

DOCUMENT RECEIPT AND CONTROL CENTER
Financial Statement Processing
User's Guide

March 18, 1999

OUTLINE

Financial Statements

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Background

Requirement

The Higher Education Act of 1965 (HEA) and Higher Education Amendments of 1992 and 1993 require that Program Participation Agreements (PPAs) between institutions of higher education and the Department of Education, will expire in accordance with a schedule developed by the Department. The PPAs allow institutions to participate in Federal Student Financial Assistance Programs authorized by the Title IV of the HEA. The schools that wish to continue must reapply, be reevaluated by the Secretary of Education, meet the eligibility requirements, and receive a new PPA, which will expire within four years from the issue date. These institutions must reapply before their PPA expires if they wish to continue Title IV without interruption.

Purpose

The purpose of the Document Receipt and Control Center (DRCC) is to act as a screening and tracking process for institutions applying for recertification of participation in Title IV funding. DRCC also provides oversight during periods between recertification. Institutions which currently hold PPAs are divided by risk level into various timeline groups with application due dates. Foreign schools as well as domestic schools are required to follow the same process. There are also many events that occur at institutions which may affect their eligibility and require institutions to update their application information. The DRCC is responsible for obtaining the application, analyzing the package, documenting the results and reporting to the appropriate group.

Information for each individual institution such as OPE ID number, EIN number, school name and address is downloaded into the lotus notes database from the Department of Education's PEPS. This information will be downloaded and will automatically appear on the screen when a particular school is selected and the data entry screen is opened.

Definitions

AAAD

Administrative Action and Appeals Division.

DRCC

Document Receipt and Control Center. The DRCC is an area where recertification applications and financial statements are received from participating institutions and reviewed for basic analysis.

EDPMS

Education Program Management Services.

FMS

Financial Management Services.

GAAP

Rules and procedures established by authoritative bodies or conventions (e.g. Governmental Accounting Standards Board, General Accounting Office, etc.) that have evolved through custom and common usage.

GAAS

Auditing standards set forth by the American Institute of Certified Public Accountant's (AICPA) Statement of Auditing Standards.

GAGAS

Generally Accepted Government Auditing Standards which are issued by the U.S. Comptroller General or the General Accounting Officer (the "Yellow Book").

HEA

Higher Education Act.

IDS Management Report

This provides a profile report which is used for audit, funding, administrative action, default rates and other than Department of Education reviews.

IPOS

Institutional Participation Oversight Service.

OMB

Office of Management and Budget is an Executive Agency that assists the President in the development and effective management of federal programs.

OPE ID

Office of Postsecondary Education Identification Number (Eight digit number).

PEPS

Postsecondary Participants System. PEPS provides a profile of the institution by capturing elements and information about the school's eligibility.

PPA

Program Participation Agreement.

SFAP

Student Financial Assistance Programs. Federal programs which enable the students to receive Title IV funding and pursue educational goals.

CFDA

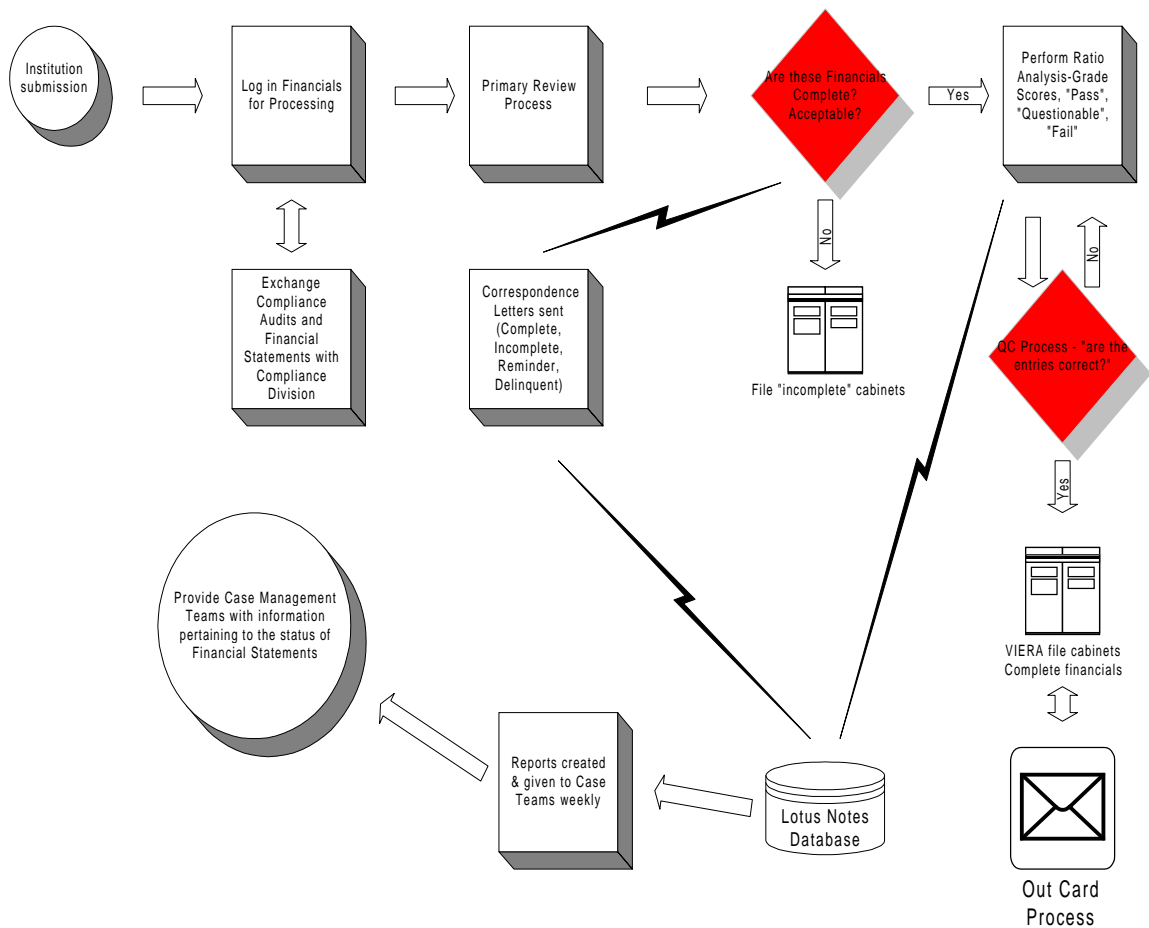
Catalog Federal Domestic Assistance.

DMAD

Data Management and Analysis Division. Encompasses the DRCC.

Institutional Participation and Oversight Service (IPOS)

Document Receipt and Control Center
[Financial Statements Process Flow]



1.1 Getting Started with Lotus Notes

Chapter Outline

- **Definitions and Screen Features**
- **Lotus Notes Workspace Area**
- **Flowchart of Recertification Process**

Getting Started with Lotus Notes

Background

Lotus Notes can be described as a workgroup computing environment which helps people to work together regardless of time zone, operating system in use, main organization, or location. Notes contains tool bars and simple search mechanisms which make Lotus Notes a user friendly system. The following section contains instructions for the user of the databases located on the Lotus Notes system in the DRCC.

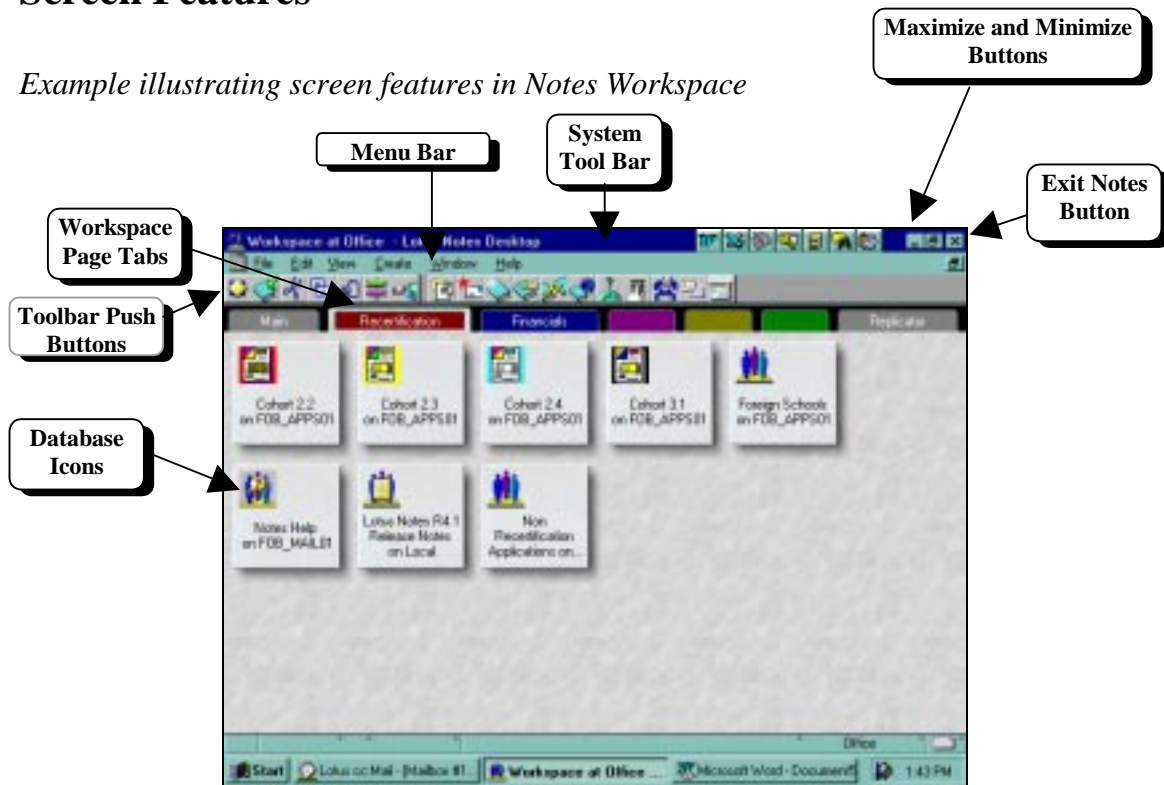
Objectives

- Become familiar with Lotus Notes
- Learn the terminology used in the DRCC
- Learn how to enter information into Financial Statement databases

Lotus Notes Workspace

Screen Features

Example illustrating screen features in Notes Workspace



System Tool Bar

The system tool bar indicates the name of the active window.

Menu Bar

The menu bar provides the menu actions you can select. The available menu actions are dependent on the current window.

Toolbar Push Buttons

The Toolbar offers a number of actions you can perform. For instance, you can save a file, print, or open a new database. You can learn a buttons function by holding the pointer over the button.

Workspace Page Tabs

By clicking on these tabs, you can go to another page of database icons.


Database Icons

Double clicking the database icon opens the actual database represented.

Getting Started

Step 1

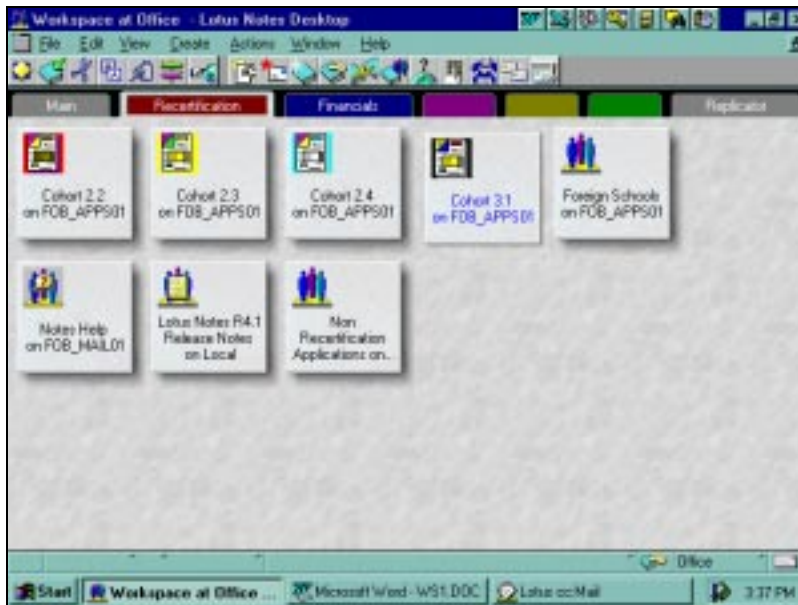
From Windows 95 click , <Lotus Applications>, and <Lotus Notes>. Another

option would be to double click on the Lotus Notes Icon  from the main screen.

