most recently updated in 2020 and are usually updated every ten years. A listing of current CIP codes is available at: <https://nces.ed.gov/ipeds/cipcode/resources.aspx?y=56>.

- CIP Year – Year for the corresponding CIP code. The CIP Year for the codes currently used by NSLDS is 2020.
- Credential Level – Indicates the level of a credential the student will receive for the program the student is attending, for example undergraduate certificate, associate degree, or bachelor’s degree. (See 4.4.7 of the *NSLDS Enrollment Reporting Guide* for additional guidance on reporting the Credential Level.)
- Published Program Length Measurement – The institution identifies whether the Published Program Length is in days, weeks, or years.
- Published Program Length - Published Program Length should be reported based on the definition of “normal time” to completion in the regulations at 34 CFR 668.41(a), as follows:

If the institution has published, in its catalog, on its website, or in any promotional materials, the length of the program in weeks, months, or years, the program length reported must be the same as the program length that the institution has published.

If the institution has not published a program length and the program is an associate or bachelor’s degree program, the program length to be reported should be two years (associate) or four years (bachelor), respectively, unless the academic design of the program makes it longer or shorter than the typical program length.

For all other programs for which the institution has not published a program length, the program length is based on the institution’s determination of how long, in weeks, months, or years, the program is designed for a full-time student to complete.

(See 4.4.6 of the *NSLDS Enrollment Reporting Guide* for additional guidance.)

- Program Begin Date – The Program Begin Date is the date the student first began attending the program being reported. Typically, this would be the first day of the term in which the student began enrollment in the program, unless the student enrolled in the program on an earlier date. (See 4.4.8 of the *NSLDS Enrollment Reporting Guide* for additional guidance.)
- Program Enrollment Status – The student’s enrollment status as of the reporting date; full-time (F), three-quarter time (Q), half-time (H), less than half-time (L), leave of absence (A), graduated (G), withdrawn (W), deceased (D), never attended (X) and record not found (Z). (See 4.4.4 of the *NSLDS Enrollment Reporting Guide* for additional guidance on reporting graduated and withdrawn for the Campus-Level Record versus the Program Level Record and 4.4.10 for further guidance on Enrollment Status reporting at the Campus-Level Record and the Program-Level Record.)

- Program Enrollment Effective Date – The date when the student's current program status first took effect..

Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG) (*OMB No. 1845-0002*) mailboxes sent by ED via NSLDS. An institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in the data elements for the Campus Record and the Program Record identified above, and submit the changes electronically through the batch method, spreadsheet submittal, or the NSLDS website (Pell, 34 CFR 690.83(b)(2); FFEL, 34 CFR 682.610; Direct Loan, 34 CFR 685.309; Perkins 34 CFR 674.19(f)). (Note: The automated processes and required reporting are described in the *NSLDS Enrollment Reporting Guide*. After the institution sends the Enrollment Reporting Roster Submittal to NSLDS, NSLDS evaluates the Enrollment Reporting Roster Submittal and provides the institution an Error/Acknowledgement file. If errors are identified, institutions have 10 days to correct the errors and resubmit to NSLDS.)

NSLDS will send a Late Enrollment Reporting notification e-mail if no updates are received by batch or online within 22 days after the date the roster was sent to the institution. Institutions that receive a Late Enrollment Reporting notification are not in compliance with the requirement to complete and return the Enrollment Reporting Roster Submittal file within 15 days. However, since institutions are required to complete and return the Enrollment Reporting Roster Submittal within 15 days (not 22 days), the notification email (or lack thereof) should not be used to measure compliance. The Enrollment Submittal File Tracking Report (SCHET1) shows enrollment submittal information based on the processed date, which represents when NSLDS transmitted the Roster or Submittal File (which could be 24–48 hours after a batch is submitted, depending on processing times, online submittals are processed in real time).

When a Direct Loan was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or a student who is enrolled at the institution and who received a loan under Title IV has changed his or her permanent address, the institution must report the change in its next updated Enrollment Reporting Roster file (due within 60 days of the change).

Issues with NSLDS Modernization

As FSA prepared for the retirement of the current NSLDS website and the launch of the enhanced website, FSA temporarily paused data reporting to NSLDS. Batch reporting was accepted until July 19, 2022, and online updates and submittal spreadsheets were accepted until July 20, 2022. Due to issues encountered following the conversion, data reporting and data processing did not resume as scheduled, which impacted institutions' ability to comply with enrollment reporting requirements through at least February 2023.

Institutions were expected to be in compliance with the enrollment reporting requirements for all other periods within their fiscal year. See [Electronic Announcement General-23-04](#) for additional information.

Auditors are not expected to include any enrollment reporting data due from July 19, 2022, through Feb. 28, 2023, in their evaluation of the institution's compliance with the enrollment reporting requirements.

Audit Objectives Determine whether the institution is notifying ED of changes in student enrollment information at the Campus Level and Program Level in a timely and accurate manner, for periods during which the institution was required and able to comply with enrollment reporting requirements.

Suggested Audit Procedures

- a. Identify a population of Pell and Direct Loan students from the institution's records that had a reduction or increase in attendance levels impacting enrollment status, graduated, withdrew, dropped out, or enrolled but never attended during the audit period and for whom the institution was required to report such change in enrollment status from the beginning of the institution's fiscal year up to the last regularly scheduled Enrollment Roster prior to July 19, 2022 and/or from the last regularly scheduled Enrollment Roster after February 28, 2023 up to the fiscal year end. From the population identified, select a sample of students and compare the data in the student's NSLDS Enrollment Detail to the students' academic files and other institutional records and verify that the institution is accurately reporting the significant Campus-Level and Program-Level enrollment data elements that ED considers high risk.
- b. For instances in the sample tested in procedure a. above where a Direct loan was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or a student who is enrolled at the institution and who received a loan under Title IV has changed his or her permanent address, determine whether the institution reported the change in its next updated Enrollment Reporting Roster file.
- c. Have the institution access the NSLDS website and create the Enrollment Submittal File Tracking Report (SCHET1) or access the Enrollment Submittal Tracking Page. For regularly scheduled roster files during the audit period with "Date Sent" prior to July 5, 2022, and/or after February 28, 2023, compare the dates the roster files were sent to the return dates to verify that the institution returned the roster files within 15 days.

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

HHS Programs

Compliance Requirements HPSL/PCL/LDS and NSL loans made prior to November 13, 1998, including accrued interest, are repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10-year repayment period. For HPSL/PCL/LDS loans the repayment period is not less than 10 and not more than 25 years, at the discretion of the institution. For NSL loans after November 13, 1998, the 10-year repayment period may be extended for ten years for any student borrower who, during the repayment period failed to make consecutive payments and who, during the last 12 months of the repayment period, has made at least 12 consecutive payments (42 USC 292r(c) and 297b(b)(8) (Sections 722(c) and 836(b)(8) of PHS Act); Pub. L. No. 105-392, Sections 133(a)(2) and 134(a)(3)). Except as required in 42 CFR 57.210(a), a repayment of a HPSL/PCL/LDS loan must begin one year after the student ceases to be a full-time student. For a NSL loan, repayment must begin nine months after the student ceases to be a full-time or half-time student, except as required in 42 CFR 57.310(a) .

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

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

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

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

Suggested Audit Procedures

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

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

7. Perkins Loan Recordkeeping and Record Retention

Compliance Requirements Institutions must retain promissory and master promissory notes (MPN), and repayment records for each Perkins Loan program loan (including Defense, NDSL, and Perkins Loans) made. . Institutions are required to keep original paper promissory notes or original paper MPNs and repayment schedules in a locked, fireproof container. The original promissory notes and repayment schedules must be kept until the loans are satisfied. If required to release original documents in order to enforce the loan, the institution must retain certified true copies of those documents. After the loan obligation is satisfied, the institution shall return the original or a true and exact copy of the note marked "paid in full" to the borrower, or otherwise notify the borrower in writing that the loan is paid in full and retain a copy for the prescribed period.

An institution shall retain repayment records, including cancellation and deferment requests for at least three years from the date on which a loan is assigned to the secretary, canceled, or repaid. An institution shall retain disbursement and electronic authentication and signature records for each loan made using an MPN for at least three years from the date the loan is canceled, repaid, or otherwise satisfied.

When an institution uses a third-party servicer for its Perkins Loan program, the institution must perform due diligence to ensure that the third-party servicer is in compliance with the requirements for the functions the third-party servicer is performing

for the institution. Such due diligence could include obtaining and reviewing the third-party servicer's most recent Title IV compliance audit.

Audit Objectives Determine whether the institution has properly maintained its Perkins loan records in the manner set forth in 34 CFR 674.19.(e).

Suggested Audit Procedures

- a. When an institution uses a third-party servicer to perform requirements of the Perkins loan program, the auditor should determine which compliance requirements the third-party servicer performs for the institution and evaluate whether the institution performed appropriate due diligence to ensure the third-party servicer's compliance with the Perkins Loan functions it is performing. For those requirements not performed by a third-party servicer the auditor should include the testing below as appropriate.
- b. Through inquiry and observation, evaluate the institution's Perkins loan paper records storage location and whether it is in a locked, fireproof container.
- c. Test a sample of borrowers with open loans to verify that original promissory notes and/or MPNs, repayment records, cancellation and deferment requests, and if applicable, disbursement and electronic authentication records, are being properly maintained.
- d. Test a sample of borrowers with loans retired or assigned loans within the previous three fiscal years and current fiscal years to verify that appropriate records are being retained for at least three years from the date the loans were retired or assigned.

