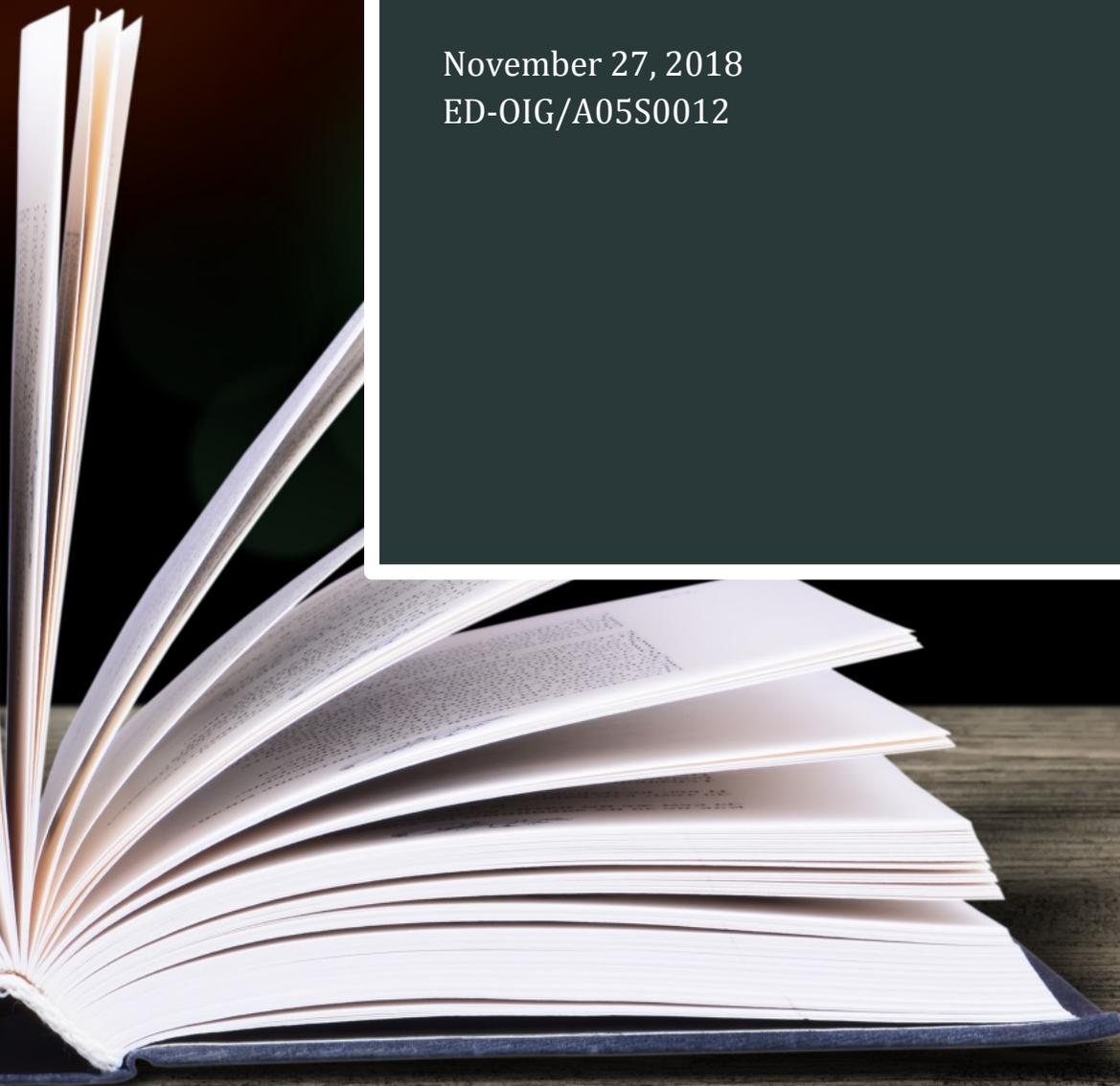




U.S. Department of Education  
Office of Inspector General

# College of Southern Nevada Complied with Federal Verification and Reporting Requirements

November 27, 2018  
ED-OIG/A05S0012



## NOTICE

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UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

Audit Services

November 27, 2018

Dr. Federico Zaragoza  
President  
College of Southern Nevada  
6375 West Charleston Boulevard  
Las Vegas, NV 89146

Dear Dr. Zaragoza:

Enclosed is our final audit report, "College of Southern Nevada Complied with Federal Verification and Reporting Requirements," Control Number ED-OIG/A05S0012. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education official, who will consider them before taking final Departmental action on this audit:

James F. Manning  
Acting Chief Operating Officer  
Federal Student Aid  
U.S. Department of Education  
830 1st Street, NE  
Washington, DC 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings. Therefore, if you have additional comments, Federal Student Aid would appreciate receiving them within 30 days.