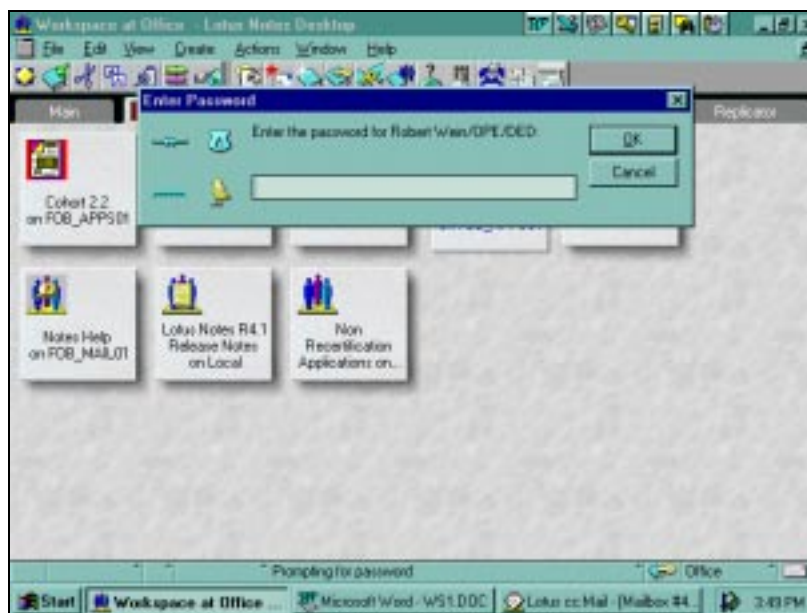


Step 2

Use mouse to place arrow (cursor) on Database icon you wish to open and double click the left mouse button.

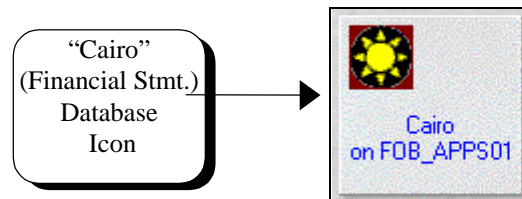
**Step 3**

A small screen will appear to prompt entry of your password. Passwords are five letters beginning with your last name and will continue with your first name, if your last name has fewer than five letters. Your password must be entered in capital letters. Your password will be assigned by a Lotus Notes administrator at the Department.



Step 4

The left panel of the screen indicates possible types of views for the recertification screen. Below is an example of the database icon you will use for the most current Recertification database.



You should now be inside the selected database. Triangles to the left of OPE ID# indicate additional documents for the institution exist and can be opened by selecting desired line. If a triangle is pointing sideways, it is hiding which documents exist on the database and their descriptions will not appear directly below the institution name.

02559400	954501439	American Career College	CA	Complete	Complete
▶ 02559500	820388102	Razzle Dazzle College of Hair Design	ID	Waiver	Complete
▼ 02559600	710561219	Bizzell's Beauty School	AR	Not Receiv	Incomplete
1996 - 30 Day Delinquency Letter Sent on 08/20/97					

Triangle is sideways and hiding documents

02559400	954501439	American Career College	CA	Complete	Complete
▼ 02559500	820388102	Razzle Dazzle College of Hair Design	ID	Waiver	Complete
1996 Primary Review & Ratio Analysis - Score : 2.3					
1996 - Incomplete Letter Sent on 09/05/97					
1996 - Complete Letter Sent on 09/26/97					
1996 - 30 Day Delinquency Letter Sent on 08/20/97					
1995 Financial Statement Checked out by Ora Bynum on 02/03/97 : Outstanding					
▼ 02559600	710561219	Bizzell's Beauty School	AR	Not Receiv	Incomplete

Triangle is pointing down and all documents are in sight.

Following is a screen shot of the Master Information screen for the Cairo (Financial Statement) database.

This screen is the Main View where Master Information is seen.

Triangles indicating additional documents.

Bars describe actions which can be selected to perform.

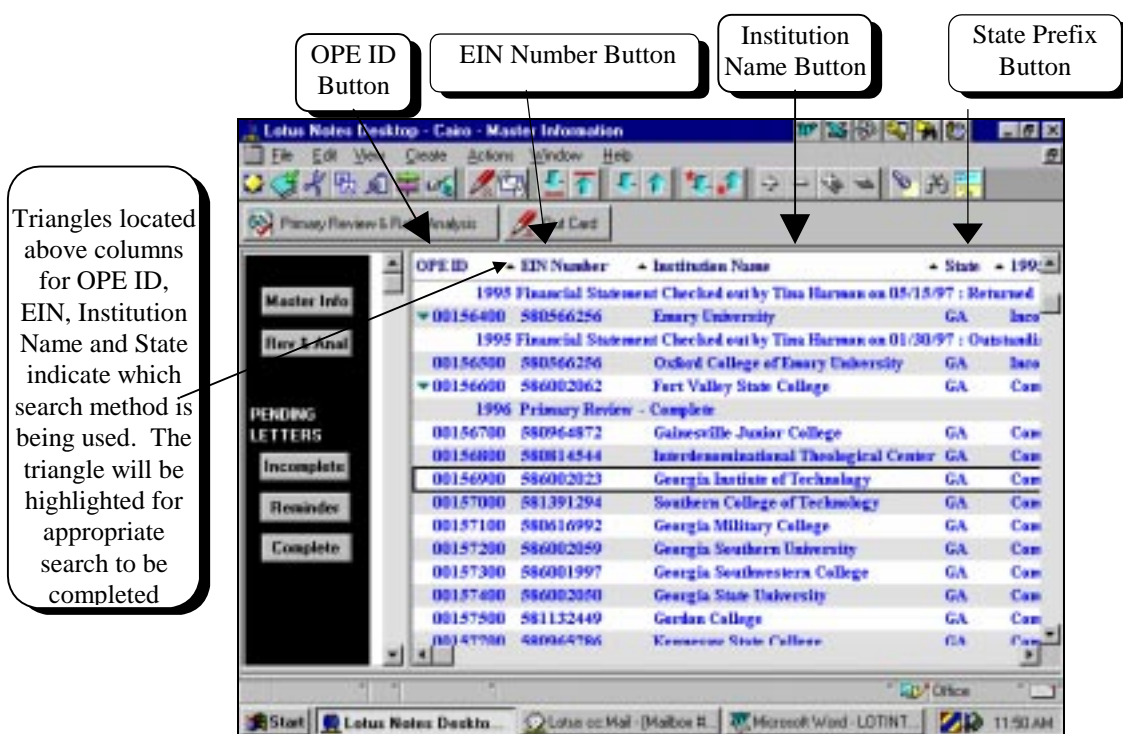
OPE ID	EIN Number	Institution Name	State	199
1995 Financial Statement Checked out by Tina Harman on 05/15/97 : Returned				
00156400	580566256	Emory University	GA	Inco
1995 Financial Statement Checked out by Tina Harman on 01/30/97 : Outstanding				
00156500	580566256	Oxford College of Emory University	GA	Inco
00156600	586002062	Fort Valley State College	GA	Com
1996 Primary Review - Complete				
00156700	580964872	Gainesville Junior College	GA	Com
00156800	580814544	Interdenominational Theological Center	GA	Com
00156900	586002023	Georgia Institute of Technology	GA	Com
00157000	581391294	Southern College of Technology	GA	Com
00157100	580616992	Georgia Military College	GA	Com
00157200	586002059	Georgia Southern University	GA	Com
00157300	586001997	Georgia Southwestern College	GA	Com
00157400	586002000	Georgia State University	GA	Com
00157500	581132449	Gordon College	GA	Com
00147900	480964786	Kennesaw State College	GA	Com

Note: The view and action bars will be described further in sections relating to specific types of applications.

Step 5

Within the Database, you can search for the institution you wish to locate. There are two ways to do this:

- 1) To search by OPE ID #, click once on the OPE ID button and begin typing in the number. The triangle located on OPE ID button will be highlighted when you click on it, which activates this search method.
- 2) To search by the Institution Name, click once on the Institution Name button and begin typing the name of the institution. The triangle on the button will highlight and the same situation will occur as above. You may search by typing only the first part of the name. (Ex. for Podunk University type P-o-d-u).
- 3) Other methods of search on "Cairo" database are by State Prefix or EIN Number. Use the same procedure as described above.



2.1 Primary Review Procedures (Formerly “Completeness Check”) Chapter Outline

- **Background**
- **Objectives**
- **Documenting & Analyzing Financial Statements**
Receiving
Review
- **Status**

Primary Review Procedures (Formerly “Completeness Check”)

Background

It is the DRCC’s responsibility to verify that participating institutions are complying with 34 CFR 668.15 by submitting complete GAAP financial statements annually. By screening submissions before filing them, and rejecting incomplete submissions which do not meet the regulatory requirements, the DRCC enables the case teams to perform their review on complete statements. Some important areas to watch for when reviewing financial statements are following:

- The Independent Auditor’s Report must be on letterhead of the CPA/Firm performing the audit and signed and dated.
- Fill in the locator field. If the statement represents one institution the OPE ID number and the locator are the same. If the statement represents multiple institutions then the completeness check must be done for each OPE ID number. Select one OPE ID as the Locator, preferably the same Locator used the previous year. For the Locator’s primary review, OPE ID and Locator will be the same, and list all other related OPE IDs for that statement in the space provided. For all of the other OPE IDs, perform a completeness check, use the first locator number in the locator field (so readers can go to the main form) and do not list out all of the related OPE IDs again.
- If it is a Proprietary institution, then it must have a 85/15 Attestation included in the footnotes, if the institution’s fiscal year end is AFTER June 30th, 1995.

Objectives

By the end of this chapter you should be able to...

- Document the receipt of and perform the Primary Review on financial statements.
- Perform the Ratio Analysis
- File the financial statements

Each of these can and often will be performed at separate times, although the first two steps will usually be performed simultaneously. Each step is described in detail in the following sections. *Note: Financial Statements are also referred to as “financials,” “statements,” or “f/s.”*

1. Receiving the financial statements

Schools send financial statements to the Department of Education several ways. Preferably, they are sent by the school or the school's auditor to a Post Office box at L'Enfant Plaza. The P.O. Box #44805 should be checked daily by a DRCC employee. Depending on the time of year and various deadlines, the box may contain a few financial statements up to several crate-fulls. Yellow cards in the P.O. Box are indicators of mail that must be signed for and is therefore held at the desk. Take them to the post office desk for pick-up. Bring the financial statements back to the DRCC work area. Other correspondence may also be sent to the P.O. Box and should be dealt with according to its contents. On rare occasions, schools will fax their financial statements to the DRCC. Treat these the same as the others you receive.

When the financial statements and other correspondence are carried back to the DRCC work area, you will:

- open each envelope
- date stamp the cover and first page of each financial statement
- attach all correspondence sent by the school to the back of one financial statement *Note: schools often send multiple copies of the same statements. **Do not** throw extra copies away. Rubber-band multiple copies of statements together.*
- put all financial statements into the box marked "Incoming Financial Statements" at the DRCC workspace.
- date stamp all other correspondence and give it to the appropriate recipient after entering the information into the "Correspondence" database (see Recertification manual for information on "Correspondence" database. Financial statements addressed to/from case team members must still go into the "Incoming" box first.

Schools also send their financial statements directly to Case Team members, either in field offices or here at the GSA building. Case Team members/financial analysts should put the financial statements into the "Incoming Financial Statements" box before they review it, or they could review the statement first and place it in the "Reviewed by Case Teams" box. These are usually already date stamped. If not, date stamp it as of the date it is received at the DRCC.

Statements may be sent directly to the GSA building at 7th and D streets room 3514, because federal express and other overnight services will not deliver to post office boxes. There is an inter-office “in-box” for the DRCC located next to the case team boxes. This box should be checked daily.

2. Documenting the receipt and performing the Primary Review

1. Open Lotus Notes. Click on the tab “Financial Statements.”



Open the “Cairo” database by double



clicking on the icon shown on the left. Type in the proper password. You will now see the “Master Information” view - a list of all schools in the system and related financial documents.

2. Select a financial statement from the “Incoming Financial Statements” box.
3. “Quick search” for the school in Cairo by OPE ID or institution name. To do a quick search, click on the header/title (“OPE ID” or “Institution Profile”) of the field that you wish to search on. The field is selected when the arrow/triangle is lit. Then simply start typing in the OPE ID # or the name of the school, a pop up box will appear. Hit enter and it will search. *Note: Not all schools disclose their OPE ID #, or disclose it correctly, on their submitted financial statements. Furthermore, the name on the front of the statement may not be the same name as listed in the system.*
4. When the school is found through the quick search, double click on the school to open the “Institution Profile” form. Use the information listed in the form to verify that the financial statement matches the information in the system.

5. Write the OPE ID number and EIN number on the upper right hand corner of the financial statement. Be sure to label which is which and include all OPE ID numbers represented by the statements.
6. Double click on the “Institution Profile” screen to edit/enter data. You will see a screen like the one on the following page which shows the information to be entered. The four areas indicated below can be edited/entered, with the “Fiscal Year End” and “Accounting Treatment” fields being required. The options for accounting treatment are 116/117, Proprietary and Public. The Hospital category has been eliminated as of November 1997.
 - 116/117 - All private, not-for-profit institutions must submit statements following the FASB 117 format after 12/15/96. Choose this option for all nonprofit 501(c)3 institutions, including hospitals. *Note: Public institutions sometimes submit in this format. Designate them as ‘Public’ for their accounting treatment. The ‘fund accounting’ designation was eliminated in September 1997*
 - Hospital - **All** hospitals, including not-for-profit, public, and for-profit/proprietary hospitals, will be classified as such. The Hospital designation has been eliminated as of November 1997.
 - Proprietary - All for-profit institutions should be classified here. Look for “Net Income”, “Income Tax” and “Stockholder’s Equity” as indicators of for-profit status.
 - Public - Any institution that relies on and is a component of any political jurisdiction. Look for “Fund Accounting” language in the statements as indicators of Public schools or in footnotes for affiliation with governmental entities.