8. Incentive Compensation

SFA – Title IV Programs

Compliance Requirements According to 34 CFR 668.14(b)(22)(i), an institution agrees in its Program Participation Agreement that “[i]t will not provide any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of title IV, HEA program funds.” Dear Colleague Letter [GEN-11-05](#) includes a Q&A on Incentive Compensation that provides additional information.

Applicable definitions:

A commission, bonus, or other incentive payment is a sum of money or something of value, other than a fixed salary or wages, paid to or given to a person or an entity for services rendered (34 CFR 668.14(b)(22)(iii)(A)).

Enrollment is the admission or matriculation of a student into an eligible institution (34 CFR 668.14(b)(22)(iii)(D)).

Securing enrollments or the award of financial aid means activities that a person or entity engages in at any point in time through completion of an educational program for the purpose of the admission or matriculation of students for any period of time or the award of financial aid to students. Securing enrollments or the award of financial aid includes contact in any form with a prospective student, such as, but not limited to - contact through preadmission or advising activities, scheduling an appointment to visit the enrollment office or any other office of the institution, attendance at such an appointment, or involvement in a prospective student's signing of an enrollment agreement or financial aid application (34 CFR 668.14(b)(22)(iii)(B)(1)).

Securing enrollments or the award of financial aid does not include making a payment to a third party for the provision of student contact information for prospective students provided that such payment is not based on any additional conduct or action by the third party or the prospective students, such as participation in preadmission or advising activities, scheduling an appointment to visit the enrollment office or any other office of the institution or attendance at such an appointment, or the signing, or being involved in the signing, of a prospective student's enrollment agreement or financial aid application; or the number of students (calculated at any point in time of an educational program) who apply for enrollment, are awarded financial aid, or are enrolled for any period of time, including through completion of an educational program (34 CFR 668.14(b)(22)(iii)(B)(2)(i) and (ii)).

An entity or person engaged in any student recruitment or admission activity or in making decisions about the award of financial aid is-

- With respect to an entity engaged in any student recruitment or admission activity or in making decisions about the award of financial aid, any institution or organization that undertakes the recruiting or the admitting of students or that makes decisions about and awards title IV, HEA program funds; and
- With respect to a person engaged in any student recruitment or admission activity or in making decisions about the award of financial aid, any employee who undertakes recruiting or admitting of students or who makes decisions about and awards title IV, HEA program funds, and any higher level employee with responsibility for recruitment or admission of students, or making decisions about awarding title IV, HEA program funds (34 CFR 668.14(b)(22)(iii)(C)(1) and (2)).

Although the definitions refer to recruiter enrollment activities that may occur “through completion,” ED clarified that it does not interpret the regulations to ban compensation for recruiters that is based upon students’ graduation from, or completion of, educational programs (see [80 FR 73991 \(Nov. 27, 2015\)](#)).

Merit-based adjustments

The regulation specifies in 34 CFR 668.14(b)(22)(ii) that, notwithstanding 34 CFR 668.14(b)(22)(i), eligible institutions, organizations that are contractors to eligible institutions, and other entities may make merit-based adjustments to employee compensation provided that such adjustments are not based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid; and profit-sharing payments so long as such payments are not provided to any person or entity engaged in student recruitment or admission activity or in making decisions regarding the award of title IV, HEA program funds.

In [GEN-11-05](#), ED has stated that incentive payments in the form of tuition sharing with entities may be permitted in limited circumstances when an unrelated third party provides recruiting services as part of a bundle of services.

Applicability to Title IV and non-Title IV educational offerings

Section 487(a)(20) of the HEA provides that compensation may not be based upon success in securing enrollments whether the students receive title IV, HEA funds, or some other form of student financial assistance (Federal Register, Volume 75, Number 117, Page 34817). Thus, the prohibition on the provision of any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of title IV, HEA program funds applies to all educational offerings that an institution provides whether or not those educational offerings are eligible for title IV, HEA program funds.

Applicability to contractors and employees of contractors used for covered services

Many institutions offer programs that may or may not be eligible for title IV, HEA program funds that are managed by organizations that are contractors to the institution and the prohibition on the provision of any commission, bonus, or other incentive payment would apply to any agreement between the institution and any organization it contracts with for any educational offerings provided for in the contract. The Government Accountability Office issued a report on one such type of agreement known as Online Program Manager (OPM) agreements, where prohibited commissions, bonuses, or incentive payments were included in the agreements and not identified by either the institution or the institution's auditor (GAO-22-104463). When identifying entities that institutions may utilize for recruiting and other activities, in addition to agreements such as OPM agreements, auditors should be aware of contractors used to identify and provide prospective students to institutions, which may be referred to as "lead generators" or "aggregators."

Even though an institution may have a contract with an organization that is free from any commission, bonus or other incentive payment on its face, the organization the institution

is contracting with may be providing commissions, bonuses, or other incentive payments to its employees in violation of the prohibition on commissions, bonuses, or other incentive payments. The prohibition on commissions, bonuses or other incentive payments extends to any individual involved in securing enrollment or the awarding of financial aid and the organization that the institution is contracting with is prohibited from such commissions, bonuses or other incentive payments to individuals performing under the contract.

Audit Objectives Determine if the institution complied with the ban on incentive payments to any person in the admissions/recruiting, financial aid, and registrar offices (or the equivalent of those offices) that the institution relies on to recruit, admit, and/or enroll its students, or to award Title IV funds or any contracted entity engaged in any student recruitment, enrollment, or admission activity or in making decisions regarding the award of Title IV funds.

Suggested Audit Procedures

- a. Make inquiries of management about whether (1) the institution contracts for services related to recruitment or admissions activities or services related to securing financial aid, including OPM agreements and (2) staff involved in recruitment, admissions, or securing financial aid activities are eligible for any incentive programs or are subject to any exceptions to general employment agreements.
- b. Obtain from the institution a list of institution employees in the institution's admissions/recruiting, financial aid, and registrar offices (or the equivalent of those offices) that the institution relies on to recruit, admit, and/or enroll its students, or to award Title IV funds. For a sample of identified individuals, (1) obtain performance, compensation, and payment records (such as compensation plans, employment contracts, performance or tracking reports, performance evaluations, individual performance agreements, wage or salary adjustment records, personnel files, payroll records, and other records or payments); (2) review the records for adjustments to employee compensation, profit-sharing payments, bonuses, commissions, the provision of anything of value, or other incentive payments; and (3) determine whether such compensation or payment was based on success in securing enrollment or awarding Title IV funds.
- c. Obtain from the institution a list of entities that the institution enters into a contractual agreement with to admit, and/or enroll its students, or to award Title IV funds. For all identified entities, (1) obtain contractual, performance, compensation, and payment records (such as entity compensation plans, contracts between the school and entity, invoices, accounts payable, and other records or payments); (2) review a sample of payments for adjustments to entity compensation, profit-sharing payments, or other incentive payments; and (3) determine whether such compensation or payment was based on success in securing enrollment or awarding Title IV funds.

- d. If the institution has tuition sharing with an entity that provides recruiting services as part of a bundle of services, review the institution's records identified in procedure c for evidence that the contracted entity is related to the institution.

9. Satisfactory Academic Progress

SFA - Title IV Programs

Compliance Requirements Institutions must establish and publish reasonable standards for measuring whether eligible students are maintaining satisfactory academic progress (SAP) in their educational program. The institution's standards are considered reasonable, by 34 CFR 668.16(e) and 668.34, if the SAP policy:

- (1) Is the same as or stricter than the policy for a student enrolled in the same program that is not receiving Title IV student financial aid;
- (2) Provides for consistent application of standards to all students within categories of students and educational programs;
- (3) Provides for the student's academic progress to be evaluated
 - (a) at the end of each payment period if the educational program is either one academic year in length or shorter than an academic year; or
 - (b) for all other educational programs, at the end of each payment period or at least annually to correspond with the end of a payment period;
- (4) Includes a qualitative component, which generally consists of grades that are measurable against a norm, and a quantitative component (where applicable) that consists of a maximum time frame for completion of the educational program. For credit hour programs, the maximum time frame can be measured in credit hours or expressed in calendar time. The maximum time frame must, for an undergraduate program, be no longer than 150 percent of the published length of the educational program ([see Federal Register, Final Rule, September 2, 2020](#)) Under 34 CFR 668.34(a)(5), the quantitative measurement (pace of progression) is no longer required for subscription-based programs, nonterm programs and clock hour programs.
- (5) Provide a policy that, if at the time of each evaluation, the student has not achieved the required GPA, is not successfully completing their program of study at the required pace (if required), or has not completed the program within the maximum time frame, they no longer are eligible for Title IV aid;

- (6) Provides specific procedures for disbursements to students on financial aid warning status or financial aid probation status;
- (7) If the institution permits the student to appeal a determination, provides specific procedures how the student may reestablish eligibility to receive Title IV; basis on which a student may file an appeal; and information that the student must submit regarding why they failed satisfactory academic progress and how they have changed that will now allow the student to make satisfactory academic progress at the next evaluation;
- (8) If the institution does not permit the student to appeal a determination, describes how a student may reestablish their eligibility to receive Title IV assistance; and
- (9) Provides for notification to the students of their results of an evaluation that impacts their eligibility for Title IV.

Note: Due to the COVID-19 national emergency, attempted credits a student was unable to complete as the result of a COVID-19 related circumstance may be excluded from the quantitative (pace) component of SAP. This flexibility is applicable for SAP assessments made for payment periods that include or begin after March 13, 2020, through the end of the payment period that includes the last date that the national emergency is in effect (section 3509 of the CARES Act. May 15, 2020 electronic announcement).

Audit Objectives: Determine whether the institution's satisfactory academic progress standards meet the regulatory requirements to be considered reasonable.

Suggested Audit Procedures

- a. Ascertain from a review of the institution's published satisfactory academic progress policy whether it contains the required elements to be considered reasonable.

