



Building a Legacy...  
One Student at a Time!

**SASFAA Annual Conference**

*Biloxi, MS February 12-15, 2017*

This presentation is for discussion purposes only.

# Dean Dorton Allen Ford, PLLC

- Regional accounting firm, approximately 180 employees
- Offices in Louisville and Lexington, Kentucky
- Higher education is a focus with a team of professionals devoted to serving the industry



## **Crissy R. Fiscus**

Director of Assurance Services

Leader of Dean Dorton's higher  
education practice

[cfiscus@deandorton.com](mailto:cfiscus@deandorton.com)

(859) 425-7631

## **Megan H. Crane**

Manager of Assurance Services

Specialty in higher education and  
specifically student financial aid

[mcrane@deandorton.com](mailto:mcrane@deandorton.com)

(859) 425-7643



# Overview

- How/why do schools get placed on HCM2?
- Case Study
  - Timeline
  - Risk Identification
  - Lessons learned
- Conclusion



# Heightened Cash Monitoring

- In 2015, the Department started publicizing a list of schools on HCM1 and HCM2
- In March 2016, 493 U.S. schools were on that list
  - 428 were on HCM1
  - 65 were on HCM2



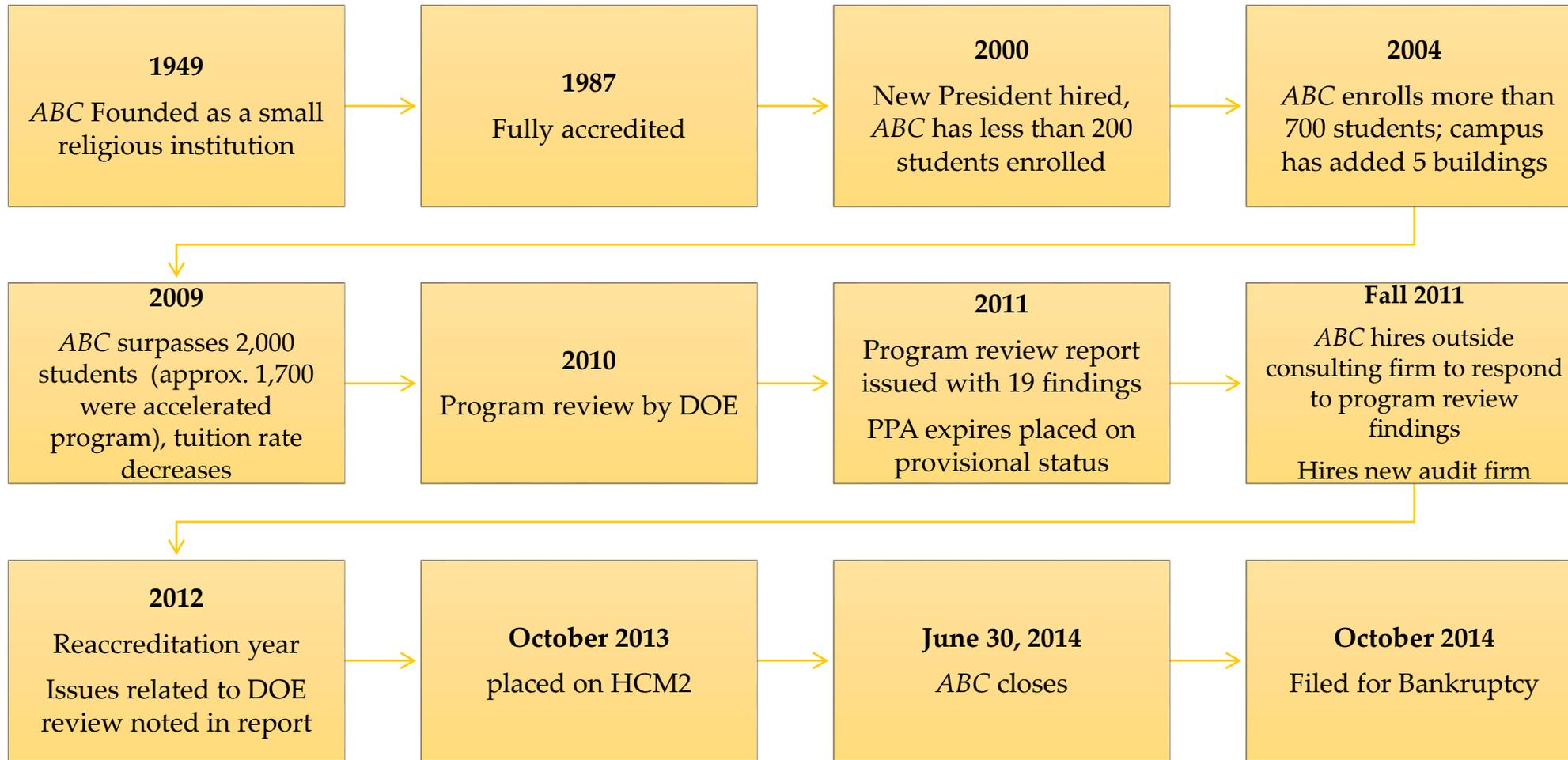
# Reason for HCM1 or 2

- Administrative Capability
- Financial Responsibility
- Audit Late / Missing
- Program Review – Findings (Severe Findings)
- Accreditation Problems





# Case Study – Timeline



# When Did We Get Involved?

- Called in after DOE program review after request from DOE for firm with Student Financial Aid and Higher Education experience
- Perform audits moving forward



# Case Study

- See Handouts
- Discussion:
  - Risks identified in each area
  - Findings from Program Review Report
  - Findings from external audit



# The Institution

- 
- 
- 
- 
- 



# Growth & the Market

- 
- 
- 
- 
- 



# Governance

- 
- 
- 
- 
- 



# Accounting/Finance

- 
- 
- 
- 
- 



# Student Financial Aid

- 
- 
- 
- 
- 



# Other Items

- 
- 
- 
- 
- 



# Findings

- 
- 
- 
- 
- 



# What can we learn from ABC?

- Checked box for 4 out of 5 red flags for HCM2:
  - Administrative Capability
  - Financial Responsibility (due to DOE uncertainty)
  - Program Review – Findings (Severe Findings)
  - Accreditation Problems



# What can we learn from ABC?

- Biggest Issues:
  - No culture of compliance
  - Lacking ethical tone at the top



# In the News

- “It seemed to fall within the levels of record keeping, and over that most of us felt like it fell within the parameters of responsibility for the president or ...his wife”