The information has already been entered in the example on the following page:

If possible, enter a Contact Person name and title

Institution Profile

Closed Status: ☐ CLOSED ☐ TERMINATED ☐ INACTIVE

OPF ID: 02491100

EIN Number: 611161286

Institution Name: Kentucky Career Institute

Region: Atlanta

Contact Person:

Title: President/CEO

Address One: 8060 Connector Drive

Address Two: P. O. Box 14

City/State, Zip: Florence, KY 41022

Fiscal Year End: 12/31/97

Accounting Treatment: ☐ 116/117 ☐ Proprietary ☐ Public

Selected Financial Statements:

1995 - Complete	1995 Locator ID - 02491300
1996 - Complete	1996 Locator ID - 02491300
1997 - Not Required	1997 Locator ID -

Comments:

Audit: ☐ A125 ☐ A133 ☒ N/A

Institutional Control: ☐ Private Non-Profit ☒ Proprietary ☐ Public

Determine the school's Accounting Treatment and click the appropriate button

If need be, enter comments here

7. When you have entered the information, hit the **Esc** key on your keyboard and save your changes. This will take you back to the “Master Information” view.

3. Analysis

1. Now you will perform the “Primary Review.” To open the “Primary Review” screen, click the



button at the upper left of the “Master Information” view. *Note: Any text that is highlighted by red letters is a link to a ‘hot-spot’ pop-up box. Click the left mouse button on the red text for a description of the field.*

2. When you enter the new screen, a box will pop up prompting you to enter the fiscal year end for the statement you are examining. This is a required field, do not change the year in “Institutional Profile”, change it in “Primary Review”. You will now be in the “Primary Review” screen. At the top you will see a dark blue section as follows:

The screenshot shows a blue header bar with the following fields:

- OPE ID:** 00555500
- Locator OPE ID:** [dropdown arrow]
- Institution Name:** Harvey University
- Fiscal Year End:** 6/30/97
- Related OPE IDs:** [dropdown arrow]

Callout boxes provide the following explanations:

- Top right callout:** "Locator OPE ID" may be the same as the "OPE ID" of the school being processed, or it may refer the user of this screen to a related school to find the physical filing of the f/s
- Bottom left callout:** This OPE ID field always refers to the school which is currently being processed. This field is uneditible
- Bottom right callout:** If the school you are processing is the "Locator" school, enter any related OPE IDs here

3. If the financial statements represent only one OPE ID#, then enter the "OPE ID" in the "Locator OPE ID" field and go to step 11. If the financial statements represent more than one OPE ID#, then one OPE ID# (the locator) must be chosen as the place that the financial statements will physically be filed. It is likely that this has already been done in prior years, so look in the institutional profile and the older Cario databases before you assign a locator on your own. If you are in the "Primary Review" screen for the chosen locator OPE ID, then enter the OPE ID in the "Locator OPE ID" field and enter all related OPE IDs in the "Related OPE IDs" field, each separated by a comma. If you are performing the primary review of a related school that is not the locator, enter the associated locator OPE ID# in the "Locator OPE ID" field and leave the "Related OPE IDs" field blank. A "Primary Review" must be completed for each OPE ID number covered by the statements. *Note: this is very common with state schools when only a state-wide audit is submitted that may cover up to 40+ OPE IDs.*

4. Next you will enter in information about the auditor's report and auditor's opinion. This will be in the light green section of the screen. First you are asked whether or not the financial statements have been audited. Depending on your answer ("Yes" or "No") a different box will appear below the question prompting you for more information. It is sometimes helpful to first click "No" so you can see a check list of items to look for to determine if the statements have been audited. If you determine that the financial statements have been audited, you will see the following section:

Determine type of auditor's opinion and enter

Type comments relating only to auditor's report/opinion here

Audited: ☒ Yes ☐ No

The audit opinion is:

☒ Unqualified
☐ Qualified
☐ Going Concern
☐ Adverse
☐ Disclaimer

Comments on Audit Opinion:

Change in Auditor: ☐ Yes ☒ No

Previous Year's Auditor:

Auditor's Name:

Enter the current year auditor's name and city. If it does not match exactly to prior year's auditor, click "Yes" to change in auditor. If auditor is the same, or if you can not find the prior year auditor' name and city, click "No"

5. If you determine that the statements are audited, click "Yes" in the "Audited" field. If an opinion includes a 'Going Concern' paragraph, choose that option, regardless of the auditor's opinion. Determine the type of "Audit Opinion" and click on the appropriate button in the box. Type any "Comments" you may have regarding the auditor's opinion or report. Type in the current "Auditor's Name" and city. Compare the current auditor's name and city with the prior year auditor's name and city. If they are different, click "Yes" in the "Change in Auditor" field; if they are exactly alike, or if you can not find the prior year's auditor, click "No."

6. If you determine that the statements have not been audited, click "No" at the "Audited" field. You will see the following:

Audited: ☐ Yes ☒ No

The Audit Report is unacceptable for the following:

<input checked="" type="checkbox"/> Not Present	<input type="checkbox"/> No Letterhead
<input type="checkbox"/> Not Titled "Independent" Auditors Reported	<input type="checkbox"/> Does Not Specify GAAS or GAGAS
<input type="checkbox"/> Not Signed	<input type="checkbox"/> Does Not Refer to All Financial Statements
<input type="checkbox"/> Not Dated	<input type="checkbox"/> Does Not Refer to GAAP

Comments on Audit Opinion:

Change in Auditor: ☐ Yes ☒ No

Previous Year's Auditor:

Auditor's Name:

Check any and all options that apply to the auditor's report.

Even if the auditor's report is not accepted, try to perform the "Change in Auditor" tests

7. Check any option in the box that is applicable to the auditor's report. Obviously, if the first option ("Not Present") is chosen, none of the others apply, and you will not be able to determine if the auditor has changed from the previous year. *Note: the fact that the auditor's report has not been accepted for any reason means that the financials are **incomplete**. You must still perform the rest of the Primary Review. This or any other indicator of incompleteness will automatically be indicated at the bottom of the "Primary Review" screen and will prohibit you from performing a "Ratio Analysis."* The opinion must be on the auditor's letterhead, cover all required statements and have signature, title and date.

8. Go to the light blue section and mark whether or not each of the items listed in the section are present in the financials. Depending on the type of accounting treatment determined in the "Institution Profile," certain lines may or may not appear in the section. For example, the "Cash Flows" statement is not required for Public schools and is therefore eliminated from the items requested. A "No" to any item triggers an "Incomplete" status. The items asked for are:

- Balance Sheet/Statement of Financial Position - This statement will show the assets, liabilities, and Owner's Equity/Net Assets of the institution. Note: *Sometimes people copy the statements but forget to copy the Asset side of the balance sheet. This can happen when the balance sheet is presented on 2 pages. Make sure the entire balance sheet is submitted.*
- Income Statement - This statement will show the revenues, expenses, and Net Income/Changes in Net Assets/Fund Balances of the institution.
- Change in Equity - This statement will show changes in Retained Earnings/Owner's Equity/ Net Assets/ Fund Balances of the institution, tying the income statement to the balance sheet.
- Cash Flows - This statement will be labeled as such. It is not required under fund accounting, public schools or non-profits prior to 116/117.
- Consolidating Schedules - Check for Consolidating Schedules. If, in the notes, the institution is defined as a single corporation with multiple locations and branches they do NOT need to provide consolidating schedules, so click "N/A". If they consist of several corporations sharing resources then they MUST provide consolidating schedules for each. Check "Yes" or "No", as appropriate.
- Notes - Complete notes to the financials must be present. Make sure the Notes follow in logical order (numerical or alphabetical) and that no pages are missing.
- 85/15 Attestation - For all statements received after 07/01/97, this must be in a footnote in the financial statements and is assurance that the school receives no more than 85% of its revenues from Title IV funds. The percentage, or results of the calculation, MUST be shown. This only applies to proprietary institutions. Note: *This was previously accepted as a separate letter/report until the November 1996 revision of 668.23(d)(4).*

- Do the financial statements reflect the position of an economic entity - The statements must reflect the financial position of a true, distinct legal entity such as a corporation, partnership, sole proprietorship, or governmental entity. We do not accept f/s from operating divisions of larger entities or campuses. Check the auditor's report or the first Note to see if there is any indication of the institution being a division or branch unit of another entity. For public schools, we will accept audits for any level of control or ownership.

Determine what has or has not been submitted

Are the Following Present?	
Balance Sheet/Financial Position	<input checked="" type="radio"/> Yes <input type="radio"/> No
Income Statement	<input checked="" type="radio"/> Yes <input type="radio"/> No
Change in Equity	<input checked="" type="radio"/> Yes <input type="radio"/> No
Cash Flows	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A
Consolidating Statements	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A
Notes	<input checked="" type="radio"/> Yes <input type="radio"/> No
85/15 Attestation	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A
Do the financial statements reflect the position of an economic entity?	<input checked="" type="radio"/> Yes <input type="radio"/> No

Depending on the type of accounting treatment the school uses, some of the lines may not appear

- If an "85/15 Attestation" is not acceptable for any reason, click "No." When you move on to the next question and attempt to answer "Yes" or "No" a box will appear that will prompt you for reasons why the 85/15 is unacceptable. If it is not in the Notes, it is deemed "Not Present." To be accepted, it must show positive assurance (previously "in our opinion...the school complies with the 85/15 now "the school had xx% in funding from the Department). If there are multiple OPE IDs, each OPE ID must be separately attested to. The calculation for each OPE ID must also be shown. The box is shown on the following page.

85/15 Attestation 85/15 Report not accepted for:	<input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> N/A <input type="checkbox"/> Not Present <input type="checkbox"/> Not Positive Assurance <input type="checkbox"/> Not Presented for Each OPE <input type="checkbox"/> Not in Audited Notes <input type="checkbox"/> Calculation Not Shown
---	--

IF you click "No" for the 85/15 Attestation, this box will appear. Check any and all that apply

10. You can now type in any comments relating to the financial statements in the "Comment" field. Please add details regarding anything out of the ordinary, about why you determined the financials to be incomplete or why you flagged the school. Enter information another analyst would need, in order to discuss the financial information with a concerned institution without having the actual financial statement in front of them.

11. In the yellow section of the form, click "No" until the financial statement and compliance audit functions are merged.

12. In the bright green section, as shown below, you are asked to look for certain items in the Notes. Indicate with a "Yes" answer if an item is disclosed in the Notes, answer "No" if an item is not. A "Yes" will trigger a 'flagged' status. The items you will look for are:

- **Going Concern Note** - The auditor has doubts as to whether the institution can continue as a "going concern." The Note heading will most likely say "Going Concern." This carries approximately the same weight as if the opinion was a going concern.
- **Contingent Liabilities** - This is any contingent liability, such as a pending settlement due to a lawsuit, which is quantifiable in terms of dollars, but is not accrued on the balance sheet. The header for the Note will likely say "Contingent Liabilities" or Contingencies and Commitments." Ignore instances where it has been judged immaterial or unlikely to be realized.

- Violation of Debt Agreement - Any violation of a debt agreement should be in a Note relating to Long-Term Debt or Notes Payable. The violation may not be very conspicuous, but the Note may say something to the effect of the school missing principle or interest payments, or some failure to meet specified financial ratios or performance indicators.
- ED [Department of Education] Compliance Issues Noted - The notes are required to disclose any material compliance issues the auditor is aware of. Examples include acid-test ratio, an 85/15 attestation, default rates or delinquent refunds. Click “Yes” if the institution discloses any regulatory noncompliance. *Note: in the screen section “Are the Following Present” in Step 15 and 16 you determine if the 85/15 Attestation is acceptable/unacceptable. In this section you determine if the school complies/does not comply, with the regulation that Title IV revenue not exceed 85% of total revenue(or other compliance items.)*

Disclosures In Notes:	
Going Concern Note	<input type="radio"/> Yes <input type="radio"/> No
Contingent Liabilities	<input type="radio"/> Yes <input type="radio"/> No
Violation of Debt Agreement	<input type="radio"/> Yes <input type="radio"/> No
ED Compliance Issues Noted	<input type="radio"/> Yes <input type="radio"/> No

Click “Yes” if any of the items are disclosed in the financials, click “No” if the items are not disclosed. A “Yes” answer to any of the items will “Flag” the school, indicating that ED should look closely at the school

13. When you have completed all of the colored sections of the “Primary Review” screen you will see a white section at the bottom of the page. Type your name into the “Analyst Name” field. Then enter the “Date Rec’d” into the field. This is the date stamped on the front of the f/s the day it was first received anywhere in ED. If multiple dates are stamped we must take the earliest date it was received by ED, even if it did not reach the DRCC until later. If financial statements were not stamped upon original receipt, a date of 11/11/2011 should be used to identify these cases. This field may be needed to take action against schools which submit late. Click on the “Generate Letter” button to generate a letter that reflects the information you entered in the “Primary Review.” The letter will be either a “Complete Letter” (which is sent to the school stating that we have received their financial statements) or an “Incomplete Letter” (which is sent to the school stating that we received from them an incomplete set of financial statements and the letter will indicate specifically why we deemed them incomplete.) An example of this section from an “Incomplete” and “Flagged” school is shown below:

Enter your name here and the date received here

Analyst Name: Fred Garvin Date Rec'd: 07/12/97 Date Screened: 07/29/97

Generate Letter

Outcome: Incomplete
Flagged

Click this button with the mouse to generate a form letter

Based on information that you enter, a specified outcome will appear here

An example of this section from a “Complete” and “Unflagged” school is shown below. Note the addition of another field, “Ratio Analysis Performed.” Because a ratio analysis can not be performed on a set of incomplete financial statements, this option is not displayed unless the statements are complete. Also note that whether or not a school is flagged has no bearing on whether you perform a ratio analysis.