10. Additional Locations

Compliance Requirements: The *Eligibility and Certification Approval Report* (ECAR) that ED sends to the institution lists locations where students are eligible for Title IV funds. (Title IV program eligibility for an institution and its programs does not automatically include separate locations and extensions.) If, after receipt of the ECAR, an institution wishes to add a location at which at least 50 percent of an educational program is offered that is licensed and accredited, it must notify ED (34 CFR 600.10(b)).

All institutions are required to report (using the *Electronic Application for Approval to Participate in the Federal Student Aid Programs* or E-App) to ED when adding an additional accredited and licensed location where they will be offering 50 percent or more of an eligible program if the institution wants to disburse FSA program funds to students enrolled at that location.

Institutions must not disburse FSA program funds to students at a new location before the institution has reported that location and submitted any required supporting documents to ED. Once it has reported a new licensed and accredited location, unless it is an institution that is required to apply for approval for a new location under 34 CFR 600.20(c), an institution may disburse FSA program funds to students enrolled at that location.

An institution must report and obtain approval for an additional location where 50 percent or more of an eligible program will be offered if any of the following apply to the institution and/or the additional location—

The institution is provisionally certified.

The institution is on the heightened cash monitoring or reimbursement system of payment.

The institution has acquired the assets of another institution that provided educational programs at that location during the preceding year, and the other institution participated in the FSA programs during that year.

The institution would be subject to a loss of eligibility under the cohort default rate regulations if it adds that location.

The institution was previously notified by ED that it must apply for approval of an additional location.

Note: For any additional location not meeting the approval requirements above, none of the students at that location are eligible for Title IV program funds and all funds disbursed to students at that location are questioned costs.

Audit Objectives Determine if the institution's locations have been approved as eligible for participation in Title IV programs and if the institution submitted notice or an application for approval of additional locations as required.

Suggested Audit Procedures

- a. Through inquiries of management, observation, and review of State and accrediting agency approval documents and school marketing material, identify all locations of the school. Ascertain which locations were designated as eligible locations on the ECAR that was in effect for the audit period.
- b. Ascertain if the institution is offering more than 50 percent of an eligible program at any locations not on the ECAR. If so, determine if the institution notified ED of the additional location or submitted an application for approval of the additional location as required.

11. Program Eligibility

SFA - Title IV Programs

Compliance Requirements: An Educational program is a legally authorized postsecondary program of organized instruction or study that leads to an academic, professional, or vocational degree, or certificate, or other recognized educational credential, or is a comprehensive transition and postsecondary program.

Program eligibility is evaluated based on two measures: intensity of content (clock hours and credit hours) and time (academic years and weeks of instructional time). Measurement of content and time depends on how a program is delivered. ED recognizes four modes of delivering education to students: classroom, distance education, correspondence, and direct assessment.

Mode of Delivery

Classroom

Delivery of education in the classroom is not defined specifically in the regulations, but is in-person contact between a student and an institution's staff at a location controlled by the institution. A location controlled by the institution can include a lab, location of an internship or externship, studio, or other physical location where academic work is required.

Distance Education

Delivery of education through distance education has a number of requirements for this mode of delivery to be acceptable. If a course is offered where students are separated from the instructor and are not being taught in the same physical space, the course is considered a correspondence course if it does not meet the requirements for distance education.

Distance education uses one or more technologies including the internet; one-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices; audio conference; or a combination of technologies with other media used in a course to deliver instruction to students who are separated from the instructor or instructors and to support regular and substantive interaction between the students and the instructor or instructors, either synchronously or asynchronously (34 CFR 600.2 Distance education (1) and (2)).

For purposes of distance education, an instructor is an individual responsible for delivering course content and who meets the qualifications for instruction established by an institution's accrediting agency (34 CFR 600.2 Distance education (3)).

A course offered through distance education must support regular and substantive interaction between the students and the instructor or instructors, either synchronously or asynchronously. An institution demonstrates that a course supports regular interaction

between a student and an instructor or instructors by, prior to the student's completion of a course or competency:

- Providing the opportunity for substantive interactions with the student on a predictable and scheduled basis commensurate with the length of time and the amount of content in the course or competency; and
- monitoring the student's academic engagement and success and ensuring that an instructor is responsible for promptly and proactively engaging in substantive interaction with the student when needed on the basis of such monitoring, or upon request by the student (34 CFR 600.2 Distance education (5)).

Substantive interaction for education delivered through distance education is engaging students in teaching, learning, and assessment, consistent with the content under discussion. In order for a course to be considered offered through distance education, substantive interaction must include at least two of the following -

- Providing direct instruction;
- Assessing or providing feedback on a student's coursework;
- Providing information or responding to questions about the content of a course or competency;
- Facilitating a group discussion regarding the content of a course or competency; or
- Other instructional activities approved by the institution's or program's accrediting agency (34 CFR 600.2 Distance education (4)).

Academic engagement is active participation by a student in an instructional activity related to the student's course of study that is defined by the institution in accordance with any applicable requirements of its State or accrediting agency. In evaluating academic engagement, the regulations provide that it includes, but is not limited to -

- Attending a synchronous class, lecture, recitation, or field or laboratory activity, physically or online, where there is an opportunity for interaction between the instructor and students;
- Submitting an academic assignment;
- Taking an assessment or an exam;
- Participating in an interactive tutorial, webinar, or other interactive computer-assisted instruction;
- Participating in a study group, group project, or an online discussion that is assigned by the institution; or
- Interacting with an instructor about academic matters (34 CFR 600.2 Academic engagement (1) and (2))

The regulations also provide examples of what academic engagement does not include such as living in institutional housing; participating in the institution's meal plan; logging into an online class or tutorial without any further participation; or participating in academic counseling or advisement (34 CFR 600.2 Academic Engagement (3)).

A course delivered through distance education that does not have a mechanism in place to document regular and substantive interaction between a student and instructor or instructors and academic engagement would be considered a correspondence course regardless how the institution classifies the course or program (34 CFR 600.2 Correspondence course (3)).

Correspondence courses

A course offered through correspondence is a course in which the institution provides instructional materials, by mail or electronic transmission, including examinations on the materials, to students who are separated from the instructors. Interaction between instructors and students in a correspondence course is limited, is not regular and substantive, and is primarily initiated by the student. If a course is part correspondence and part residential training, the Secretary considers the course to be a correspondence course. A correspondence course is not considered distance education 34 CFR 600.2 Correspondence Course).

Whether or not an institution offers correspondence courses is important because an institution is not considered eligible for the Title IV, HEA programs if 50 percent of its courses are offered through correspondence or if 50 percent of its students are correspondence students (34 CFR 600.7(a)(1)(i) and (ii)). As noted above, an institution may be offering online courses it believes are distance education courses, but if the courses do not meet the requirements for distance education, they are correspondence courses and will impact the calculation of the proportion of correspondence courses and students offered by the institution for that award year.

Direct assessment

A direct assessment program is a program that, in lieu of credit or clock hours as the measure of student learning, utilizes direct assessment of student learning, or recognizes the direct assessment of student learning by others. The assessment must be consistent with the accreditation of the institution or program utilizing the results of the assessment. ED must approve the first direct assessment program offered at each credential level (34 CFR 600.10(c)(1)(ii) and the institution must report to ED all subsequent direct assessment programs at the same credential level (34 CFR 600.21(a)(12). (Note: If the institution did not receive approval to offer its first program at each credential level through direct assessment, none of the programs at that credential level offered through direct assessment are eligible programs.) Requirements for direct assessment programs are described under 34 CFR 668.10.

Content

The content of a program for purposes of the Title IV programs is measured in either clock hours or credit hours. It is important to understand the definitions of both credit hours and clock hours because some programs may state that they are measured in credit hours, but in certain circumstances the regulations require those programs be measured and evaluated for program eligibility and student eligibility based on clock hours.

Clock Hours

A clock hour offered in a classroom setting is a period of time consisting of a 50- to 60-minute class, lecture, or recitation in a 60-minute period (34 CFR 600.2 Clock hour (1)(i)). A clock hour in a faculty supervised laboratory, shop training, or internship is 50 to 60 minutes in a 60-minute period (34 CFR 600.2 Clock hour (1)(ii)). A clock hour for a program offered through correspondence is sixty minutes of preparation. in a correspondence course (34 CFR 600.2 Clock Hour (1)(iii)).

For a program offered through distance education a clock hour is 50 to 60 minutes in a 60-minute period of attendance in a synchronous or asynchronous class, lecture, or recitation where there is opportunity for direct interaction between the instructor and students; or an asynchronous learning activity involving academic engagement in which the student interacts with technology that can monitor and document the amount of time that the student participates in the activity. A clock hour in a distance education program does not meet the requirements of this definition if it does not meet all accrediting agency and State requirements or if it exceeds an agency's or State's restrictions on the number of clock hours in a program that may be offered through distance education (34 CFR 600.2 Clock Hour: (1)(iv) and (2)).

No matter how a program measured in clock hours is delivered an institution must be capable of monitoring a student's attendance in 50 out of 60 minutes for each clock hour under this definition (34 CFR 600.2 Clock Hour: (3)).

NOTE: Programs offered through direct assessment are not measured in clock hours. For traditional on ground programs, a clock hour is a period of time consisting of a 50- to 60-minute class, lecture, or recitation in a 60-minute period; or a 50- to 60-minute faculty-supervised laboratory, shop training, or internship in a 60-minute period (34 CFR 600.02 Clock Hour: (1)(i) and (ii)).