We appreciate the courtesy and cooperation shown by College of Southern Nevada officials and employees throughout the audit.

Sincerely,

/s/

Gary D. Whitman  
Regional Inspector General for Audit

Enclosure

# FINAL REPORT

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## Results in Brief

### What We Did

Our audit objectives were to determine whether College of Southern Nevada completed verification of applicant data in accordance with Federal requirements and accurately reported verification results to Federal Student Aid (FSA). The audit covered award year 2016–2017 (July 1, 2016, through June 30, 2017).

To answer the objectives, we gained an understanding of the school’s processes for verifying applicant data, reporting the results of verification to the U.S. Department of Education’s (Department) Central Processing System and Common Origination and Disbursement System, and disbursing student aid funds authorized by Title IV of the Higher Education Act of 1965, as amended (Title IV), for students selected for verification. We selected a statistical random sample of 60 students from the 5,495 students who received a Federal Pell Grant Program (Pell) disbursement and whose applications were selected for verification for award year 2016–2017. For each student, we reviewed the records that the school obtained during its verification process to determine whether the student provided acceptable documentation and the records supported the information in the student’s Institutional Student Information Record.

We also compared the information in College of Southern Nevada’s information systems to the information in the Department’s Central Processing System and Common Origination and Disbursement System for all 60 students in our sample. We compared the information to determine whether the school accurately reported the appropriate verification status codes to FSA’s systems and updated those systems when a student’s information changed as a result of the verification process.

### What We Found

College of Southern Nevada completed verification of applicant data in accordance with Federal requirements for all 60 students included in our sample (see [Finding 1](#)).

College of Southern Nevada also accurately reported verification results to FSA for 57 of the 60 students included in our sample. Although the school did not accurately report verification results for three students, the inaccurate reporting did not affect the amount of Title IV funds disbursed for the students (see [Finding 2](#)).

### What We Recommend

We are not providing any recommendations for corrective actions.

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## **College of Southern Nevada Comments**

College of Southern Nevada concurred with both findings. We included the full text of the school's comments in the [College of Southern Nevada Comments](#) section of this report.

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## Introduction

### Background

College of Southern Nevada is one of eight institutions that fall under the Nevada System of Higher Education, which oversees the public system of higher education in the State of Nevada. It is the largest college in the State of Nevada. Students may earn associate degrees, bachelor degrees, and certificates in more than 70 academic programs. College of Southern Nevada has three campuses (Las Vegas, North Las Vegas, and Henderson) and seven additional learning centers throughout the Las Vegas area. During award year 2016–2017, about 34,000 students were enrolled in the school. It is accredited by the Northwest Commission on Colleges and Universities.

### Federal Assistance Programs and Funding Information

The purpose of the Title IV programs is to provide loans, grants, and work-study financial assistance to students and their parents. During award year 2016–2017, College of Southern Nevada participated in the following Title IV programs.

- William D. Ford Federal Direct Loan: Provides loans to postsecondary school students and their parents to help defray the costs of education at participating schools.
- Pell: Provides eligible students who have demonstrated financial need with grant assistance to help pay undergraduate educational expenses.
- Federal Supplemental Educational Opportunity Grant: Provides need-based grants to eligible students to help meet undergraduate educational expenses.
- Federal Work-Study: Provides part-time employment to eligible students to help meet undergraduate educational expenses and encourage students receiving program assistance to participate in community service activities.

For award year 2016–2017, College of Southern Nevada disbursed about \$62 million in Title IV funds (see [Table 1](#)).