Analyst Name: Date Rec'd:

Date Screened: 07/29/97

Ratio Analysis Performed: ☐ Yes ☒ No Outcome: Complete

The only difference here is the addition of this field. It prompts you to either perform the Ratio Analysis or to skip it.

In this section you will notice at the bottom right is an “Outcome” field. This field reflects the information that you have entered from the review of the financial statements. A financial statement can have four possible outcomes:

	Unflagged	Flagged
Complete	C, U	C, F
Incomplete	I, U	I, F

A completed Primary Review form is presented on the next page.

Primary Review - Proprietary																	
OPE ID: 00367400 Lecater OPE ID: 00367400 Institution Name: Stevens Henager College of Business Fiscal Year End: 12/31/96 Related OPE IDs:																	
Audited: <input checked="" type="radio"/> Yes <input type="radio"/> No The audit opinion is: <div style="border: 1px solid black; padding: 5px; display: inline-block;"> <input checked="" type="radio"/> Unqualified <input type="radio"/> Qualified <input type="radio"/> Going Concern <input type="radio"/> Adverse <input type="radio"/> Disclaimer </div> Comments on Audit Opinion: Change in Auditor: <input type="radio"/> Yes <input checked="" type="radio"/> No Previous Year's Auditor: West & Company Oklahoma																	
Auditor's Name: West & Company Oklahoma																	
Are the Following Present? <table style="width: 100%;"> <tr> <td>Balance Sheet/Financial Position</td> <td><input checked="" type="radio"/> Yes <input type="radio"/> No</td> </tr> <tr> <td>Income Statement</td> <td><input checked="" type="radio"/> Yes <input type="radio"/> No</td> </tr> <tr> <td>Change in Equity</td> <td><input checked="" type="radio"/> Yes <input type="radio"/> No</td> </tr> <tr> <td>Cash Flows</td> <td><input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A</td> </tr> <tr> <td>Consolidating Statements</td> <td><input type="radio"/> Yes <input type="radio"/> No <input checked="" type="radio"/> N/A</td> </tr> <tr> <td>Notes</td> <td><input checked="" type="radio"/> Yes <input type="radio"/> No</td> </tr> <tr> <td>85/15 Attestation</td> <td><input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A</td> </tr> <tr> <td>Do the financial statements reflect the position of an economic entity?</td> <td><input checked="" type="radio"/> Yes <input type="radio"/> No</td> </tr> </table>		Balance Sheet/Financial Position	<input checked="" type="radio"/> Yes <input type="radio"/> No	Income Statement	<input checked="" type="radio"/> Yes <input type="radio"/> No	Change in Equity	<input checked="" type="radio"/> Yes <input type="radio"/> No	Cash Flows	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	Consolidating Statements	<input type="radio"/> Yes <input type="radio"/> No <input checked="" type="radio"/> N/A	Notes	<input checked="" type="radio"/> Yes <input type="radio"/> No	85/15 Attestation	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A	Do the financial statements reflect the position of an economic entity?	<input checked="" type="radio"/> Yes <input type="radio"/> No
Balance Sheet/Financial Position	<input checked="" type="radio"/> Yes <input type="radio"/> No																
Income Statement	<input checked="" type="radio"/> Yes <input type="radio"/> No																
Change in Equity	<input checked="" type="radio"/> Yes <input type="radio"/> No																
Cash Flows	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A																
Consolidating Statements	<input type="radio"/> Yes <input type="radio"/> No <input checked="" type="radio"/> N/A																
Notes	<input checked="" type="radio"/> Yes <input type="radio"/> No																
85/15 Attestation	<input checked="" type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A																
Do the financial statements reflect the position of an economic entity?	<input checked="" type="radio"/> Yes <input type="radio"/> No																
Comments:																	
Is the compliance audit attached to the financial statement? <input type="radio"/> Yes <input checked="" type="radio"/> No																	
Disclosures in Notes: <table style="width: 100%;"> <tr> <td>Going Concern Note</td> <td><input type="radio"/> Yes <input checked="" type="radio"/> No</td> </tr> <tr> <td>Contingent Liabilities</td> <td><input type="radio"/> Yes <input checked="" type="radio"/> No</td> </tr> <tr> <td>Violation of Debt Agreement</td> <td><input type="radio"/> Yes <input checked="" type="radio"/> No</td> </tr> <tr> <td>ED Compliance Issues Noted</td> <td><input type="radio"/> Yes <input checked="" type="radio"/> No</td> </tr> </table>		Going Concern Note	<input type="radio"/> Yes <input checked="" type="radio"/> No	Contingent Liabilities	<input type="radio"/> Yes <input checked="" type="radio"/> No	Violation of Debt Agreement	<input type="radio"/> Yes <input checked="" type="radio"/> No	ED Compliance Issues Noted	<input type="radio"/> Yes <input checked="" type="radio"/> No								
Going Concern Note	<input type="radio"/> Yes <input checked="" type="radio"/> No																
Contingent Liabilities	<input type="radio"/> Yes <input checked="" type="radio"/> No																
Violation of Debt Agreement	<input type="radio"/> Yes <input checked="" type="radio"/> No																
ED Compliance Issues Noted	<input type="radio"/> Yes <input checked="" type="radio"/> No																
Analyst Name: Adrian Orozco Date Rec'd: 11/11/2011 Date Screened: 11/04/07																	
<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <input type="button" value="Generate Letter"/> </div> <div> Ratio Analysis Performed: <input checked="" type="radio"/> Yes <input type="radio"/> No </div> <div> Outcome: Complete </div> </div>																	

3.1 Ratio Analysis Chapter Outline

- **Ratio Analysis Background and Objectives**
- **Historical Information on previous methodologies**
- **The Process**
- **Calculating the Composite Scores**

Private Non-Profit Schools

Proprietary Non-Profit Schools

Ratio Analysis

Background

The objective is to perform a gate keeping function by analyzing financial statements submitted by higher education institutions participating in the Title IV program and computing their compliance with the new financial responsibility ratio regulation, 34 CFR Part 668.172 dated November 25, 1997. KPMG Peat Marwick LLP was contracted to create a methodology to replace the acid, tangible net worth, and net loss tests in September of 1995. On August 1, 1996, KPMG presented a report to the Department outlining a gate keeping methodology which would allow Department analysts to prioritize their work by differentiating between schools along a spectrum of financial health. This methodology graded schools by a composite score comprised of three factors which were based on how the school scored on three ratios: the viability, primary reserve, and net income ratios. In December of 1996, KPMG was engaged to tailor the methodology to the regulatory environment. KPMG responded by replacing the viability ratio with an equity ratio, increasing sensitivity at the bottom of the scale to allow a reasonable cutoff for failure, and capping the scores slightly above the cutoff to prevent the misuse of the spectrum by the community.

This methodology was presented in KPMG's final report titled "Methodology for Regulatory Test of Financial Responsibility Using Financial Ratios, dated December 2, 1997. The regulation is to take effect for all statements received after 6/30/98.

The initial "Additional Review" was used in determining whether the submission of a financial statement is complete and adequate and if it should or should not be flagged for further analysis by ED analysts. The DRCC analysis will be used by the case team in enforcing compliance by the school.

Historically, on the main screen, the analyst clicked on a separate button for the business segment and prepared a distinct Analytical Review. The excel spreadsheet "Manual_C.xls," was used to manually calculate the score and grade. When there were multiple OPE IDs affiliated with a set of financial statements, the additional review was only done for the locator OPE ID and copied all other OPE IDs. If consolidating schedules were required, separate additional reviews were done for each separate corporation.

Objectives

- Extract relevant amounts from Financial Statements
- Perform ratio analysis

The Process

The current process varies somewhat depending on the type of institution. Following are discussions specific to the proprietary (for-profit) type and private (non-profit, 501(c)3 or 116/117) type. The ratio methodology will not be applied to the public schools. In all cases, the completeness check needs to be performed first. If the statement is complete, clicking on the “Ratio Analysis Performed Yes” button will bring up the ratio review section of the form. The form prompts for all required fields to calculate 3 ratios: primary reserve; equity; and net income. Discussion of the individual accounts follows. After entering all required amounts, Lotus Notes will automatically calculate the final score. Enter the conclusion, which will be “Pass” if the score is equal to or greater than 1.5; “Questionable” if the score is 1.0 to 1.4; and “Fail” if the score is less than 1.0. Finally, the analyst should enter their name and the date-- Notes will suggest a date. If the Ratio Analysis is performed on another day than the Primary Review was performed, make sure to change the date because it will automatically reflect the Primary Review date. “QC Name” and “Date QC’d” are for someone reviewing (Quality Checking) the form.

Analyst Name:	Sharyn Drohan	Date Reviewed:	12/15/97
QC Name:		Date QC'd	

↑

Analyst names and dates
at the end of the Ratio
Analysis

Following is an example of the form for “Ratio Analysis”

Ratio Analysis:			
Primary Reserve Ratio = Expendable Resources/Operating Size			
Total Assets		\$10,300	
less Total Liabilities		\$4,000	
= Total Equity (Net Assets)		\$6,300	
less Intangible Assets		\$0	
less Unsecured Related Party Receivables		\$0	
less Property Plant & Equipment (net)		\$2,500	
less HEA Funds Disbursed		\$0	
plus Debt		\$4,000	
plus Post-employment & Retirement Liabilities		\$0	
= Expendable Resources		\$6,300	
Total Expenses = Operating Size		\$43,746	
Equity Ratio = Modified Equity or Net Assets / Modified Assets			
Modified Equity (Net Assets)		\$6,300	
Modified Assets		\$10,300	
Net Income Ratio = Net Income / Total Revenue			
Total Unrestricted Revenues and Net Assets Released From Restrictions		\$47,536	
Total Expenses (Less HEA Funds)		\$43,746	
= Net Income (Change in Unrestricted Net Assets)		\$1,790	
Total Revenue (Less HEA Funds)		\$47,536	
		Strength Factor	Weighting Percentage
Primary Reserve Ratio:	0.140	2.97	* 0.30
Equity Ratio:	0.624	3.00	* 0.40
Net Income Ratio:	0.038	2.25	* 0.30
Score:	2.3	Conclusion:	Pass
Analyst Name:	Charlyn Deohan	Date Reviewed:	12/13/97
QC Name:		Date QC'd:	

Following are more specific descriptions for the accounts relevant to the particular type of institution.

Proprietary (for-profit) Schools

Primary Reserve Ratio:

The primary reserve ratio measures expendable resources available to meet operating expenses. It provides a medium range evaluation of liquidity and for a proprietary school a score of 0.15 (expendable equity to expenses) is the minimum to be considered strong. A ratio of below 0.00 is considered weak. Expendable resources is calculated by starting with total equity, removing assets which are not sufficiently liquid to meet annual expenses, and adding back liabilities which are not considered drains on liquidity. The exception is that long-term debt cannot exceed Property, Plant & Equipment in the calculation of the ratio.

Total Assets:

Taken from the debit side of the balance sheet, this summary total includes ALL assets (less any contra-assets).

Total Liabilities:

Taken from the credit side of the balance sheet, this includes all current and noncurrent liabilities. There may not be a total provided on the statement.

Total Equity:

Calculated field, equals Total Assets minus Total Liabilities. It should tie to total owners equity on the balance sheet. The nomenclature will depend on the legal form of the business. It should include all equity, such as stock, additional paid-in-capital, retained earnings, treasury stock, owner's investment, owner's or partners' capital.

Intangible Assets:

Generally these are purchased benefits or rights, found in the non-current assets section (e.g.'s are goodwill, student lists, covenants not to compete, trademarks and copyrights). Per AICPA SOP 93-7, do NOT include capitalized or deferred costs, such as startup or organization costs, bond issue costs, curriculum costs, capitalized marketing/advertising costs (which will probably be classified as current assets), and deferred tax assets, license or accreditation costs. Check the notes because intangibles could get lumped into "Other Assets."

Unsecured related party receivables:

Include current and noncurrent receivables from all related parties where there is not an "arm's length" transaction, e.g. affiliated companies, owner's, officers, employees... You will probably have to look in the notes to see if it is secured.

Property, Plant & Equipment:

Includes all fixed assets (e.g. land, buildings, construction in process, leasehold improvements...) NET of depreciation. Watch for separate disclosure of land-which must be included.

Warning: Real Estate Held For Investment is an investment and is not included, but Investment in Fixed Assets is PP&E and is included.

HEA Funds Disclosed:

Normally this field will be left blank. However, if a school scores less than 1.5, check in the notes to the financial statements to see if the school has disclosed the administration of any HEA programs. If this is the case and if the notes show an amount of pass-through funds expended by CFDA number (xx.xxx), enter the total amount in the space provided. This will be deducted from expenses and revenue so the school will not be penalized.

Annuity & Life Income Funds and Term Endowments:

Only applies to nonprofits, see below.