Credit Hours

Unless a program is required to use the clock to credit hour conversion, a credit hour is an amount of student work defined by an institution, as approved by the institution's accrediting agency or State approval agency, that is consistent with commonly accepted practice in postsecondary education. A credit hour reasonably approximates not less than one hour of classroom or direct faculty instruction and a minimum of two hours of out-of-class student work each week for approximately fifteen weeks for one semester or trimester hour of credit, or ten to twelve weeks for one quarter hour of credit, or the equivalent amount of work over a different period of time; or at least an equivalent amount of work for other academic activities as established by the institution, including laboratory work, internships, practica, studio work, and other academic work leading to the award of credit hours (34 CFR 600.2 *Credit Hour* (1)(i) and (ii)).

The regulations also permit an institution, in determining the amount of work associated with a credit hour, to take into account a variety of delivery methods, measurements of student work, academic calendars, disciplines, and degree levels.

For programs that lead to an associate, bachelor's, professional, or graduate degree, the content and length of the programs is established by state agencies and accrediting agencies. ED generally accepts the content and length established for those programs.

Time

The length of a program, the amount of time to complete the program, is measured in academic years and weeks of instructional time.

Academic Year

An academic year for a credit hour program must include a minimum of 30 weeks of instructional time (34 CFR 668.3(a)(1)(i)) during which a full-time undergraduate student is expected to complete a minimum of 24 semester or trimester credit hours or 36 quarter credit hours (34 CFR 668.3(a)(2)(i)). For a clock-hour program an academic year must include a minimum of 26 weeks of instructional time (34 CFR 668.3(a)(1)(ii)) during which a full-time undergraduate student is expected to complete a minimum of 900 clock-hours (34 CFR 668.3(a)(2)(ii)).

Week of Instructional Time

A week of instructional time for other than distance education or correspondence programs is a week in which at least one day of regularly scheduled instruction or examinations occurs, or, after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations occurs (34 CFR 668.3(b)(2)(i)).

For a program using asynchronous coursework offered through distance education or correspondence, a week of instructional time is a week in which the institution makes available the instructional materials, other resources, and instructor support necessary for academic engagement and completion of course objectives (34 CFR 668.3(b)(2)(ii)(A)); and for asynchronous coursework through distance education, the institution expects enrolled students to perform educational activities demonstrating academic engagement during the week (34 CFR 668.3(b)(2)(ii)(B)).

Eligible Programs

A program is Title IV-eligible if it is provided by an institution that participates in one or more of the Title IV programs and meets the requirements described in 34 CFR 668.8. The first and most important requirement for an eligible program is that it must be included in an institution's accreditation and authorized by the State. Once that requirement is met, if the program is offered by a public or nonprofit institution of higher education and leads to an associate, bachelor's professional, or graduate degree, or is at least two academic years in length and fully acceptable for full credit toward a bachelor's degree, it is an eligible program. (Note: Programs that lead to an associate, bachelor's professional, or graduate degree are generally considered eligible programs.)

If the program does not lead to a degree and is not at least two academic years in length, it must lead to a certificate or other non-degree recognized credential provided by the

institution, provide training that prepares a student for gainful employment in a recognized occupation, and meet ED's minimum program length requirements.

The regulations at 34 CFR 668.8(d) allow an institution to offer three types of programs offered in clock-hours, semester or trimester credit hours, or quarter credit hours (668.8(d)(1) and (2)).

The first type of program must require a minimum of 15 weeks of instruction; must be at least 600 clock hours, 16 semester or trimester hours or 24 quarter hours and may admit as regular students persons who have not completed the equivalent of an associate degree (34 CFR 668.8(d)(1)).

The second type of program must require a minimum of 10 weeks of instruction, must be at least 300 clock hours, 8 semester or trimester hours, or 12 quarter hours and must either be a graduate or professional program or admit as regular students only persons who have completed the equivalent of an associate degree (34 CFR 668.8(d)(2)).

The regulations also allow an institution to offer a "short-term" program that includes fewer than 600 clock hours and admits students who have not completed the equivalent of an associate degree. Such programs qualify only for Direct Loan funds. These programs may only be offered in clock-hours and cannot be offered using semester credit hours or quarter credit hours. They require a minimum of 10 weeks of instruction, beginning on the first day of classes and ending on the last day of classes or examinations and must be at least 300 clock hours but less than 600 clock hours and provide undergraduate training that prepares a student for gainful employment in a recognized occupation.

In addition, short-term programs must meet 70 percent completion and 70 percent placement rate requirements (34 CFR 668.8(d)(3)(v)) described in more detail below.

Appendix B provides a flowchart of the process for determining program eligibility.

Other Programs

A small number of institutions offer approved comprehensive transition and postsecondary programs and teacher certification programs where the institution does not award a credential. Please see the Federal Student Aid Handbook, Volume 2 for more information about these types of programs.

Programs Requiring an Evaluation of Credit Hours and Clock-to-Credit Conversion

Under the regulations, if an institution offers an undergraduate educational program in credit hours, the appropriate conversion formula must be applied unless: 1) The program is at least two academic years in length (a minimum of 60 weeks of instructional time) and provides an associate degree, a bachelor's degree, a professional degree, or an equivalent as determined by the Department; or 2) Each course within the program is acceptable for full credit toward a single associate degree, bachelor's degree, or professional degree provided by that institution, or equivalent degree as determined by

the Department, provided that the institution's degree requires at least two academic years of study and the institution can demonstrate that students enroll in, and graduate from the degree program.

(34 CFR 668.8(k)). If the appropriate number of credit hours have not been assigned to a program, all aid to students in those programs must be recalculated based on the correct conversion supported by clock hours.

For a program offered in semester or trimester credit hours without an exemption, each credit hour must include at least 30 clock hours of instruction (34 CFR 668.8(l)(1)). Programs offered in quarter credit hours without an exemption must include at least 20 clock hours of instruction (34 CFR 668.8(l)(2)). The institution must perform this conversion on a course-by-course basis and must award Title IV aid to students using the correct conversion calculation. More information on the clock-to-credit conversion calculation is available in the Federal Student Aid Handbook, Volume 2, Chapter 2, under "Determining Program Eligibility and Clock-Hour to Credit-Hour Conversions."

Minimum Program Completion and Placement Rates

A "short-term" program that is a minimum of 10 weeks of instruction, beginning on the first day of classes and ending on the last day of classes or examinations; is at least 300 clock hours but less than 600 clock hours; provides undergraduate training that prepares a student for gainful employment in a recognized occupation; and admits as regular students some persons who have not completed the equivalent of an associate degree must have a substantiated completion rate of at least 70 percent and a substantiated placement rate of at least 70 percent (34 CFR 668.8(e)(1)(i) and (ii)).

To calculate its completion rate, the institution must -

1. Determine the number of regular students who were enrolled in the program during the award year.
2. Subtract from the number of students enrolled in the program during the award year, the number of regular students who, during that award year, withdrew from, dropped out of, or were expelled from the program and were entitled to and actually received, in a timely manner a refund of 100 percent of their tuition and fees.
3. Subtract from the total obtained in 2 above the number of students who were enrolled in the program at the end of that award year.
4. Determine the number of regular students who, during that award year, received within 150 percent of the published length of the educational program the degree, certificate, or other recognized educational credential awarded for successfully completing the program.
5. Divide the number determined under 4 above by the total obtained under 3 above of this section (34 C.F.R., 668.8(f)).

To calculate its placement rate, the institution must –

1. Determine the number of students who, during the award year, received the degree, certificate, or other recognized educational credential awarded for successfully completing the program.
2. Of the total obtained who completed the program determined in 1 above, determine the number of students who, within 180 days of the day they received their degree, certificate, or other recognized educational credential, obtained gainful employment in the recognized occupation for which they were trained or in a related comparable recognized occupation and, on the date of this calculation, are employed, or have been employed, for at least 13 weeks following receipt of the credential from the institution.
3. Divide the number of students determined under 2 above by the total obtained under 1 above 34 C.F.R. 668.8(g)(1).

An institution must document that each student determined to have obtained gainful employment in a recognized occupation used in the placement rate calculation obtained gainful employment in a recognized occupation. Examples of satisfactory documentation of a student's gainful employment include, but are not limited to -

- A written statement from the student's employer;
- Signed copies of State or Federal income tax forms; and
- Written evidence of payments of Social Security taxes.

Audit Objective: Determine whether the programs offered by the institution are eligible programs.

Suggested Audit Procedures

- a. Through inquiries of management, observations, and review of State and accrediting agency approval documents and school marketing material, identify any direct assessment programs offered by the institution. Review approval letter to determine whether ED has approved the institution's first direct assessment program at each credential level.
- b. Through inquiries of management, observations, and review of State and accrediting agency approval documents and school marketing material, identify any program offered in credit hours that is not at least two academic years in length (a minimum of 60 weeks of instructional time) and leads to an associate degree, a bachelor's degree, a professional degree, or an equivalent as determined by the ED; or each course within the program is acceptable for full credit toward a single associate degree, bachelor's degree, or professional degree provided by that institution, or equivalent degree as determined by the ED, provided that the institution's degree requires at least two academic years of study and the institution can demonstrate that students enroll in, and graduate from the degree program. Select a sample of these programs that includes coverage of all available modes of delivery (classroom, distance, and correspondence) and apply the appropriate clock to credit hour conversion formula on each course in the

program to verify that the institution applied the appropriate clock to credit hour conversion formula.

- c. For the sample of programs identified in procedure b, using the correct number of credit hours (as determined in procedure b), evaluate each program's eligibility, using Appendix B as a guide, considering the students allowed to be admitted to the program, mode of delivery requirements for content, and mode of delivery requirements for time.
- d. Through review of ED approvals, identify any short-term programs (at least 300 clock hours but less than 600 clock hours) and substantiate the school's calculation of its completion and placement rates by (1) selecting a random sample of the regular students who were enrolled during the award year for which the most recent completion rate was calculated and testing to verify if each student in the sample was included appropriately in each step of the rate's calculation, as described in 34 C.F.R 668.8(f); and (2) selecting a random sample of the students who graduated during the award year for which the most recent placement rate was calculated and testing to verify if each student in the sample was included appropriately in each step of the rate's calculation, as described in 34 CFR 668.8(g).