**Table 1. Title IV Program Funds Disbursed by College of Southern Nevada for Award Year 2016–2017**

Program	Funds Disbursed
Pell	\$37,122,622
William D. Ford Federal Direct Loan	\$23,366,595

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Program	Funds Disbursed
Federal Supplemental Educational Opportunity Grant	\$841,088
Federal Work Study	\$528,867
Total	\$61,859,172

SOURCE: FSA DATA CENTER AT [HTTPS://STUDENTAID.ED.GOV/SA/DATA-CENTER](https://studentaid.ed.gov/sa/data-center)

## Verifying Applicant Data and Reporting the Results

Students apply for Title IV funds by completing a Free Application for Federal Student Aid (FAFSA). The FAFSA is processed by the Central Processing System. This system uses the FAFSA information to calculate each applicant's expected family contribution. After processing the FAFSA, the Central Processing System produces two output documents. An Institutional Student Information Record is issued to the school, and a Student Aid Report is issued to the student. Both documents show the student's applicant data, expected family contribution, and other information, including whether the student was selected for verification.

Verification is the process that FSA requires schools to use to ensure that students and parents report accurate financial and demographic data on the FAFSA. During processing of the FAFSA, if the student's data meet certain established criteria, the Central Processing System assigns a verification tracking flag, indicating that the student has been selected for verification.

The verification tracking flag on a student's Institutional Student Information Record identifies which applicant data elements the school must verify for that student. Each award year, the Department publishes in the Federal Register a notice announcing the FAFSA data elements that a school and an applicant might be required to verify.<sup>1</sup> The Federal Register also lists the types of acceptable documentation that schools must obtain to verify those elements. See [Table 2](#) for a list of the verification tracking flags and the corresponding data elements that schools were required to verify for award year 2016–2017.

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<sup>1</sup> For the award year 2016–2017 notice, see 80 Federal Register 36783 (June 26, 2015).

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**Table 2. Verification Tracking Flags and Data Elements to Be Verified for Award Year 2016-2017**

Flag*	Elements
V1	Adjusted gross income, U.S. income tax paid, untaxed portions of individual retirement account distributions, untaxed portions of pensions, individual retirement account deductions and payments, tax-exempt interest income, education tax credits, income earned from work (for nontax filers), number of household members, number of household members in college, Supplemental Nutrition Assistance Program benefits received, and child support paid.
V4	High school completion status, identity/statement of educational purpose, Supplemental Nutrition Assistance Program benefits received, and child support paid.
V5	All elements under V1 and V4.
V6	All elements under V1; payments to tax-deferred pension and retirement savings plans; child support received; housing, food, and other living allowances paid to members of the military, clergy, and others; veterans' noneducation benefits; money received or paid on the applicant's behalf; resources or benefits not appearing on the FAFSA, such as in-kind support from a relative or government agency; and other untaxed income.

*\*Verification tracking flags V2 and V3 were not used for award year 2016–2017.*

A school has completed the verification process when it has either determined that the applicant data are correct or when the corrected data have been submitted to the Central Processing System. The school must retain records of its verification processes and records showing the student's final expected family contribution as recorded in the Central Processing System.

When a school disburses Pell funds for a student, it is required to report the verification status of the student's application to the Department's Common Origination and Disbursement System. As described in the "Federal Student Aid Handbook 2016–2017, Application and Verification Guide 2016–2017," the verification status codes were as follows.

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- V—The school has verified the student’s information. This includes the students selected by the Central Processing System and students selected by the school based on its own criteria.
- W—The student was selected for verification by the Central Processing System or the school, and the school chose to make a first disbursement of Pell funds without the required verification documentation. The school must update the code once it completes verification; otherwise, the Common Origination and Disbursement System will reduce the student’s Pell amount to zero.
- S—The Central Processing System selected the student for verification but the school did not verify the student’s information, either because the school determined that the student satisfied an exclusion, or the school participated in the Quality Assurance Program and the student’s application did not meet the school’s verification criteria.<sup>2</sup>
- Blank—The school did not complete verification, either because the student was not selected for verification or because the student ceased being enrolled at the school and all Pell disbursements had already been made.

In addition, for an Institutional Student Information Record with a verification tracking flag of V4 or V5, a school must report the verification results of identity and high school completion status to the Central Processing System using one of the following codes.

- 1—Verification completed in person; no issues found.
- 2—Verification completed using notary; no issues found.
- 3—Verification attempted; issues found with identity.
- 4—Verification attempted; issues found with high school completion.
- 5—No response from applicant or unable to locate.