Long Term Debt:

Includes all multi-period financing listed in the liability section,

e.g. notes, bonds, mortgages payables, capital leases. Do include long-term related party payables and current portion of long-term debt, but do not include lines of credit unless the intention is to pay it back over more than one year. Likewise, exclude notes payable listed as current liabilities on a classified balance sheet. Remember that not all noncurrent liabilities are payables, so do NOT include accrued pension liabilities, deferred taxes, deferred tuition and the like. Need not be plant related. Enter all debt and the Notes program will automatically determine how much to include (in relation to fixed assets) for the primary reserve ratio.

Accrued Post-Employment or Post-Retirement Liability:

It will be a noncurrent liability on the balance sheet and will reference “retirement.” Created by FASB 112, to account for unfunded pension liabilities. Do not go to the notes for this amount because if it’s not on the balance sheet we don’t need it.

Expendable Resources:

Also known as Adjusted Equity, is the calculated field for the numerator of the Primary Reserve ratio.

Total Expenses:

Taken from the income statement, this should include all debits (expenses, expenditures and losses) deducted from income before federal income tax. This includes cost of goods sold, operating expenses, nonoperating expenses, interest, depreciation, and property tax. It does NOT include refunds, scholarships (actually, reduction in revenue), federal income tax, losses from discontinued operations, extraordinary losses or changes in accounting principle. It does not include distributions of equity to the owners (dividends, drawing...), but it does encompass transfers to affiliated corporations.

Equity Ratio:

The equity ratio measures what percentage of a company’s assets it owns. Notes calculates it automatically as Equity (adjusted for intangibles and unsecured related party receivables) divided by Total Assets (adjusted for intangibles and unsecured related party receivables). A ratio of 0.50 or above is considered strong, while a ratio below 0.00 is considered weak.

Income Ratio:

Measures operating results before federal income taxes and net-of-tax transactions. Notes will calculate net income from

revenues less expenses, which will provide a check figure to compare against net pre-tax income in the financial statements. A profit of 0.06 or greater is considered strong and a loss of greater than 0.031 is considered weak.

Revenues:

Include all operating revenue (net of refunds and scholarships) and non-operating revenues and gains before Federal Income Tax, Gains from Discontinued Operations, Extraordinary Gains, or Changes in Accounting Principles. It does not include capital contributions from the owners.

**Private Non-
Profit (tax
exempt
501(c)(3)
corporations)
Colleges and
Universities**

Total Assets:

Taken from the debit side of the balance sheet, this summary total includes ALL Unrestricted, Temporarily Restricted, and Permanently Restricted assets (less any contra-assets).

Total Liabilities:

Taken from the credit side of the balance sheet, this includes all current and noncurrent liabilities, whether they are unrestricted or restricted. There may not be a total provided.

Equity:

Calculated field, equals Total Assets minus Total Liabilities. It should tie to total [unrestricted and restricted] net assets.

Intangible Assets:

Generally these are purchased benefits or rights, found in the non-current assets section. e.g.'s are goodwill, student lists, covenants not to compete, trademarks and copyrights. Do NOT include capitalized costs, per AICPA SOP 93-7. Examples of capitalized costs are startup or organization costs, bond issue costs, curriculum costs, capitalized marketing/advertising costs, and deferred tax assets, license or accreditation costs. Check the notes because intangibles could get lumped into "Other Assets."

Unsecured related party receivables:

Include current and noncurrent receivable from all related parties, under common external control, where there is not an "arm's length" transaction. A foundation reporting separately is most likely a related party, but they may present combined statements, in which case it would not be an issue. A religious order which founded a school is not related, even if it still donates money. You will probably have to look in the notes to see if it is secured.

Property, Plant & Equipment:

Includes all fixed assets (e.g. land, buildings, construction in process, leasehold improvements...) NET of depreciation. Often called Investment in Plant, this is usually the largest asset for a private school or non-profit hospital. Watch for separate disclosure of land—which is included if it is in use, while “Real Estate Held For Investment” is an investment and is not included.

Annuity, Life Income Fund and Term Endowments:

Enter the equity (fund balance or net assets) of all Temporarily Restricted assets which are described as Annuity Fund, Life Income Fund, or Term Endowment on the balance sheet or in the notes. An annuity liability on the balance sheet indicates an annuity exists but try to determine the annuity’s equity rather than entering the liability. These types of assets are being removed from the calculation because they are not immediately expendable—their restrictions prevent their expenditure until the term, annuity period, or donor’s life has expired.

Permanently Restricted Net Assets:

Designation of Equity created by FASB 117, include any and all breakdowns/designations within the category Total Permanently Restricted Net Assets.

HEA Funds Disclosed:

Normally this field will be left blank. However, if a school scores less than 1.5, check in the notes to the financial statements to see if the school has disclosed the administration of any HEA programs. If this is the case and if the notes show an amount of pass-through funds expended by CFDA number (xx.xxx), enter the total amount in the space provided. This will be deducted from expenses and revenue so the school will not be penalized.

Expenses:

All unrestricted expenses, costs, and losses. Does not include refunds or scholarships (actually, reduction in revenue). Sometimes investment fees and costs are listed as temporarily or permanently restricted activity, but they should not be, so they should be included in total unrestricted expenses. Do NOT include Extraordinary Losses, Discontinued Operations, Changes in Accounting Principles, or net assets released from restrictions (even though they ARE included as a revenue).

Revenues, Gains:

Include all inflows of assets to the unrestricted net assets of the company. They may not all be listed at the top so be sure to check the whole statement for Other Income (e.g. Interest or Dividend Income) which may be listed after operating expenses. Do NOT include Extraordinary gains, Discontinued Operations, or Changes in Accounting Principles. DO include net assets released from restrictions.

Net Income:

Calculated as the difference between the prior two fields. Must tie to Net Change in Unrestricted Net Assets (less any adjustment you made for misclassified restricted expenses).

Following is Historical information on the previous Methodologies.

**Fields
Previously
Captured**

Cash & Equivalents:

Used for the acid test. Include all cash, even if restricted, or money market accounts; Check for notes on investments-they may list additional cash equivalents there. Do not include CD's or other short term investments.

Current Receivables:

Field needed for acid test. Include receivables listed as current assets or that are in the current fund and appear to be collectible within a year. Do not include unsecured related party receivables. Normally you will not include student loans receivable, unless they are specifically called current.

Affiliated Company:

We are trying to identify the entity ED is contracting with so flag this for any indication that there is another entity outside of the OPE ID. Flag affiliates such as parent, subsidiary, or sister corporations; companies owned by the same shareholders; and the like.

Fund Accounting

Expendable Fund Balances:

Needed for the Equity (formerly the Viability) and the Primary Reserve Ratios. Include the Fund Balance (equity) from the following funds: Current, Quasi-Endowment, and Plant-Unexpended, Plant-Retirement of Indebtedness, and Plant-Renewals and Replacements (all plant funds which are not sunk as fixed assets, usually called "Investment in Plant"). A designated fund balance (Unrestricted and Restricted Fund Balances) is different than Restricted Net Assets under FASB 117, so we can include Restricted Fund Balances as expendable. If governmental accounting, use the Fund Balances (equity) from the following funds: General, Special Revenue, Debt Service, and Capital Projects (the governmental funds), Enterprise and Internal Service (the proprietary funds), and Expendable Trust Funds.

Investment in Plant-LTD:

Field needed for Equity (formerly the Viability) & the Primary Reserve Ratios. Include long-term financing/payables and inter-fund payables in the Investment in Plant sub-fund. The purpose is to capture payables that are directly related to the purchase of a long-term asset recorded on the books. If financials are in the form of governmental accounting, it will be located in the general long-term debt account group.

Revenues:

Needed for net income ratio. The source for extracting Revenues should be the Statement of Current Funds Revenues, Expenditures and Changes in Fund Balance. Include all sources: educational, auxiliary, investing, etc. Do not include non-mandatory transfers.

Expenditures/Losses & Mandatory Transfers:

Needed for Primary Reserve and Net Income ratios. Look in the Statement of Current Funds Revenues, Expenditures and Changes in Fund Balance for this amount. Include all expenditures and mandatory transfers, including those of auxiliary enterprises. Mandatory transfers may be displayed with non-mandatory transfers and not subtotaled (Note: they will probably be displayed as negative in this case because, like expenditures, they are outflows of assets from the fund, so make sure they are ADDED to expenditures).

4.1 Correspondence Letters Chapter Outline

- **Background**
- **Objectives**
- **Complete Letter**
- **Incomplete Letter**
- **30 Day Delinquent Letter**
- **60 Day Reminder Letter**

Correspondence Letters

Background

There are four correspondence letters the DRCC generates, regarding the financial statements, on a continuous basis to the participating institutions: The “Complete” received letter, the “Incomplete” received letter, the “30 Day Delinquent” letter, and the “60 Day Reminder” letter. The purpose of these letters is to maintain contact with the participating institutions and obtain their complete financial statements before the expiration of their deadline. The institutions that fail to submit their financial statements or fail to submit before their deadline will be reported to the Administrative Action Appeals Division (AAAD), their respective case teams, and to the director of DMAD. It is not the duty nor the responsibility of the DRCC to engage in the action process, but to merely report the findings to the appropriate individuals.

NOTE: The database for the delinquent letters and the reminder letters are only for Proprietary institutions. There are several issues with the Clearinghouse and the Single Audit Act that have not been resolved at this time. Therefore, it was agreed to implement the letter for the proprietary type of institutions first.


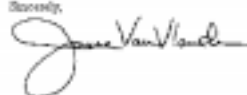
Objectives

This section will help you to:

- Generate correspondence letters
- Mail correspondence

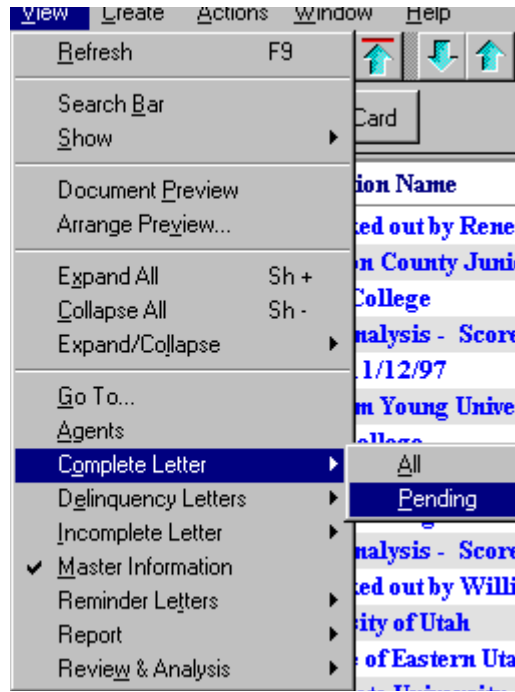
Complete Letter

The Complete Letter, as shown below, is created, printed and stored through Lotus Notes on a weekly basis to institutions that have acceptable financial statements. Acceptability is tested through the “Primary Review” forms for items such as Audit Opinion, Income Statement, Balance Sheet, etc. The Complete Letter does not specifically indicate that the financial statements are complete, additionally it states that the institution will be contacted if further information is required. These two facts enable the DRCC to obtain additional information from the institution if files are missing or if a complete letter was sent mistakenly.

 <p>UNITED STATES DEPARTMENT OF EDUCATION OFFICE OF STUDENT FINANCIAL ASSISTANCE PROGRAMS INSTITUTIONAL PARTICIPATION AND OVERSIGHT SERVICE WASHINGTON, DC</p>	
<p>February 26, 1999 Reference OFED Number: 01267000</p>	
<p>President/CEO Bio - Res Institute of Animal Technology 3601 South Dayton Street Denver, CO 80235-3846</p>	
<p>Dear Officer:</p>	
<p>This letter confirms the receipt of a materially complete financial statement for the institution listed below for fiscal year ending 08/31/98:</p>	
<p>Bio - Res Institute of Animal Technology Office of Postsecondary Education Identification: 01267000</p>	
<p>For future submissions, please indicate the Office of Postsecondary Education Identification (OPEID), DUNS number and Employer Identification (EIN) number(s) in the upper right hand corner of the financial statement(s) and use one of the following addresses:</p>	
<p>For regular mail:</p> <p>U.S. Department of Education Institutional Participation and Oversight Service Data Management and Analysis Division Document Receipt and Control Center P.O. Box 44803 L'Enfant Plaza Station Washington, DC 20036-4803</p>	<p>For commercial overnight mail/express delivery:</p> <p>U.S. Department of Education Institutional Participation and Oversight Service Data Management and Analysis Division Document Receipt and Control Center 7th and D Streets, SW OEA Building, Room 3014 Washington, DC 20467</p>
<p>Thank you for your cooperation. If you have any questions regarding the receipt of your mailed financial statements, please contact the Document Receipt and Control Center at (800) 300-1832. All other questions should be addressed to your Denver case management team at (303) 344-3677.</p>	
<p>Sincerely,</p>  <p>Jeanne Van Vleet Director, Institutional Participation and Oversight Service</p>	

How to generate

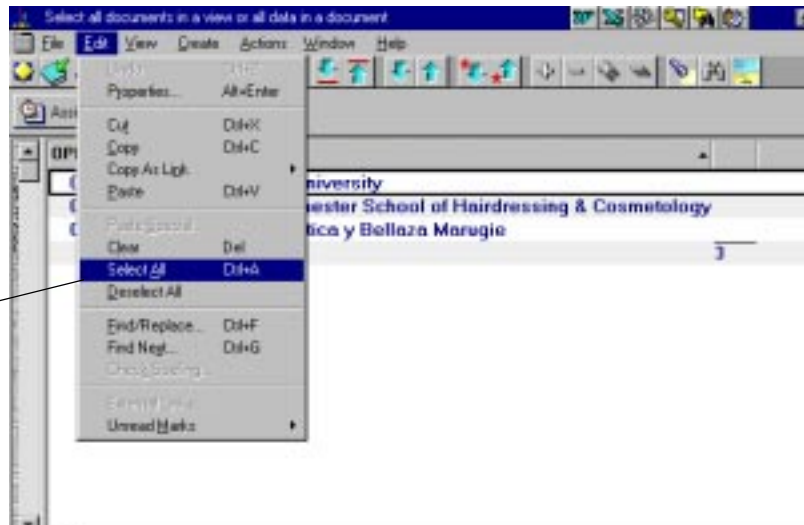
In order to generate this letter, you will need to go into Lotus Notes, then click onto the “view” toolbar. Then click on the option titled “Complete”. Two submenus called “All” and “Pending” will appear. For complete financial statements that letters were not mailed, select the option “Pending”.