12. Gramm-Leach-Bliley Act–Student Information Security

SFA - Title IV Programs

Compliance Requirements The Gramm-Leach-Bliley Act (Pub. L. No. 106-102) (GLBA) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data (16 CFR 314). The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as “financial institutions” and subject to the Gramm-Leach-Bliley Act because they appear to be significantly engaged in wiring funds to consumers (16 CFR 313.3(k)(2)(vi)). Institutions agree to comply with GLBA in their Program Participation Agreement with ED. Institutions must protect student financial aid information, with particular attention to information provided to institutions by ED or otherwise obtained in support of the administration of the Federal student financial aid programs (16 CFR 314.3; HEA 483(a)(3)(E) and HEA 485B(d)(2)). ED provides additional information about cybersecurity requirements at <https://studentprivacy.ed.gov/security>. ED also issued an Electronic Announcement on GLBA compliance that can be found at [Updates to the Gramm-Leach-Bliley Act Cybersecurity Requirements | Knowledge Center](#).

On December 9, 2021, the FTC issued final regulations for 16 CFR Part 314 to implement the GLBA information safeguarding standards that institutions must implement. These regulations significantly modified the requirements that institutions must meet under GLBA. The regulations established minimum standards that institutions must meet. The FTC stated that it “believes many of the requirements set forth in the

Final Rule are so fundamental to any information security program that the information security programs of many financial institutions will already include them if those programs are in compliance with the current Safeguards Rule.” Institutions are required to be in compliance with the revised requirements no later than June 9, 2023.

Institutions are required to develop, implement, and maintain a comprehensive information security program that is written in one or more readily accessible parts. The regulations require the written information security program to include nine elements for institutions with 5,000 or more customers, (16 CFR 314.3(a)). The written information security program for institutions with fewer than 5,000 customers must address seven elements (16 CFR 314.3(a) and 16 CFR 314.6). In the preamble to the Final Rule, the FTC stated, “Proposed § 314.4 [Elements] altered the current Rule’s required elements of an information security program and added several new elements.” The FTC also stated, “[t]he elements for the information security programs set forth in this section [16 CFR 314.4] are high-level principles that set forth basic issues the programs must address, and do not prescribe how they will be addressed.” The elements that an institution must address in its written information security program are at 16 CFR 314.4. At a minimum, an institution’s written information security program –

- Designates a qualified individual responsible for overseeing and implementing the institution’s information security program and enforcing the information security program in compliance (16 CFR 314.4(a)).
- Provides for the information security program to be based on a risk assessment that identifies reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information (as the term customer information applies to the institution) that could result in the unauthorized disclosure, misuse, alteration, destruction, or other compromise of such information, and assesses the sufficiency of any safeguards in place to control these risks (16 CFR 314.4(b)).
- Provides for the design and implementation of safeguards to control the risks the institution identifies through its risk assessment (16 CFR 314.4(c)). At a minimum, the institution’s written information security program must address the implementation of the minimum safeguards identified in 16 CFR 314.4(c)(1) through (8). The eight minimum safeguards that the written information security program must address are summarized as follows:
 - Implement and periodically review access controls. .
 - Conduct a periodic inventory of data, noting where it’s collected, stored, or transmitted.
 - Encrypt customer information on the institution’s system and when it’s in transit.
 - Assess apps developed by the institution
 - Implement multi-factor authentication for anyone accessing customer information on the institution’s system
 - Dispose of customer information securely
 - Anticipate and evaluate changes to the information system or network.
 - Maintain a log of authorized users’ activity and keep an eye out for unauthorized access.

- Provides for the institution to regularly test or otherwise monitor the effectiveness of the safeguards it has implemented (16 CFR 314.4(d)).
- Provides for the implementation of policies and procedures to ensure that personnel are able to enact the information security program (16 CFR 314.4(e)(1)).
- Addresses how the institution will oversee its information system service providers (16 CFR 314.4(f)).
- Provides for the evaluation and adjustment of its information security program in light of the results of the required testing and monitoring; any material changes to its operations or business arrangements; the results of the required risk assessments; or any other circumstances that it knows or has reason to know may have a material impact the institution's information security program (16 CFR 314.4(g)).

The first element that an institution's written information security program must address is the designation of an individual with responsibility for implementing and enforcing an institution's written information security program. The regulations refer to this individual as the Qualified Individual. If an institution has not designated a Qualified Individual, it is not in compliance with the GLBA requirements. The Qualified Individual, has ultimate responsibility and accountability for implementing and enforcing the institution's information security program (16 CFR 314.4(a)). The regulations do provide for an institution to use a service provider as the Qualified Individual. In cases where an institution uses a service provider as the Qualified Individual, the institution must –

- Retain responsibility for compliance with GLBA;
- Designate a senior member of its personnel responsible for direction and oversight of the Qualified Individual; and
- Require the service provider or affiliate to maintain an information security program that protects the institution in accordance with the requirements of the regulations at 16 CFR Part 314(a)(1) through (3).

Because the written information security program may be in one or more readily accessible parts and the Qualified Individual is responsible for implementing and monitoring the information security program, it is ED's expectation that the Qualified Individual would be able to provide the written information security program that addresses the elements required for the written information security program to the auditors.

Audit Objectives Determine whether the institution designated a Qualified Individual responsible for implementing and monitoring the institution's information security program.

Determine whether the institution's written information security program addresses the required minimum seven elements.

Suggested Audit Procedures

- a. Verify that the institution has designated a Qualified Individual responsible for implementing and monitoring the institution's information security program.
- b. Verify that the institution has a written information security program and that the written information security program addresses the remaining six required minimum elements.

13. Federal Perkins Loan Liquidation*SFA - Title IV Programs*

Compliance Requirements For an institution that decided to stop participating in the Federal Perkins Loan program (Perkins) (Assistance Listing 84.038), the institution is responsible for returning any unspent funds (34 CFR section 668.14(b)(25)). The institution must perform the end-of-participation procedures in which it must (a) notify ED of the intent to stop participating in Perkins (34 CFR section 668.26(b)(1)); (b) purchase any outstanding loans left in its Perkins portfolios or assign them to ED (34 CFR sections 674.8(d), 674.17(a)(2), and 674.45(d)(2)); and (c) maintain program and fiscal records of all Perkins funds since the most recent Fiscal Operations Report (FISAP) was submitted, and reconcile this information at least monthly (34 CFR section 674.19(d)). The FISAP form is available at <https://fsapartners.ed.gov/knowledge-center/topics/campus-based-processing-information/fisap-form-and-instructions>.

ED has compiled its guidance on the Perkins loan program wind-down, liquidation, and related issues at <https://fsapartners.ed.gov/knowledge-center/library/program/Perkins%20Loan>. In addition to the Guide, the website also includes a [Federal Perkins Loan Frequently Asked Questions | Knowledge Center](#) and other information. The website is updated by ED as additional guidance is developed.

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

Suggested Audit Procedures

- a. Review, evaluate, and document procedures that the institution used to notify ED of its intent to liquidate its Perkins loan portfolios.
- b. If the institution has completed the liquidation of its Perkins loan portfolio, ascertain that the institution has either purchased or assigned to ED any Perkins loans with outstanding balances.
- c. If the process of liquidating outstanding loans has not been completed, verify that the institution has begun to assign those loans to ED.

- d. Ascertain that the institution, as part of its procedures for maintaining program and fiscal records for all transactions that occurred after the most recent FISAP was filed, reconciled the following information:
- (1) All loans for the total number of borrowers that make up the portfolio have been accounted for, including retired loans (including loans purchased) and loans assigned to ED (including validation of the computed accumulated interest charged on the loans);
 - (2) Service cancellation data that will be counted in Part III, *Fiscal Report* (Section A, lines 7–25 and 35–52), and all of the data that will be in Part III, *Cumulative Repayment Information* (Section C, lines 1.1–5.4);
 - (3) The Federal Capital Contribution (FCC) that will be reported at the end of fiscal year under *Fund Activity* (Section B, lines 1–4);
 - (4) The Institutional Capital Contribution (ICC) that will be reported at the end of fiscal year under *Fund Activity* (Section B, line 6); and
 - (5) Overall cash-on-hand or excess cash amounts (this overall cash-on-hand amount would include payment to the Perkins fund for any loans the institution may have purchased) (Section A, Line 1.1).
- e. If the liquidation process is complete, validate that the distributional shares of the final capital distribution are calculated using the Over-time Calculation provided in page nine of the Perkins Liquidation Procedures and that the federal portion is returned to the US Treasury.

IV. OTHER INFORMATION

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

SFA - Title IV Programs

Several waivers related to the COVID-19 national emergency apply at least as long as the national emergency persists. The COVID-19 national emergency began in March of 2020 and is set to expire on March 1, 2023 if President Biden does not publish in the Federal Register a notice continuing the emergency declaration. At the time this supplement was drafted, the Biden Administration had communicated its plans to extend the national emergency declaration to May 11, 2023, and then end the emergency on that date. Auditors should review the Federal Register for any notice on the continuation or end of the COVID-19 national emergency. Because the national emergency was in effect for at least part of the period covered by this Compliance

Supplement, institutions remain obligated to comply with requirements related to such waivers. More information about sunset dates for COVID-19 waivers and flexibilities can be found in an [Electronic Announcement published January 15, 2021](#).