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<sup>2</sup> Schools did not need to complete verification if a student (1) died before verification could be completed, (2) did not receive Title IV funds for reasons other than failure to complete verification, (3) was only eligible for an unsubsidized William D. Ford Federal Direct Loan Program loan, (4) completed verification for the award year at another school, or (5) was selected for verification after ceasing enrollment at the school and after all disbursements had been made.

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## **Finding 1. College of Southern Nevada Completed Verification of Applicant Data in Accordance with Federal Requirements**

We selected a statistical random sample of 60 of the 5,495 students who received a Pell disbursement for award year 2016–2017 and were selected for verification. For each student, we reviewed the school’s enrollment and financial assistance records to determine whether College of Southern Nevada obtained required documentation and whether the school’s records supported the information in the student’s Institutional Student Information Record. We found that College of Southern Nevada completed verification of applicant data in accordance with Federal requirements for all 60 students.

Because we did not identify noncompliance with Federal verification requirements for any of the 60 students in our sample, we are 90 percent confident that College of Southern Nevada completed verification in accordance with Federal requirements for at least 96 percent of the 5,495 award year 2016–2017 Pell recipients selected for verification. We do not have any recommendations for corrective actions.

### **College of Southern Nevada Comments**

College of Southern Nevada concurred with the finding.

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## Finding 2. College of Southern Nevada Accurately Reported Verification Results

For each of the 60 students in our sample, we compared the school’s enrollment and financial assistance records with the records in the Department’s Central Processing System and Common Origination and Disbursement System. We found that College of Southern Nevada accurately reported verification results for 57 of the 60 students but did not accurately report verification results for 3. The school (1) did not report one student’s verification status to the Common Origination and Disbursement System to indicate that verification had been completed; (2) reported a code of “5” for one student, when it should have reported a code of “1;” and (3) did not update the Common Origination and Disbursement System with the correct Central Processing System transaction number for one student.

Because the school accurately reported verification results for 57 of the 60 students in our sample, we estimate that College of Southern Nevada accurately reported the results of verification for 95 percent of the 5,495 award year 2016–2017 Pell recipients selected for verification.<sup>3</sup>

According to Title 34 Code of Federal Regulations (C.F.R.) § 668.14(b)(7), a school agrees that “it will submit reports to the Secretary . . . containing such information as the Secretary may reasonably require to carry out the purpose of the [Title IV] programs.” Also, the “Federal Student Aid Handbook 2016–2017, Application and Verification Guide 2016–2017” states that a school must report the student’s verification status through the Common Origination and Disbursement System when it disburses Pell funds. Further, Volume 2, Page II–1–209, of the “Common Origination and Disbursement 2016–2017 Technical Reference” states that, if a student’s award information changes, the school must submit the change to the Common Origination and Disbursement System within 30 days of the date that the school becomes aware of the change or by the established Pell reporting deadline, whichever comes first.

Although the amounts of Title IV funds disbursed for the three students were not affected by the school inaccurately reporting verification results, the Department relies on schools to accurately report verification information. The Department uses that

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<sup>3</sup> We are 90 percent confident that College of Southern Nevada accurately reported the results of verification for between 88 percent and 99 percent of the 5,495 award year 2016–2017 Pell recipients selected for verification.

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information to determine a student's eligibility and Title IV award amount.<sup>4</sup> Inaccurate or incomplete verification results might cause the Department to make incorrect decisions about a student's Title IV eligibility. For example, an inaccurate Pell award amount reported to the Common Origination and Disbursement System could result in a student receiving Pell awards in excess of her or his lifetime Pell eligibility limit or being deemed ineligible for a Pell award for which he or she is still eligible. A student may receive the equivalent of six full-time Pell awards, with each award representing 100-percent eligibility used. The percentages used each award year are added together, and the student is no longer eligible for Pell once he or she reaches 600-percent eligibility used. If a student does not receive the full amount of a scheduled Pell award in an award year, he or she has used less than 100 percent of the annual limit and is eligible to receive the remaining percentage of that scheduled award in the future.