To view pending letters to be sent to institutions.

A list of institutions should appear in a separate view. You will need to assign a date for all the letters that are going to be generated. To do this, select the toolbar “edit”, then “select all”. You should notice that the pending letters will have a check mark next to each of the institutions. You have just assigned the current date to each of the pending letters. If you do not assign a date, the date that the “Primary Review” was completed will appear and will be incorrect. At anytime you may double click on the institution’s name to view the letter and date sent.

Select “edit” the
“select all” to
assign date to
institution letter.



To print the letters, click the file toolbar, click print, then select the option to “print all”. Be sure, that all letters are printed correctly with the margins properly aligned so that the letters can be folded appropriately. After the letters are all printed, make sure to press the button called “sent flag”. This button, acknowledges that the letters were properly printed and these letters will now be considered sent.

“Assign Date” and
“Sent Flag” buttons.




Fold the letters and mail them using the window envelopes. Make sure additional digits for the zip code are stamped on the return address portion. **It is imperative that the letters are sent on the same day that they were printed.**

Incomplete Letter

The Incomplete Letter, as shown on the following page, is created, printed and stored through Lotus Notes on a weekly basis and sent to institutions that have unacceptable financial statements.

Acceptability is tested through the “Primary Review” forms for items such as Audit Opinion, Income Statement, Balance Sheet, etc. The Incomplete Letter specifically indicates that the financial statements are incomplete and a new complete set of financial statements are required. *The DRCC does not accept “piecemeal” financial statements.*



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF STUDENT FINANCIAL ASSISTANCE PROGRAMS
INSTITUTIONAL PARTICIPATION AND OVERSIGHT SERVICE
WASHINGTON, DC

ED0658
Office of Postsecondary Education No. 01257080

President/CEO
Bel-Riva Institute of Animal Technology
1611 South Dayton Street
Denver, CO

Dear Officer:

We have received your financial statement(s) for the fiscal year ended 12/31/97. We have determined that they are incomplete for the following reason(s) which are marked with an X below:

☒ [X] The financial statement did not include an Independent Auditors Report.

The Independent Auditors Report submitted with your Financial Statement is unacceptable for the following reason(s):

<input type="checkbox"/> not provided as instructed	<input type="checkbox"/> does not state financial statement prepared in accordance with GAAP
<input type="checkbox"/> not titled "Independent" auditor's report	<input type="checkbox"/> does not state financial statement prepared in accordance with GAAP
<input type="checkbox"/> not signed	<input type="checkbox"/> not dated
<input type="checkbox"/> does not encompass all financial statements	

The Financial Statements does not include the:

- ☐ balance sheet or statement of financial position.
- ☐ income statement or statement of operations, activities, or current fund revenues, expenditures and other changes.
- ☐ statement of cash flows.
- ☐ statement of changes in: Retained Earnings, Owner's Equity, Fund Balances, or Net Assets.
- ☐ supplementary notes or the notes did not appear to be complete.
- ☐ consolidating statement. The submitted financial statement(s) appeared to represent more than one institution. Financial statement(s) representing more than one Office of Postsecondary Education Identification (OPEID) number must submit consolidating balance sheets & income statements.
- ☐ 1515 statement.
- ☐ An R515 statement on calculation is not listed separately for each OPEID number.
The CPA's audit must disclose in a footnote to its financial statement audit, the percentage of its revenues derived from the title IV, HEA program funds that your institution received during the fiscal year covered by that audit. The revenue percentage must be calculated in accordance with 34 CFR 800.25(d).

Following is page 2 of the Incomplete Letter

The Financial Statements were not prepared:

- ☐ in accordance with Statement of Financial Accounting Standards (SFAS), 116/117.
- ☐ for an economic entity. In this regard, financial statement(s) prepared for operating divisions or departments are considered unacceptable. Combined financial statement(s) are also unacceptable for proprietary institutions.
- ☐ other

Institutions are reminded that the Department of Education does not consider a financial statement timely submitted unless a **materially complete financial statement** is submitted by the required due date. The due date may be determined by referring to 34 CFR 586.23(a) and (c). If the Department of Education does not receive a **materially complete financial statement** by the due date, your institution will be referred to the Administrative Actions and Appeals Division for appropriate administrative action under 34 CFR 586. Subpart G. We encourage you to submit these statements as soon as possible.

Please attach a copy of this letter and return it with your **materially complete financial statement**. Please indicate the Office of Postsecondary Education Identification (OPEID), DUNS number, and Employer Identification (EIN) numbers in the upper right hand corner of each submission. All submissions, current and future, should be sent to the address below:

For regular mail:

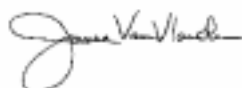
U.S. Department of Education
Institutional Participation and Oversight Service
Data Management and Analysis Division
Document Receipt and Control Center
P.O. Box 4885
L Street Post Station
Washington, DC 20026-4885

For commercial overnight mail/courier delivery:

U.S. Department of Education
Institutional Participation and Oversight Service
Data Management and Analysis Division
Document Receipt and Control Center
T16 and D Street, SW
GSA Building, Room 3514
Washington, DC 20407

Please refer to 34 CFR 681.23, amended November 28, 1998, Documentation of Financial Responsibility, and the AICPA Statements of Auditing Standards for submission and presentation requirements. Additional questions and comments regarding your incomplete submission should be addressed to the Document Receipt and Control Center representative at (202) 281-3903.

Thank you for your cooperation.



Jeanne Van Vleet
Director, Institutional Participation
and Oversight Service

How to generate

In order to generate this letter, you will need to go into Lotus Notes, then click onto the “view” toolbar. Then click on the option titled “Incomplete Letters”. Two submenus called “All” and “Pending” will appear. For complete financial statements that letters were not mailed, select the option “Pending”.

Note: For illustrations regarding steps to generate these letters, see “How to generate” for Complete Letters.

A list of the institutions should appear in a separate view. You will need to assign a date for all the letters that are going to be generated. To do this, select the toolbar “edit”, then “select all”. You should notice that the pending letters should have a check mark next to each of the institutions. You have just assigned the current date to each of the pending letters. If you do not assign a date, the date that the “Primary Review” was completed will appear and be the incorrect date. At anytime, you may double click on the institution’s name to view the letter and it’s date.


To print the letters, click the file toolbar, click print, then select the option to “print all”. Be sure, that all letters are printed correctly with the margins properly aligned so that the letters can be folded appropriately. After the letters are all printed, make sure to press the button called “sent flag”. This button, acknowledges that the letters were properly printed and these letters will now be considered sent.

Fold the letters and mail them using the window envelopes. Make sure additional digits for the zip code are stamped on the return address portion. **It is imperative that the letters are sent on the same day that they were printed.**

30 Day Delinquent Letter

The Delinquent letters are generated for institutions that have **not submitted complete financial statements** to the Department of Education. These letters are automatically generated if the status of an institution is anything but “received” thirty days after the school’s deadline. In accordance with the new CFR published in November 1996, institutions not filing under the Single Audit Act, OMB Circular A-133, are required to submit financial statements six months after their fiscal year end. Any schools receiving a delinquent letter will be referred to the Administrative Actions and Appeals Division (AAAD) for fines or terminations from Title IV funding.

following is an example of the 30 Day Delinquent Letter



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF STUDENT FINANCIAL ASSISTANCE PROGRAMS
INSTITUTIONAL PARTICIPATION AND OVERSIGHT SERVICE
WASHINGTON, DC

April 17, 1993
Reference CPED Number: 81267988

President/CEO
Bell-Pine Institute of Aerial Technology
1051 South Dayton Street
Denver, CO 80231

Dear Officer:

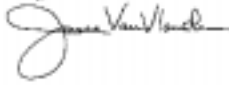
The purpose of this letter is to notify you that your materially complete and acceptable ~~1992/93~~ audited financial statements were not received by the required deadline date of 12/31/92. If you submitted financial statements that the Department returned to you as unacceptable, the deadline date still applies for your acceptable statements.

Please submit your audited statements to one of the following addresses within **ten days** of this letter:

For regular mail:	For commercial overnight mail/courier delivery:
U.S. Department of Education Institutional Participation and Oversight Service Data Management and Analysis Division Document Receipt and Control Center P.O. Box 4800 L'Enfant Plaza Station Washington, DC 20008-4800	U.S. Department of Education Institutional Participation and Oversight Service Data Management and Analysis Division Document Receipt and Control Center 7th and D Streets, NW GEA Building, Room 3114 Washington, DC 20407

This letter serves as a final warning that if these audited financial statements are not submitted within ten days of the date of this letter, your institution will be referred to the Administrative Actions and Appeals Division for appropriate administrative action under 34 CFR 368.103. All other questions should be addressed to your Denver case management team at (303) 544-3677.

If you have any questions regarding the receipt of your audited financial statements, please contact the Document Receipt and Control Center at (303) 283-1933. All other questions should be addressed to your Denver case management team at (303) 544-3677.

Sincerely,

Frances Van Vliet
Director, Institutional Participation
and Oversight Service

cc: Denver Case Team

How to generate

In order to generate this letter, you will need to go into Lotus Notes, then click onto the “view” toolbar. Then click on the option titled “Delinquency Letters”. Two submenus called “All” and “Pending” will appear. For complete financial statements that letters were not mailed, select the option “Pending”.

Note: For illustrations regarding steps to generate these letters, see “How to generate” for Complete Letters.

A list of the institutions should appear in a separate view. You will need to assign a date for all the letters that are going to be generated. To do this, select the toolbar “edit”, then “select all”. You should notice that the pending letters should have a check

mark next to each of the institutions. You have just assigned the current date to each of the pending letters. If you do not assign a date, the date that the “Primary Review” was completed will appear and be the incorrect date. At anytime, you may double click on the institution’s name to view the letter and it’s date.

To print the letters, click the file toolbar, click print, then select the option to “print all”. Be sure, that all letters are printed correctly with the margins properly aligned so that the letters can be folded appropriately. After the letters are all printed, make sure to press the button called “sent flag”. This button, acknowledges that the letters were properly printed and these letters will now be considered sent.

Fold the letters and mail them using the window envelopes. Make sure additional digits for the zip code are stamped on the return address portion. **It is imperative that the letters are sent on the same day that they were printed.**

60 Day Reminder Letter

The Reminder letters are self-explanatory. These letters are automatically generated if the status of an institution is anything but “received” sixty days before the school’s deadline. These letters also have two-sided labels that have the institutions OPE ID number and it’s EIN number. The letter instructs the institution to place these labels in the upper right hand corner of the financial statements.

following is an example of the 60 Day Reminder Letter



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF STUDENT FINANCIAL ASSISTANCE PROGRAMS
INSTITUTIONAL PARTICIPATION AND OVERSIGHT SERVICE
WASHINGTON, DC

January 21, 1993
Reference CPED Number: 81257088

President/CEO
860 First Institute of Aerial Technology
1801 South Dayton Street
Denver, CO 80231

Dear Officer:

The purpose of this letter is to remind you to submit your institution's annual audited financial statements as required in 34 CFR 600.20 before your deadline of 02/02/93. The audited financial statements must be submitted to one of the following address(es):

For regular mail:

U.S. Department of Education
Institutional Participation and Oversight Service
Data Management and Analysis Division
Document Receipt and Control Center
P.O. Box 4605
Washington Field Station
Washington, DC 20036-4605

For commercial overnight mail/express delivery:

U.S. Department of Education
Institutional Participation and Oversight Service
Data Management and Analysis Division
Document Receipt and Control Center
7th and D Streets, SW
OSA Building, Room 3014
Washington, DC 20407

To expedite processing, please attach the provided label(s) to the upper right hand corner of the financial statements. These label(s) reference the Office of Postsecondary Education Institutions (CPED) and Employee Identification (RE) number(s).

We encourage you to submit these statements as soon as possible. If you have any questions regarding the receipt of your audited financial statements, please contact the Document Receipt and Control Center at (202) 281-1931. All other questions should be addressed to your Denver case management team at (303) 844-3673.

Thank you in advance for your cooperation.

Sincerely,

Dennis Van Velsdonk
Director, Institutional Participation
and Oversight Service

How to generate

In order to generate this letter, you will need to go into Lotus Notes, then click onto the “view” toolbar. Then click on the option titled “Reminder Letters”. Two submenus called “All” and “Pending” will appear. For complete financial statements that letters were not mailed, select the option “Pending”.