Pell Payment Data

All Pell Payment Data for an award year must be submitted by September 30 after the award year. Adjustments for Pell grants not claimed by September 30 can be made if the first audit report for the period in which the unclaimed Pell grants were made contains a finding that the institution made proper Pell awards for which it has not received either reimbursement or credit.

APPENDIX A

STUDENT FINANCIAL ASSISTANCE PROGRAMS

STUDENT ELIGIBILITY COMPLIANCE REQUIREMENTS

Requirements	PELL	IASG	FWS	FSEOG	TEACH	DIRECT LOAN	HSPL/PCL /LDS	NSL/NFLP	SDS
1. A regular student enrolled or accepted for enrollment in an eligible program (34 CFR 600.2, 668.32(a)(1)(i), 690.75, 675.9, 676.9, 685.200, 686.11, 20 USC 1070h; 42 CFR 57.206(a) and 57.306(a), 42 USC 293a(d)(2)) ¹ unless meeting an exception.	x	x	x	x	x	x	x	x	
2. U.S. Citizen, National, or provides evidence from the U.S. Citizenship and Immigration Services that he or she is a permanent resident or in the U.S. with the intention of becoming a citizen or permanent resident (eligible noncitizen) (34 CFR 668.32(d), 668.33(a), 690.75, 675.9, 676.9, , 685.200, 686.11, and 20 USC 1070h) and, for HPL/PCL/LDS, an alien lawfully admitted for permanent residence in the U.S. or a citizen of the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Republic of the Marshall Islands, or of the Federated States of Micronesia (42 CFR 57.206(a) and 57.306(a))	x	x	x	x	x	x	x	x	
3. Has financial need and total awards do not exceed need (34 CFR 675.9(c), 676.9(c), 685.200(a)(2)(i), 690.63, 20 USC 1070a, 42 CFR 57.206(b) and 57.306(b); 42 USC 293a(d)(2)); 42 USC 297n-1(c)(2))	x ²		x	x		x ³	x	x	x
4. Does not owe a Title IV grant overpayment(34 CFRs 668.32(g)(4), 690.75, 675.9, 676.9, , 685.200, 686.11, 20 USC 1070h; 42 CFRs 57.206 and 57.306)	x	x	x	x	x	x			
5. Not in default on any student loans (34 CFRs 668.32(g)(1), 690.75, 675.9, 676.9, 685.200, 686.11, 20 USC 1070h; 42 CFRs 57.206 and 57.306)	x	x	x	x	x	x	x		
6. Has not obtained loan amounts that exceed annual or aggregate loan limits (34 CFR 668.32(g) (2))	x	x	x	x	x	x	x		
7. Does not have property subject to a judgment lien for a debt owed to the United States (34 CFR 668.32(g)(3))	x	x	x	x	x	x			
8. Must maintain good standing, or satisfactory academic progress (34 CFRs 668.16, 668.32(f), 668.34, 690.75, 675.9, 676.9, 685.200, 686.11, 20 USC 1070h; 42 CFR 57.306; 42 USC 293a(d)(2))	x	x	x	x	x	x	x	x	
9. Has a valid Social Security Number ⁴ (34 CFRs 668.32(i), 668.36, 675.9, 676.9, , 685.200, 686.11, 20 USC 1070h)	x	x	x	x	x	x			
10. Has a high school diploma, its recognized equivalent, or another indication of high school completion status, or qualifies for one of the ability-to-benefit (ATB) alternatives(34 CFR 668.32(e), 690.75, 675.9, 676.9, 685.200, 686.11, 20 USC 1070h)	x	x	x	x	x	x			

Requirements	PELL	IASG	FWS	FSEOG	TEACH	DIRECT LOAN	HSPL/PCL /LDS	NSL/NFLP	SDS
11. Is not enrolled in either an elementary or secondary school (34 CFR 668.32(b))	x	x	x	x	x	x			
12. In the case of a student who has been convicted of, or has pled nolo contendere or guilty to, a crime involving Title IV funds, has completed the repayment of such assistance (34 CFR 668.32(m))	x	x	x	x	x	x			
13. For an undergraduate student, has not completed coursework for a first baccalaureate (34 CFR 668.32(c)) ⁵	x	x		x	x				
14. An undergraduate student has received for award year, a SAR or determination of eligibility or ineligibility for a Federal Pell Grant (34 CFR 676.10, 685.200(a)(1)(iii), 690.75, 20 USC 1070h)	x	x		x		x			
15. Is enrolled or accepted for enrollment as an undergraduate student at the institution (34 CFR 676.9(b), 690.75(a)(2))	x	x		x					
16. Is not incarcerated (34 CFR 600.2, 668.32(c)(2)(ii) and (c)(3))	x ⁶	x				x			
17. If the student is not a regular student enrolled or accepted for enrollment in an eligible program (see item 1 above), the student is enrolled in preparatory coursework necessary for enrollment in an eligible program for not longer than one consecutive 12-month period (34 CFR 668.32(a)(1)(ii)), 685.203(a)(6)						x			
18. If the student is not a regular student enrolled or accepted for enrollment in an eligible program (see item 1 above), the student is enrolled or accepted for enrollment as at least a half-time student (except for TEACH) at an eligible institution in a program necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state (34 CFR 668.32(a)(1)(iii))	x	x	x		x	x			
19. Is an undergraduate student enrolled or accepted for enrollment at the institution (34 CFR 668.32(a), 675.9(b), and 685.101(b))	x	x	x	x	x	x			
20. Is a graduate or professional student enrolled or accepted for enrollment at the institution (34 CFR 668.32(a), 675.9(b), and 685.101(b))			x		x	x			
21. Is enrolled or accepted for enrollment, on at least a half-time basis in an institution that participates in the Direct Loan Program (34 CFR 668.32(a)(2), 685.200(a)(1)(i))						x			
22. Parents can receive a PLUS loan if the parent does not have an adverse credit history and conditions in items 2, 4, 5, 10, and 14 above are met by the parent and the student otherwise meets all student eligibility requirements (34 CFR 668.32 and 685.200(c)(2))						x			
23. Students met FSEOG selection criteria (34 CFR 676.10)				x					

Requirements	PELL	IASG	FWS	FSEOG	TEACH	DIRECT LOAN	HSPL/PCL /LDS	NSL/NFLP	SDS
24. Has signed a TEACH Grant agreement to serve or repay (34 CFR 686.11(a)(1)(ii) and 668.12)					x				
25. Is enrolled in a TEACH Grant-eligible institution in a TEACH Grant-eligible program (34 CFR 686.11(a)(1)(iii))					x				
26. Is completing coursework and other requirements necessary to begin a career in teaching or plans to complete such coursework and requirements prior to graduating (34 CFR 686.11(a)(1)(iv))					x				
27. For the purposes of a student in a first post-baccalaureate program, has not completed the requirements for a post-baccalaureate program as described in 34 CFR 686.2(d) (34 CFR 668.32(c)(4)(ii))					x				
28. If in the first year of an undergraduate program, the student has a final cumulative secondary school GPA upon graduation of at least a 3.25; a cumulative GPA of at least 3.25 based on courses taken at the institution through the most-recently completed payment period; or a score above the 75 th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate admissions test, which may not include a placement test (34 CFR 686.11(a)(1)(v)(A) and (E))					x				
29. If beyond the first year of an undergraduate program, the student has a cumulative GPA of at least 3.25 as determined by the institution, through the most recently completed payment period; or a score above the 75 th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate, admissions test, which may not include a placement test (34 CFR 686.11(a)(1)(v)(B) and (E))					x				
30. If the student is a graduate student during the first payment period, a cumulative undergraduate GPA of at least 3.25; if the student is a graduate student beyond the first payment period, a cumulative graduate GPA of at least 3.25 through the most-recently completed payment period; or a score above the 75 th percentile (for that period the test was taken) on at least one of the nationally-normed standardized undergraduate, graduate, or post-baccalaureate admissions test, which may not include a placement test (34 CFR 686.11(a)(1)(v)(C), (D), and (E))					x				
31. If the student is a current or former teacher or a retiree, the student is applying for a grant to obtain a master's degree or pursuing certification through a high-quality alternative certification route (34 CFR 686.11(b)(2))					x				

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

Notes:

¹ An otherwise-eligible student who is not enrolled as a regular student may be eligible to receive Direct Loan funds if the student is enrolled in preparatory coursework under 668.32(a)(1)(ii) and 685.203(a)(6). Similarly, students who are not enrolled as regular student in programs leading to a degree or certificate may receive Pell and TEACH Grants through enrollment in an eligible postbaccalaureate teacher certification program under limited circumstances under 34 CFR 690.6(c) and 686.3(a).

² The Pell Grant is calculated based on COA and EFC and in accordance with the Pell Payment and Disbursement Schedules published annually by ED, but it is not adjusted to account for other resources or estimated financial assistance.

³ Does not apply to unsubsidized loans and parent loans.

⁴ The requirement for a Social Security Number does not apply to students who are residents of the Federated States of Micronesia, Republic of the Marshall Islands, or Republic of Palau.

⁵ There is an exception for Pell and TEACH Grants if the student meets alternative requirements through enrollment in a postbaccalaureate teacher certification or licensing program under 690.6(c) and 686.3(a).