For one student in our sample, College of Southern Nevada failed to report updated award information. The Common Origination and Disbursement System showed the student's scheduled Pell award for award year 2016–2017 as \$5,815. However, the student received only \$4,165, meaning the student had received about 72 percent of her or his Pell eligibility for that year. Based on the student's expected family contribution after verification, the student's scheduled Pell award should have been recorded in the Common Origination and Disbursement System as \$4,165, meaning the student had used 100 percent of her or his eligibility for award year 2016–2017. The difference in Pell-award eligibility used could result in the student receiving total Pell awards in excess of her or his 600-percent lifetime eligibility limit.

The associate vice president for financial aid for College of Southern Nevada informed us that the school has revised its verification reporting process. A new report will be generated, and a school employee will review the report to ensure that the school accurately submitted verification results within the required timeframe. Because the three instances of noncompliance with reporting requirements did not affect the students' Pell awards, and because College of Southern Nevada informed us that it has taken actions to mitigate the risk of noncompliance with verification reporting requirements, we do not have any recommendations for corrective actions.

## **College of Southern Nevada Comments**

College of Southern Nevada concurred with the finding.

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<sup>4</sup> The Common Origination and Disbursement System used the Central Processing System transaction number along with a student's award information to obtain the student's expected family contribution and calculate the student's scheduled Pell award for the award year.

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## Appendix A. Scope and Methodology

We evaluated College of Southern Nevada’s processes for verifying applicant data, reporting the results of verification, and disbursing Title IV funds for students selected for verification for award year 2016–2017. We first gained an understanding of the Title IV regulations in 34 C.F.R. Part 668, Subpart E, “Verification and Updating of Student Aid Application Information;” the notice of FAFSA information to be verified for award year 2016–2017, 80 Federal Register 36783 (June 26, 2015); and Department guidance (dear colleague letters, electronic announcements, “Federal Student Aid Handbook 2016–2017, Application and Verification Guide 2016–2017,” and “Common Origination and Disbursement 2016–2017 Technical Reference”) relevant to the audit objectives.

We then reviewed Title IV information on the FSA Data Center website to identify the Title IV programs in which College of Southern Nevada participated during our audit period. In addition, we reviewed the Nevada System of Higher Education’s website, the school’s website, and documents and records that school officials provided us to gain an understanding of the school’s history and organizational structure. Further, we interviewed College of Southern Nevada officials and reviewed the school’s financial aid policies and procedures to gain an understanding of the processes that the school designed for verifying applicant data, reporting the results of verification to the Central Processing System and Common Origination and Disbursement System, and disbursing Title IV funds for students selected for verification.

To identify any findings or recommendations included in prior audits or reviews and relevant to our audit objectives, we reviewed reports on annual audits of the Nevada System of Higher Education for the years that ended June 30, 2013, through June 30, 2017, conducted by Grant Thornton, LLP,<sup>5</sup> and FSA’s Program Review Report (July 7, 2015) and Final Program Review Determination letter (September 27, 2016).

### Internal Control

After reviewing the Federal requirements relevant to verifying applicant data, reporting the results of verification, and disbursing Title IV funds for students selected for verification; prior audit reports; and other relevant school information, we determined that the control activities component of internal control was relevant to our audit.<sup>6</sup>

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<sup>5</sup> The Nevada System of Higher Education audit report consolidates the results from audits of the system’s component institutions.

<sup>6</sup> Control activities are the policies, procedures, and mechanisms management establishes to achieve objectives and respond to risks.

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Therefore, we gained an understanding of College of Southern Nevada’s control activities relevant to verifying applicant data, reporting verification results, and disbursing Title IV funds for students selected for verification. After gaining an understanding of these control activities, we compared the school’s written verification policies and procedures to the requirements established by 34 C.F.R. § 668.53 and determined that the school’s policies and procedures included all of the requirements. Then, we evaluated whether the school implemented the relevant control activities by assessing the school’s compliance with the verification, reporting, and disbursing requirements for 60 randomly selected students. We did not identify any significant instances of noncompliance or deviations from the relevant control activities; therefore, we concluded that College of Southern Nevada implemented the relevant control activities as designed.

## **Sampling Methodology**

We used sampling to achieve our audit objectives. We obtained from the National Student Loan Data System the population of 5,495 students who received at least one Pell disbursement for award year 2016–2017 and whose applications were selected for verification by the Central Processing System. To ensure that we could estimate the extent of the school’s compliance with a margin of error not exceeding 10 percent at the 90 percent confidence level, assuming a sample error rate not exceeding 20 percent, we selected a statistical random sample of 60 of the 5,495 students.