- “The intent was we weren't going to abide by department of education, that it was going to be done her [the President's wife] way.”
- “The 2014 graduation, ...served what was dubbed as the “miracle class.”



# In the News

- “On July 14, the board removed [an outspoken member], who had served for 11 years. He was voted off for violating board policy by sharing information with the media and public. ... about the University’s steadily increasing enrollment being due in part to lax admissions guidelines and enticement for students to receive federal grants and loans.”
- The President and his wife “kept the board in the dark regarding the schools’ finances, although it remained the board’s responsibility...”



# In the News

- “During the audit, ABC spent millions of dollars on consultants to sort it out. The school kept paying money out of their own reserves to keep the school running when the federal money ran dry, including underwriting student loans. All say the students should have been left out of it.

All we had to do was get the students to sign a piece of paper saying we don't have direct funding from the department of education any longer, and they sign that. And that would be legit, but they deceived the students. Not doing what they know they should do.”



# In the News

- “Approximately, \$2.5 million was spent on nationally known financial aid experts and higher education attorneys. Additionally, a tremendous amount of time and effort was expended by state, federal and accreditation agencies to help ABC work through the challenges of fitting the square peg of a new, approved, non-term, student accessible delivery of higher education instruction into the round hole of traditional education and government oversight process.”



# In the News

- “So what led to the failed audit? Acting president ...says the problem was poor record-keeping. He says, “it was the lack of accurate and timely reporting of student data, and also of being so excited about getting someone on board as a student that maybe they weren't as careful as they should have been with maintaining the kind of records necessary.”



# In the News

- “Whistleblower and board of trustees member ...says the problem was greed. 'The desire to get the cash overrode the desire to operate in a Christ like manner...it was about getting money based on what I see,' he says. ”
- “I [a reporter] contacted all 31 board members to see if this was true. Only two agreed to speak to me. [One] was on the board for 15 years. About the audit, he told me he knew something was off.”