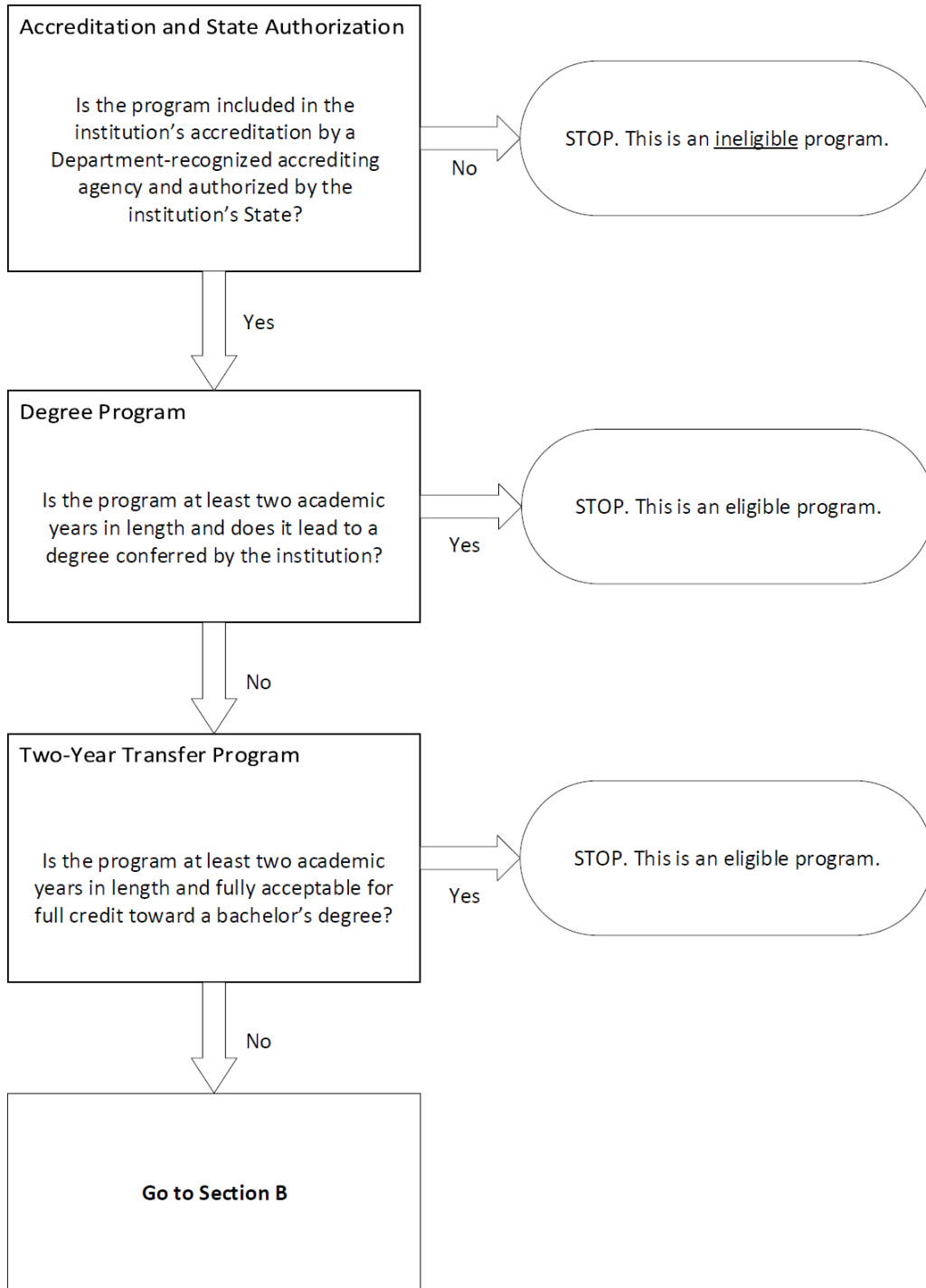
⁶ Students incarcerated in federal and state penal institutions are not eligible for Pell Grants, but those incarcerated in local penal institutions are eligible.

APPENDIX B

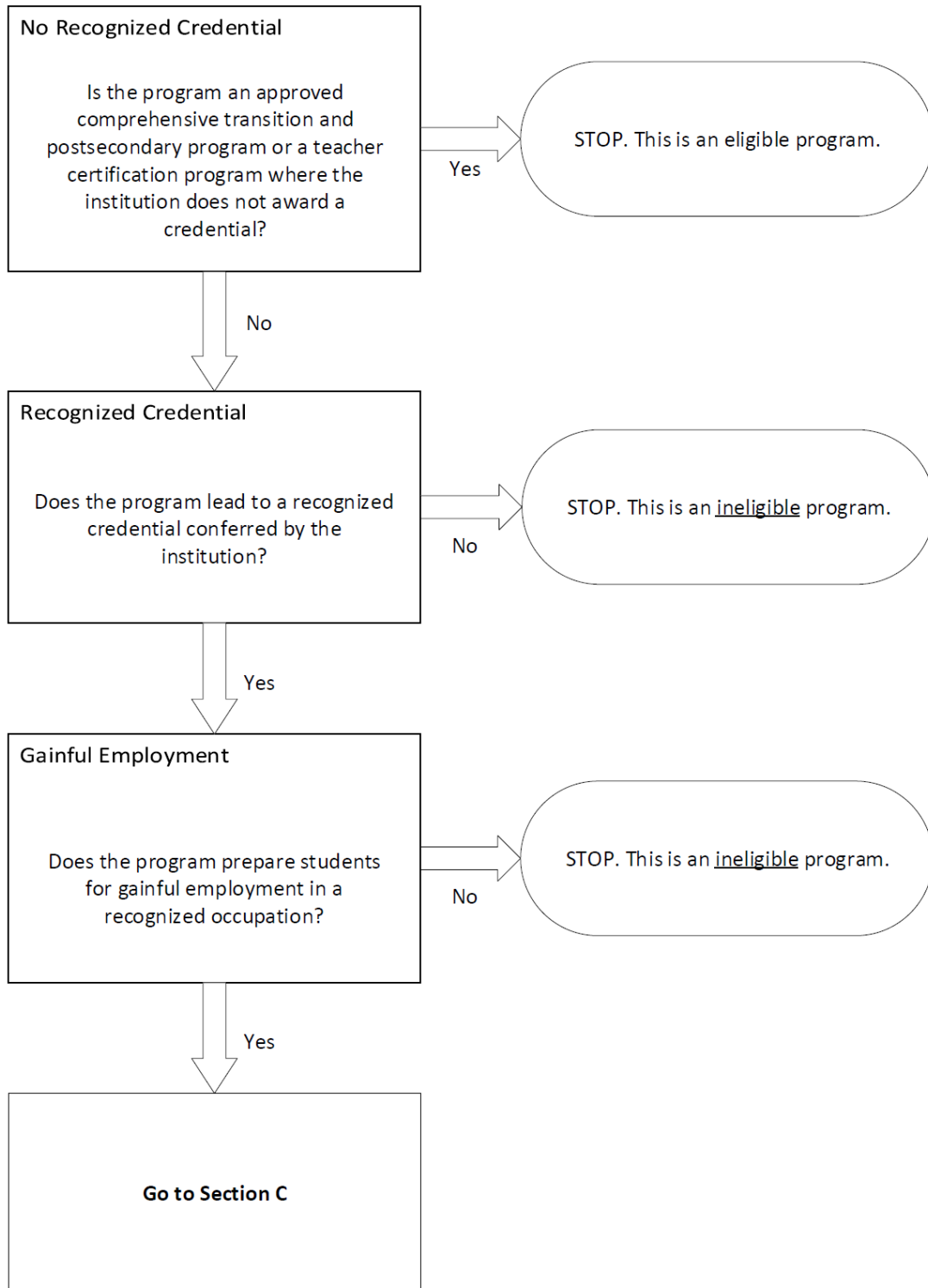
STUDENT FINANCIAL ASSISTANCE PROGRAMS

PROGRAM ELIGIBILITY

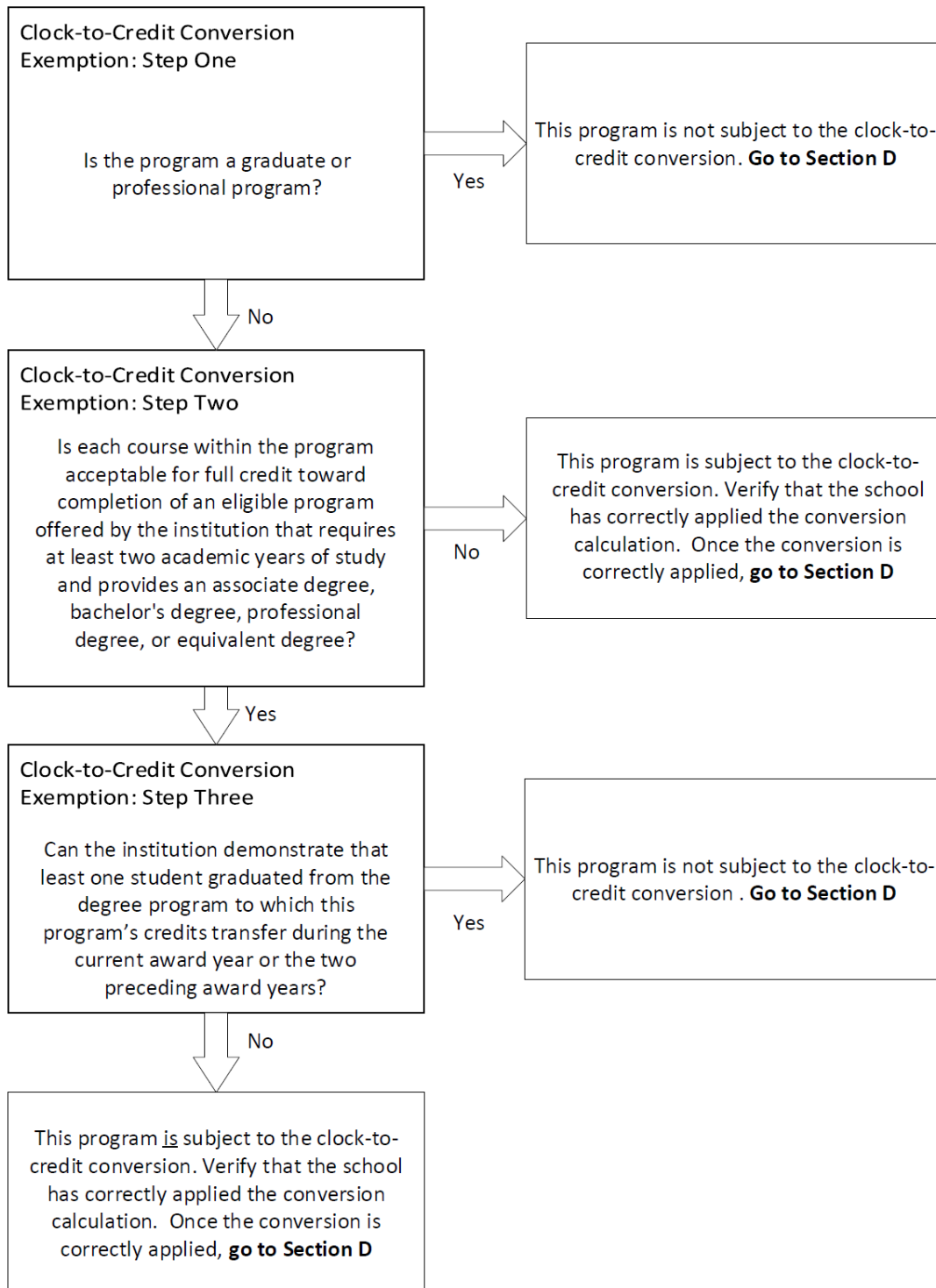
Program Eligibility Flow Chart: Section A