Note: For illustrations regarding steps to generate these letters, see “How to generate” for Complete Letters.

A list of the institutions should appear in a separate view. You will need to assign a date for all the letters that are going to be generated. To do this, select the toolbar “edit”, then “select all”. You should notice that the pending letters should have a check mark next to each of the institutions. You have just assigned the

current date to each of the pending letters. If you do not assign a date, the date that the “Primary Review” was completed will appear and be the incorrect date. At anytime, you may double click on the institution’s name to view the letter and it’s date.

To print the letters, click the file toolbar, click print, then select the option to “print all”. Be sure, that all letters are printed correctly with the margins properly aligned so that the letters can be folded appropriately. After the letters are all printed, make sure to press the button called “sent flag”. This button, acknowledges that the letters were properly printed and these letters will now be considered sent.

Fold the letters and mail them using the window envelopes. Make sure additional digits for the zip code are stamped on the return address portion. **It is imperative that the letters are sent on the same day that they were printed.**

To Generate Labels

Fold the letters, and mail them using the windowed envelopes. Place the two sided labels onto the top space on each letter. Make sure that the correct labels are attached with it’s corresponding letter. Place letters in outgoing mail box.

**Referral Report
to AAAD**

See Technical and Reporting Administrator's Guide

5.1 Financial Statement Requests Chapter Outline

- **Background**
- **Objectives**
- **The Process**
- **Specific Fields**
- **Frequent Questions**

Financial Statement Requests

Background

The objective is to provide Department of Education (ED) case team members with the financial statements they need to perform their analysis. The DRCC, as a part of the Data Management and Analysis Division is an integral part of the Institutional Participation and Oversight Service. DRCC's mission is to not only to insure that IPOS is receiving reports in compliance with Federal Regulations and perform a preliminary review of those reports, but also to serve as a repository and lending library of these reports. The information contained in the institutional submissions controlled by the DRCC is valuable to all of the Office of Postsecondary Education and especially to the IPOS Case Teams. The DRCC facilitates IPOS' mission by:

- acting as the one point of contact for all participating institutions regarding the financial statement submission requirement;
- ensuring financial statements are acceptable to ED (see Chapter on Primary Review);
- measuring financial responsibility of institution (see Chapter on Ratio Review);
- controlling these statements and making them available to OPE.

Objectives


This section will help you to:

- Determine status of Financial Statements
- Locate Financial Statements
- Provide information to analyst

The Process

1. Request Sheet

A request sheet is used by case team members to request Financial Statements to be pulled from the files by the DRCC. There is a box which should be checked a few times a day to collect these requests.



Document Request from DRCC

☐ **Fin'l Stmt.**

95 96 97 (Circle Appropriate Years)
two most recent years will be selected if nothing circled

☐ **Recertification Application**

Cohort 2.2

Cohort 2.3

Cohort 2.4

Cohort 3.1

OPE ID Number	Institution(s)	95	96	97	Comments
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	

Requestor's Name

Date Requested

Case Team (City)

Phone Number

Signature

Legend
X= Document pulled and checked out to requester
* = DRCC has not received the F/S
^ = This document has already been chk'd out
> = This document has been recv'd but is not in the file

Checkout:
DRCC Initials
Date Filled

Returned:
Case Team Rep
CBMI Initials

Pick up request sheet from box. Check for completeness of the

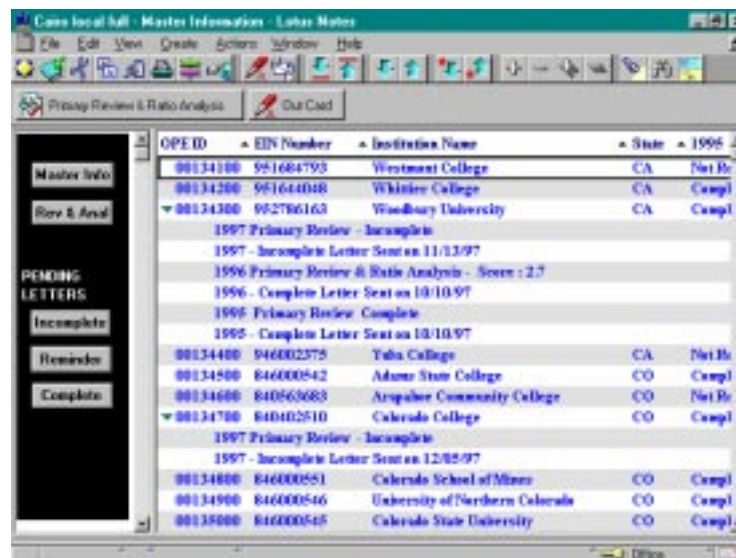
form (signature, date, descriptions, etc.). If more than 25 financial statements are requested give the request sheet to Greg James for approval.

2. Determine Status of F/S

Enter the “Cairo” database and “Master Information” screen as described in *Getting Started with Lotus Notes* chapter.



“Cairo” Database



“Master Information” screen

Perform a search for the OPE ID# of the institution on the request sheet. Compare information on Master Information screen for each year requested. Follow these procedures depending on the information displayed on the screen.

Status Areas

756001738	Midwestern State University	TX	Complete	Complete	Not Received
750995027	Jarvis Christian College	TX	Not Received	Not Received	Not Received
741561720	Galveston College	TX	Not Received	Complete	Not Received
750701190	Methodist Hospital School of Nursing	TX	Waiver	Not Received	Not Received
Financial Statement Checked out by Renee Barnes on 04/11/97 : Outstanding					
222074593	Lincoln Technical Institute	TX	Complete	Complete	Not Received

▼ 00359000

741541260

McLennan Community College

TX

Complete

Complete

1996 Primary Review - Complete

1996 - Complete Letter Sent on 09/26/97

▼ 1995 Primary Review - Complete

1995 - Complete Letter Sent on 09/26/97

- If the year indicates a “Complete” as the status, press enter or double click on the highlighted institution. Scroll down screen to “Locator ID” section.

Submitted Financial Statements:	
1995 - Complete	1995 Locator ID - 01116100
1996 - Complete	1996 Locator ID - 01116100
1997 - Not Received	1997 Locator ID -

Compare particular OPE ID# to the Locator OPE ID# for that year. If the numbers are different, your physical search in the file folders will be under the Locator OPE ID#. If the numbers are the same your search will not change. The purpose of Locator ID #s are to keep related institutions together.

- If the year indicates an “Incomplete status”, note this status on the request sheet and do not pull financial statement. If the analyst understands the financial(s) are incomplete and has not been reviewed and still insists on having the financial statement you can check it out through normal procedures. However, incomplete financials are located in a separate box labeled “incomplete” instead of the file folders.

- If the year indicates a status of “Not Received” , DRCC has not received the financial statements as of the current date.

- If the year shows “Waiver” for its status, the case team has approved a waiver and DRCC will not have financial statements on file.

▼ 00358600	750950119	Lubbock Christian University	TX	Not Receive Complete
1996 Financial Statement Checked out by Ann Berres on 06/02/97 : Outstanding				
1995 Financial Statement Checked out by Renee Barnes on 04/25/97 : Outstanding				

- If the year indicates a status of “Complete”, look at the description lines beneath the institution name on the Master Information screen. If the financial statement is currently “Outstanding” , note the fiscal year and name of the analyst in possession of the statement on the request sheet. If “Locator ID” is different than the OPE ID# verify the “Outstanding” status under the Locator ID #.

3. Locate and Document

Go to filing cabinets and search for financial statement by school OPE ID#. Pull appropriate financial years and take the materials back to your desk to perform check out procedures.

Open the “Cairo” database as in step 2. Determine...., above. Go to the statement in the computer. While on the completeness status, click on the “Out Card” button. Generate the “out card” under the appropriate OPE ID number (if there is a locator be sure to check it out under the locator ONLY).

Enter the person’s name requesting the statement under the analyst name field. The “date checked out” field will automatically be filled. Select from the drop down menu or type in your full name in the “Checked Out By” field. Click the “outstanding” button which indicates that the statement is currently checked out.

Financial Statement Outcard
01163100
Dee & Jay's School of Beauty
Financial Year: 2007

Date Checked Out: 02/14/07
Date of Request: 02/14/07
Analyst Name: [Text Field]
Checked Out By: [Text Field]
Date Received: [Text Field]
Received By: [Text Field]

☒ Outstanding
☐ Received

1996 Out Card Screen

4. Issues

Resolve and document all issues with the financial statements, using the legend at the bottom of the request form. Financial statements which are not in their Locator OPE ID folder and Lotus Notes is showing them as received, research the possible reason for this.

- Is the financial statement already checked out?
- Is the financial statement filed under a locator? (Double click on the institutional profile to check for a locator.)
- Has the financial statement been filed yet? (Looking at the date processed will give you an indication of this.)

Common mistakes when filling requests for financial statements:

- Locator ID numbers may have been changed from one year to the next. If you have trouble locating the statement be sure to check for a locator in each year.

- Check ALL databases for status of financial statements. Just because it is checked out for one year does not indicate that it is checked out for the other years. (Remember that the out cards in Cairo 1995 represents 1995 and 1994. Also, Cairo on FOB_APPS01 included 1995, 1996 and 1997, etc.)

Initial and date the request form when it is complete. Make a copy of all request sheets filled. Place request copy in the three ring binder labeled “Filled Financial Statements Request Forms”, by date.

Include the original request form with the financial statements pulled in the “Ready For Pick Up” box. Then, call the analyst to let them know that their request has been filled and is ready for pick up.

5. Returning Financial Stmts.

Take the returned financial statements from the return box and check them in on Lotus Notes. Double click with the right mouse button or press enter on the outcard which was used to sign out the financials previously. Click on “Returned” then enter your the date and your name.

Log in only those years that are being returned.

File all returned financial statements by Locator OPE ID number, if applicable.

Financial Statement Outcard	
02248900	
Sawyer College of Business	
Financial Year: 1996	
Date Checked Out:	04/23/97
Is this a Flagged Transmittal:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Analyst Name:	William Foster
Checked Out By:	Veronica Middleton
Status:	<input type="radio"/> Outstanding <input checked="" type="radio"/> Returned
Date Returned:	11/01/2011
Received By:	T

6.1 Reporting Chapter Outline

- **Types of Reports**
- **Weekly Reports**
 - **Cohort Reports**
 - **Non-recert Reports**
 - **Flagged Reports**
 - **Internal Reports**
- **Ad Hoc Reports**
- **Running the Reports**

Reporting

Background

The reporting process consists of weekly, internal, and ad hoc reports. The weekly reports currently in use include the Cohort and Flagged Institutions reports. These reports are run in Access 95. The information is imported from Lotus Notes.

Objectives

Upon completion of this section, you should know:

- The types of reports
- What information is contained in the reports
- The software programs that are used to generate the reports

Cohort Report

{ Cohort Report }

Non-recert Report

The report for the non recertification database is titled “Status of Non-Recertification Applications Received”. The non recertification report is sorted by regions, then type of application. There are twenty-three possible types of applications on this report. The OPE ID # and name of the school are shown on this report, along with the status of the application. The status is either “Waiting on..” (located with DRCC) or “Forwarded”(located with the case team). The dates when the application was received, forwarded and confirmed are given. A “yes”, “no”, or “N/A” will be noted for whether approval from the state and accrediting agency were received with the application. A screen shot of the report follows.