# In the News

- “No one was charged with fraud, but some people were still getting paid. The [President and his wife] got paid for two months until they were officially dismissed four months before the school closed. Some leaders want to hold them responsible.”
- "Had I known that ABC was not getting funding from the [Department of Education], I would have honestly transferred right out of that school because if you can't get money from the federal government, you clearly are having some problems" – A former student

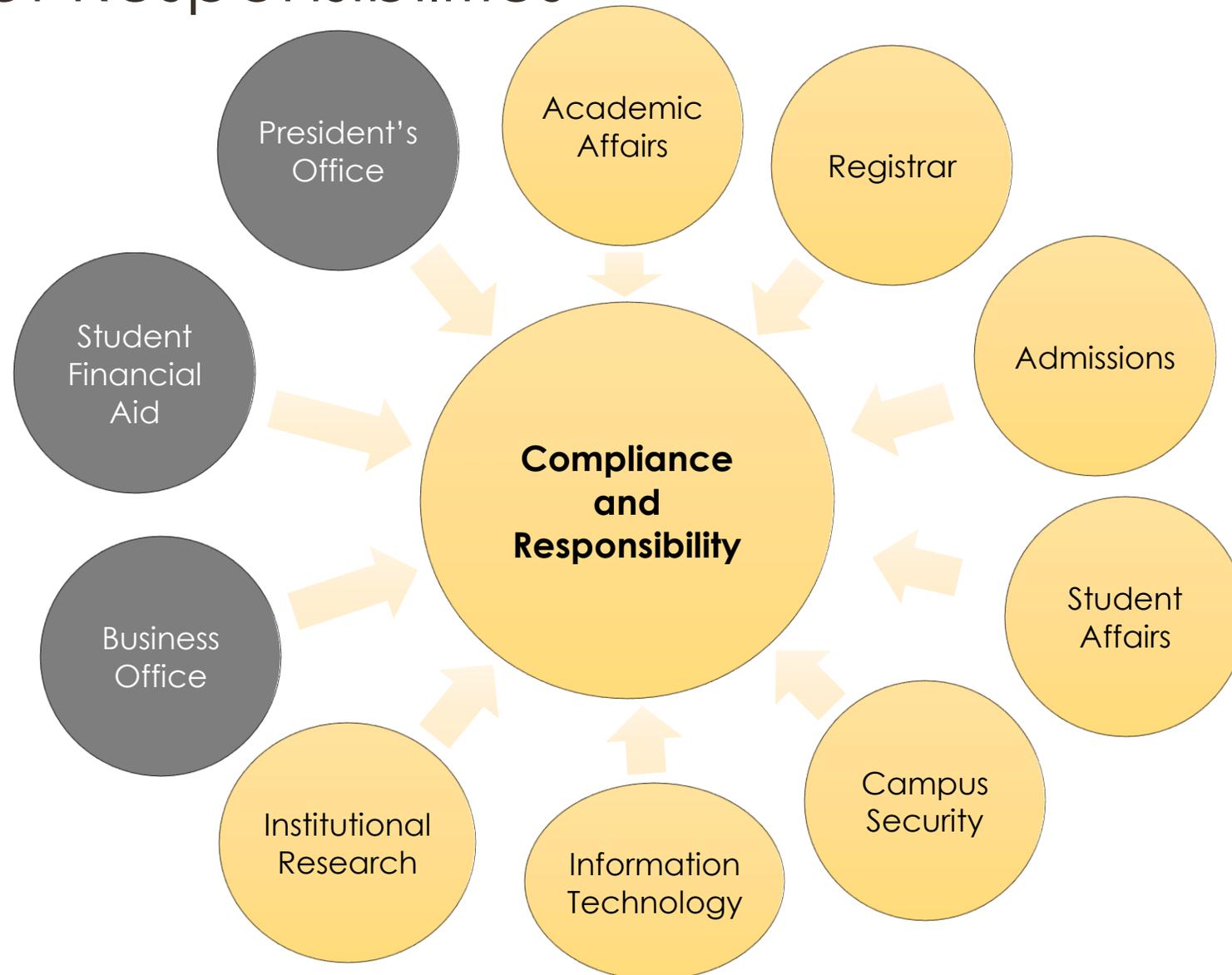


# Network of Responsibilities

- Managing FSA program funds is a **school-wide** responsibility.
- FSA program funds are provided to the school, and all offices at a school must work together to ensure successful program management.