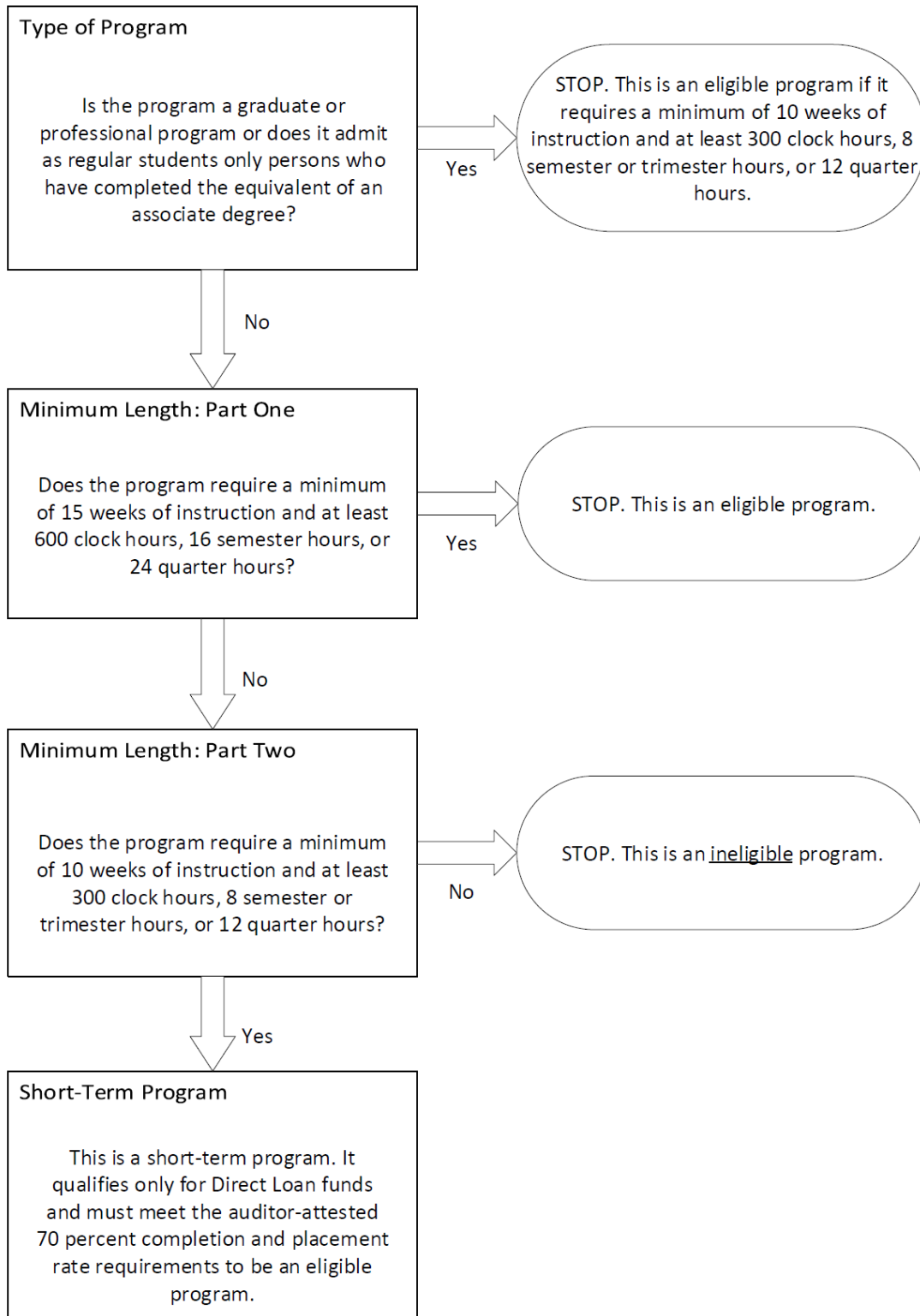
Program Eligibility Flow Chart: Section B



Program Eligibility Flow Chart: Section C



Program Eligibility Flow Chart: Section D



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

Agency	Assistance Listing No.	Name of Other Cluster/Program
SNAP Cluster		
USDA	10.551	Supplemental Nutrition Assistance Program (SNAP)
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Child Nutrition Cluster		
USDA	10.553	School Breakfast Program (SBP)
	10.555	National School Lunch Program (NSLP)
	10.556	Special Milk Program for Children (SMP)
	10.559	Summer Food Service Program for Children (SFSPC)
	10.582	Fresh Fruit and Vegetable Program (FFVP)
Food Distribution Cluster		
USDA	10.565	Commodity Supplemental Food Program
	10.568	Emergency Food Assistance Program (Administrative Costs)
	10.569	Emergency Food Assistance Program (Food Commodities)
Forest Service Schools and Roads Cluster		
USDA	10.665	Schools and Roads–Grants to States
	10.666	Schools and Roads–Grants to Counties
Community Facilities Loans and Grants Cluster		
USDA	10.766	Community Facilities Loans and Grants
	10.780	Community Facilities Loans and Grants (Community Programs)
Economic Development Cluster		
DOC	11.300	Investments for Public Works and Economic Development Facilities
	11.307	Economic Adjustment Assistance

Section 8 Project-Based Cluster

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

CDBG - Entitlement Grants Cluster

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

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

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

HOPE VI Cluster

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

Housing Voucher Cluster

HUD	14.871	Section 8 Housing Choice Vouchers
	14.879	Mainstream Voucher Program (MV)

477 Cluster

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

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

Fish and Wildlife Cluster

DOI	15.605	Sport Fish Restoration Program
	15.611	Wildlife Restoration and Basic Hunter Education
	15.626	Enhanced Hunter Education and Safety Program

Employment Service Cluster

DOL	17.207	Employment Service/Wagner-Peyser Funded Activities
	17.801	Jobs for Veterans State Grant

WIOA Cluster

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

FMCSA Cluster

DOT	20.218	Motor Carrier Safety Assistance Program
	20.237	High Priority Grant Program

Federal Transit Cluster

DOT	20.500	Federal Transit—Capital Investment Grants (Fixed Guideway Capital Investment Grants)
	20.507	Federal Transit—Formula Grants (Urbanized Area Formula Program)
	20.525	State of Good Repair Grants Program
	20.526	Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)

Transit Services Programs Cluster

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

Highway Safety Cluster

DOT	20.600	State and Community Highway Safety
	20.611	Incentive Grant Program to Prohibit Racial Profiling
	20.616	National Priority Safety Programs

Clean Water State Revolving Fund (CWSRF) Cluster

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

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

ED	84.027 84.173	Special Education—Grants to States (IDEA, Part B) Special Education—Preschool Grants (IDEA Preschool)
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TRIO Cluster

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

HHS	93.044 93.045 93.053	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers, CARES Act for Supportive Services Under Title III-B of the Older Americans Act, and American Rescue Plan for Supportive Services Under Title III- B of the Older Americans Act Nutrition Services and CARES Act for Nutrition Services Under Title III-C of the Older Americans Act, CARES Act for Nutrition Services Under Title III-C of the Older Americans Act, and American Rescue Plan for Nutrition Services Under Title III-C of the Older Americans Act Nutrition Services Incentive Program
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Hurricane Sandy Relief Cluster

HHS	93.095 93.096	HHS Programs for Disaster Relief Appropriations Act—Non- Construction HHS Programs for Disaster Relief Appropriations Act— Construction
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Health Center Program Cluster

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

CCDF Cluster

HHS	93.489	Child Care Disaster Relief
	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Head Start Cluster

	93.356	Head Start Disaster Recovery from Hurricanes Harvey, Irma, and Maria
	93.600	Head Start

Medicaid Cluster

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

Foster Grandparent/Senior Companion Cluster

CNCS	94.011	Foster Grandparent Program
	94.016	Senior Companion Program

Disability Insurance/SSI Cluster

SSA	96.001	Social Security–Disability Insurance
	96.006	Supplemental Security Income

Food For Peace Cluster

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