## **Analysis Techniques**

To determine whether College of Southern Nevada complied with Federal requirements relevant to verifying applicant data, reporting the results of verification, and disbursing Title IV funds for students selected for verification, we reviewed the enrollment and financial assistance information in the school’s information systems and the records the school obtained for the 60 students in our sample. We reviewed the records to determine whether they demonstrated that the school completed its verification procedures in compliance with 34 C.F.R. § 668.54 through § 668.57 and 80 Federal Register 36783 (June 26, 2015). We concluded that College of Southern Nevada complied with requirements if it verified all of the required data elements for a student, obtained records supporting the data elements, and obtained records specified in the Federal Register.

We also compared the records in College of Southern Nevada’s information systems to the data recorded in the Common Origination and Disbursement System for each of the 60 students to determine whether the school reported the results of verification in compliance with “Federal Student Aid Handbook 2016–2017, Application and Verification Guide 2016–2017” and “Common Origination and Disbursement 2016–2017 Technical Reference.” We concluded that the school complied with requirements if it

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updated the Common Origination and Disbursement System when a student's Institutional Student Information Record information changed and reported the appropriate verification status code to the system. For students selected under verification tracking flags V4 and V5, we concluded that the school complied with requirements if it reported the correct code (1 through 5) to the Central Processing System.

Finally, we reviewed enrollment and financial assistance information in College of Southern Nevada's information systems for each of the 60 students to determine whether the school disbursed Title IV funds in compliance with 34 C.F.R. § 668.58 through § 668.61. Using the student's final expected family contribution, enrollment status, and cost of attendance, we calculated the students' 2016–2017 Pell award and compared our calculation to the amount that the school disbursed for the students. We concluded that the school complied with requirements if it (1) calculated a student's Pell award based on the expected family contribution shown on the student's final Institutional Student Information Record for award year 2016–2017 and (2) adjusted the student's Title IV award if the student's information changed after the student had already received Title IV funds, or the student did not provide documentation within the required timeframe.

## **Use and Reliability of Computer-Processed Data**

We relied, in part, on data that College of Southern Nevada retained in its information systems. We assessed the reliability of the school's data by comparing it with the records that the school obtained to verify applicant data for the 60 students in our sample. We also compared the school's data for the 60 students to the data that we extracted from the National Student Loan Data System and the Central Processing System. The records that the school obtained to verify applicant data agreed with the data in the school's information systems for all 60 students. Additionally, the school's data for all 60 students matched the Department's data. Therefore, we concluded that the school's data were sufficiently reliable for use in our audit.

## **Compliance with Auditing Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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We conducted our audit at College of Southern Nevada's offices in Las Vegas, Nevada, and our offices from May 2018 through August 2018. We discussed the results of our audit with College of Southern Nevada officials on August 29, 2018.

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## Appendix B. Acronyms and Abbreviations

C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
Pell	Federal Pell Grant Program
Title IV	Title IV of the Higher Education Act of 1965, as amended

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## College of Southern Nevada Comments

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October 22, 2018

Email: [gary.whitman@ed.gov](mailto:gary.whitman@ed.gov)

Gary D. Whitman  
Regional Inspector General for Audit  
Chicago/Kansas City Audit Region  
Officer of Inspector General  
U.S. Department of Education

Reference: Control Number ED-OIG/A05S0012

Dear Mr. Whitman,

Please see the College of Southern Nevada's response to the OIG Draft Audit Report.

The College of Southern Nevada (CSN) concurs with finding 1. While no exceptions were identified, the CSN financial aid management staff continues to provide ongoing training for verification. The CSN financial aid office strives for a high level of quality when processing awards for students to safeguard compliance and student satisfaction.

The College of Southern Nevada concurs with finding 2. The CSN financial aid management staff will continue to provide training to improve processes and to identify any weaknesses in proper reporting to COD.

Please let me know if you have any questions or need more information.

Sincerely,

/s/

Federico Zaragoza, Ph.D.  
President

*Nevada System of Higher Education*

Charleston Campus

Cheyenne Campus

Henderson Campus

Academic & Learning Centers

U.S. Department of Education  
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