# Network of Responsibilities



# Primary Responsible Offices

FSA program management generally takes place in three functional areas:

Office of the  
Chief Executive

(CEO, President,  
Chancellor, etc.)

Chief Financial  
Aid Officer

Chief Business  
Officer

# President/CEO's Office

- **Ultimate responsibility** for a school's FSA programs
- Authority and responsibility delegated to other offices
- Strong leadership fosters an environment to promote an effective and responsive financial aid program



# Best Practices for President's Office

- Understand the Program Participation Agreement (PPA)
  - Lists laws, regulations, and policies governing FSA programs
  - Must have a current PPA signed by the school's President, CEO, or Chancellor and an authorized representative of the Department of Education
  - Provisional status
- Review it annually



# How can you help the president's office?

- Education:
  - Importance of PPA and what they are signing
  - Importance of collaboration across campus – don't allow SFA to be in a silo
    - How are decisions impacting SFA?
  - Major changes that impact SFA
    - Adding new locations or method of aid delivery
- Be a strong voice for SFA



# Business Office

- Most FSA-related fiscal operations
- Provides critical services managing both federal and nonfederal financial aid programs
- Administers the accounting, recordkeeping, and reporting functions
  - Including cash management
- Strong internal controls and sound business and financial management practices



# Business Office

Coordinate activities and cooperate with the Financial Aid Office in:

- Projecting cash needs
- Processing cancellations and institutional refunds
- Obtaining authorization to pay FSA funds
- Being aware of the changes in FSA laws and regulations
- Submitting accurate and timely reports
- Reconciling Title IV funds



# Best Practices for Business Office

- Develop a strong relationship with the director of student financial aid
- Stay up to date on changes in financial aid that impact your office/responsibilities
- Understand the audit findings and assist with processes to address the findings
- Develop standard reconciliations to be performed on a regular basis
- Assist with the documentation of internal controls
- Understand the rules surrounding financial responsibility – calculate the ratios on a regular basis



# How can you help the business office?

- Education:
  - Financial responsibility
    - Poor financial performance – flag to DOE
    - New ways of generating revenue and impact on SFA?
  - Major changes that impact SFA
    - Adding new locations or method of aid delivery
- Help build a collaborative relationship
- Work together on resolving findings



# Financial Aid Office

- Assigned most of the responsibility for administering FSA programs
- Limited role in the institution's fiscal operation
- Reconcile student financial aid data provided to the business office
  - Payments Made
  - FSA Funds Returned
  - Expenditures Reported
- Report changes to ED effecting eligibility status



# Best Practices for Financial Aid Office

- Have a relationship with the Department of Education
  - Go visit them so they know who you are!
- Have a relationship with your external auditor
  - The auditor can be a great resource for you.
  - They want to help you!
  - Be involved with selection process
- Make sure your team attends training annually – a knowledgeable team is CRUCIAL



# Best Practices for Financial Aid Office

- Use internal audit to test compliance throughout year
- Have a relationship with the Board
  - Educate them on the importance of SFA
- Document all your processes and internal controls
  - Internal controls were always required, however the new Uniform Grant Guidance requires that controls be documented.

# Community Impact

- Approximately 50 employees laid-off
- \$10 million of student loans advanced to students – with funds never-being received from DOE
- 2,500 students enrolled had to be transferred or professors had to volunteer to teach for free to ensure graduation



# Summary

- ABC had a multitude of issues, eventually leading to closure
- Managing FSA Funds is a **school-wide** responsibility
  - All offices must work together to ensure successful program management
  - Primary responsibility - President/CEO, CFO, and the Financial Aid Director
- HCM2 is difficult to overcome
  - Students question schools ability to continue, lose confidence





studentcentered  
knowledgeable  
professional  
proficient  
inspiring  
networking  
educational  
family  
supportive  
effective  
access influential  
support  
information  
informational  
involved beneficial  
advocacy  
friends  
expansive  
resource  
opportunities  
communications  
fun  
engaged  
wonderful  
regional  
exciting  
squad  
helpful  
dedicated  
united  
collective  
network  
leadership  
training  
comradery  
teamwork  
collaborative  
colleagues  
community  
awesome  
informativ  
knowledge  
rewarding  
engaging