Status of Non-Recertification Applications Received (Paper Documents Only)
Thursday, March 8, 2018

OPE ID	Institution Name	Type of Application	Status	Date Rec'd	Date Forwarded	Letter Sent	Approved/Rec'd From	State	Acc. Agency
Atlanta									
00881088	National School of Technology, Inc.	FL Addition of non-degree programs outside the	Forwarded	1/8/88	02/06/88	2/18/88	Yes	Yes	
02032088	National School of Technology, Inc.	FL Addition of non-degree programs outside the	Forwarded	1/8/88	02/06/88	2/18/88	Yes	Yes	
02034888	Sanford Brown Institute	FL Changing Principal Location-of-focus only	Forwarded	1/5/88	02/01/88	2/18/88	No	No	
00881688	Ed Peter Vocational Technical Center	FL Addition of non-degree programs outside the	Forwarded	1/21/88	01/21/88	1/25/88	No	Yes	
02041188	Kenneth Baker School of Cosmetology &	NC Changing Principal Location-of-focus only	Waiting on	11/24/88	12/29/88		No	No	
00881088	Academy of Cosmetology	NC Changing Principal Location-of-focus only	Forwarded	11/20/88	12/11/88	12/15/88	Yes	Yes	
00022838	Atlantic Vocational Technical Center	FL Addition of non-degree programs outside the	Forwarded	11/10/88	12/04/88	12/11/88	Yes	Yes	
02041188	Copper College	AL Changing Principal Location-of-focus only	Forwarded	11/20/88	12/26/88	12/18/88	Yes	Yes	
00081688	Dallas College	GA Changing Name of the Institution	Waiting on	11/20/88	12/26/88		No	No	
01032588	Herring Institute, Inc.	FL Changing Name of the Institution	Forwarded	11/20/88	01/06/89	1/15/89	Yes	Yes	
00041088	Rockyhurst Regional School of Herring	NC Changing Name of Third Fiscal Officer / Fin.	Forwarded	10/20/88	11/06/88	11/06/88	NOA	NOA	
00891088	Shelton Vocational Technical Center	FL Addition of non-degree programs outside the	Forwarded	10/20/88	12/14/88	12/18/88	No	Yes	
02060388	Wilson Electronic Institute	NC Changing Principal Location-of-focus only	Waiting on	10/14/88			No	No	
02081088	Wood Technical School	FL Recertification without cohort	Forwarded	8/20/88	10/01/88	10/01/88	Yes	Yes	
02081088	Woodson, Beverly & Butler Academy Inc.	FL Changing Third Party Services But do not	Forwarded	8/20/88	10/01/88		NOA	NOA	
00621488	Adler School Of Dentistry	GA Changing Principal Location-of-focus only	Forwarded	8/17/88	09/22/88	10/05/88	Yes	NOA	
00047188	Dixons Brook Community College	FL Changing Name of CEO/President/Chancellor	Forwarded	8/10/88	09/14/88	8/18/88	NOA	NOA	
02080788	Advocate & Technology Institute	FL Recertification without cohort	Forwarded	8/5/88	09/14/88	8/18/88	Yes	Yes	
02081088	Kear Business College	GA Addition of non-degree programs outside the	Forwarded	8/5/88	09/04/88	8/05/88	Yes	Yes	
00031088	Landy Technical Center	FL Addition of non-degree programs outside the	Forwarded	8/15/88	09/11/88	8/05/88	Yes	Yes	
00047188	Dixons Brook Community College	FL Changing Name of Third Fiscal Officer / Fin.	Forwarded	8/10/88	09/10/88	8/22/88	NOA	NOA	
02081688	Potter Hixson Academy	FL Changing Principal Location-of-focus only	Forwarded	8/10/88	09/12/88		Yes	Yes	
02081688	Ronan Hixson Academy	FL Changing Third Party Services But do not	Forwarded	8/10/88	09/11/88		NOA	NOA	
02081688	Ronan Hixson Academy	FL Recertification without cohort	Forwarded	8/10/88	09/12/88		Yes	Yes	
01201688	Southwestern Technical Institute	GA Changing Name of Third Fiscal Officer / Fin.	Forwarded	8/7/88	09/05/88	8/22/88	NOA	NOA	
02081688	Orange State Center	FL Addition of non-degree programs outside the	Forwarded	8/4/88	08/26/88	8/29/88	No	No	
00047188	North Carolina State University	NC Changing Name of CEO/President/Chancellor	Forwarded	8/05/88	09/11/88	8/22/88	NOA	NOA	

Disclaimer: This report only indicates paper document applications that have been received and processed by the DRCC. It will not include applications that are currently being forwarded that will require state approval information for applications received prior to 10/1/88. Approval from state and accrediting agency is not required in all situations.

Atlanta Page 1
DRCC/State Non-recert 10/8/88

Example page of the
“Status of Non-
Recertification
Applications Received”
report.

Flagged Report

The “Institutions Flagged by the DRCC” report lists institutions that have failed the financial responsibility criteria established by the KPMG report. The criterion includes ratios (equity, primary reserve, and net income) and accounting issues that require further investigation by the Case Teams. Flaggable items include an auditor’s opinion that is **not** unqualified. Contingent liabilities, dollar amounts owed ED, violation of debt agreements, and failure to meet the requirements of the 85/15 attestation are also flaggable items. Report header includes OPE ID, Institution Name, Equity, Primary Reserve, Net Income, Composite Score, Accounting Issues, Date Flagged, and FYE.

OPE ID	Institution Name	State	FYE Date	Equity	Primary Reserve	Net Income	Composite Score	Acctg Issues	Date Flagged
Atlanta									
* 00204280	Prize School of Beauty	SC	4/30/98	-0.73	-0.21	-0.07	1.8	1 2 4	3/11/99
* 00223080	Lake County Area Vocational Technical Ce	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00911780	Ridge Technical Center	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00100680	Taylor Technical Institute	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00802680	Yon P Henry Vocational Technical Center	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00950980	Travis Technical Center	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00141780	Central Florida Community College	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00913280	Orange Technical Education Centers - Orla	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00321280	Orange Technical Education Centers - Wek	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00901580	OTEC Mid-Florida Technical Institute	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00904680	Winter Park Adult Vocational Center	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00300680	Withlacoochee Technical Institute	FL	8/30/97	0.80	0.80	0.08	5		3/8/99
* 00900680	University of Seneca	FL	8/31/98	0.35	0.30	0.05	1.8	8	3/10/99
* 00109680	North American Institute of Aviation of Sou	SC	8/30/98	0.12	0.87	-0.05	8.5	8	3/10/99
* 00955280	Kenneth Shuler School of Cosmetology 5	SC	8/30/98	0.35	0.82	0.01	8.9		3/10/99
* 00955080	Kenneth Shuler School of Cosmetology 5	SC	8/30/98	0.35	0.82	0.01	8.9		3/10/99
* 00341180	Kenneth Shuler School of Cosmetology 5	SC	8/30/98	0.35	0.82	0.01	8.9		3/10/99
* 00831480	International Academy of Merchandising 5	FL	12/31/98	0.47	0.13	0.08	2.8	3	3/10/99
* 00874080	Chris Beauty College	MS	8/30/98	0.40	0.20	0.08	3.8	8	3/10/99
* 00853280	Kenneth Shuler's School of Cosmetology 5	SC	8/30/98	0.35	0.82	0.01	8.9		3/10/99
* 00805280	Metropolitan School of Hair Design	GA	8/31/98	0.19	0.89	0.02	1.8	8	3/10/99
* 00814680	Florida Metropolitan University - Fort Laud	FL	8/30/98	0.54	0.12	0.08	2.8	3	3/10/99

Example of the report
“Institutions Flagged
by the DRCC”

{Flagged Report}

The OPE ID Number is an exclusive number assigned to an institution by the Department of Education. The institution name is the name under which the school is doing business. The financials received will list the years in questions and include a yes entry if the statements have been received for that particular year. Incomplete financial statements are coded “inc.” The priority field refers to the second cut edits performed on the institution’s eligibility application. A “high” priority second cut edit requires immediate attention from the case teams. The CED field indicates which institutions have not submitted fiscal year 1995 financial statements. The fiscal year end field lists the latest year for which we have financial statements. Accounting Issues include flaggable items. The report also includes the state in which the school is located.

The composite score captures the results of the additional review. The FY End column gives the latest year that information has been compiled for an institution.

Lotus Notes - Dominion Business School - Primary Review & Ratio Analysis

File Edit View Create Actions Window Help

Comments: see Locator

Is the compliance audit attached to the financial statement? ☐ Yes ☒ No

Disclosures In Notes:

Going Concern Note	<input type="radio"/> Yes <input checked="" type="radio"/> No
Contingent Liabilities	<input type="radio"/> Yes <input checked="" type="radio"/> No
Violation of Debt Agreement	<input type="radio"/> Yes <input checked="" type="radio"/> No
ED Compliance Issues Noted	<input checked="" type="radio"/> Yes <input type="radio"/> No

Analyst Name: Andrew Ko Date Rec'd: 08/27/97 Date Screened: 08/18/97

Generate Letter

Ratio Analysis Performed: ☒ Yes ☐ No Outcome: Complete
Flagged

Start Lotus Notes ... Lotus cc:Mail - ... Microsoft Word ... Microsoft Power... 1:57 PM

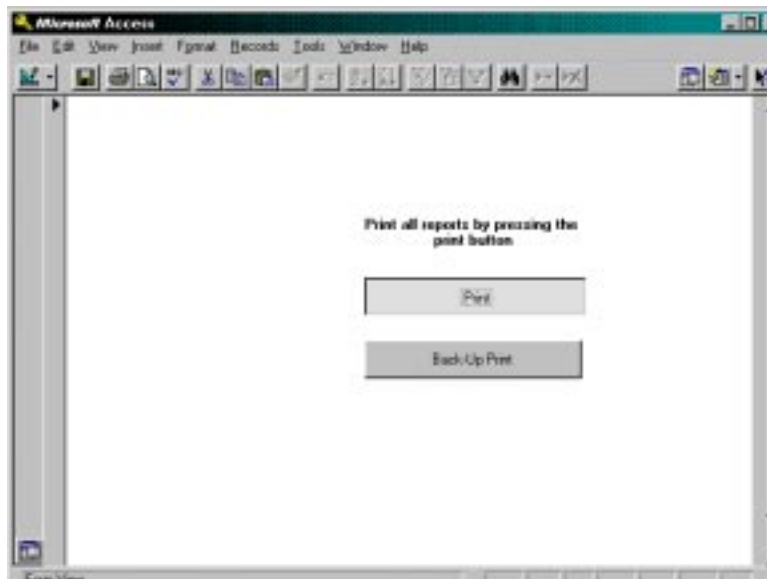
Accounting Issues

Ad Hoc Reports

Ad Hoc Reports are specific reports that are tailored to meet a specific user's needs. A request is received and the reports are then prepared. These reports are usually compiled in Access. See the *Technical and Reporting* manual for further description.

Running the Reports

This report should be run first thing in the morning. This will give you enough time to fix any problems you may have. The report is run in Access. It is found on the following drive - K:\Shared:\KPMGFile:\Report:\Weekly Reporting:\Complete Reporting Database. When you pull this file up it will immediately bring you to the “*Print*” button. Simply press this button, come back in twenty minutes and the reports should be finished. If the “*Print*” button fails then use the “*Backup Print*” button.



7.1 Miscellaneous Duties Chapter Outline

- **Mail Function**
- **Correspondence Database**
- **Data Discrepancy**

Miscellaneous Duties

Mail Function

- Pick up or obtain mail
- Stamp with current date stamp
- Log out on correspondence database, if applicable
- Distribute to:
 - Ratio group
 - Case team
 - Recertification group
 - Compliance team

Pick up mail

Applications should be received either from the P.O. Box or the secretaries. Schools have the option to mail applications to the building address or the P.O. Box..

U.S. Department of Education
Institutional Participation and Oversight Service
P.O. Box 44805
L'Enfant Plaza Station
Washington, D.C. 20026-4805

-or-

U.S. Department of Education
Institutional Participation and Oversight Service
7th and D Streets, S.W.
GSA Building, Room 3514
Washington, D.C. 20407-5323

The P.O. Box is located at L'Enfant Plaza. Take the keys and go to the post office. This should be done daily or weekly depending on expected volume.

Date Stamp

All incoming mail should be stamped with current date and sorted. Mail will usually consist of Recertification Applications, Non-recertification Applications, Financial Statements, Compliance Audits and Case Team Correspondence. Separate accordingly.

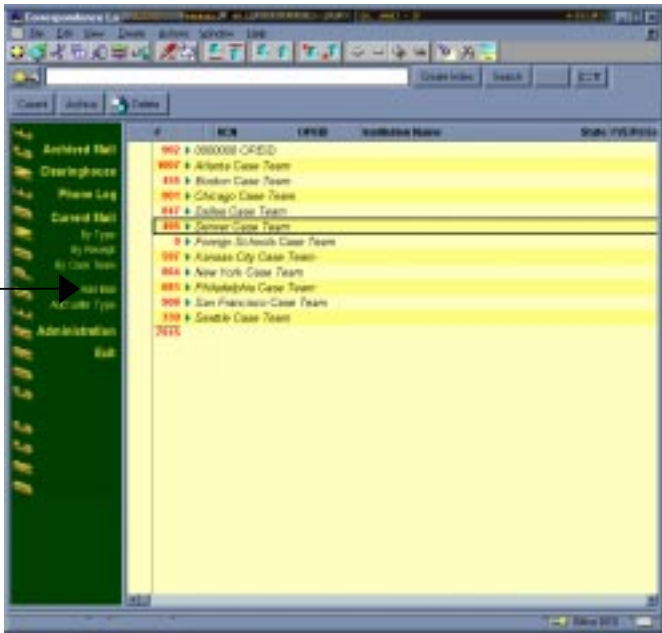
Log Out

Anything going directly to the case team should be logged out on the correspondence database. Institution name, OPE ID number, destination, brief description and date received along with your name should be recorded in this database.

Correspondence Log



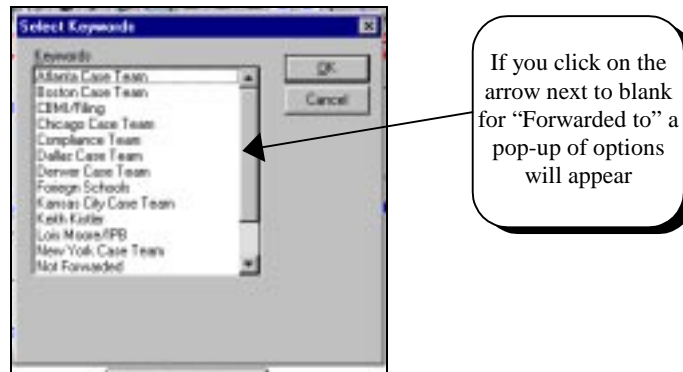
Database Icon



Click on this button to add a new correspondence record



Fill in appropriate information. Drop down menus will appear for additional information



Distribute

After mail has been separated, deliver to appropriate group. The recertification group will be responsible for the recertification and non-recertification applications. Financial statements and audits will go to the ratio group, while compliance audits are given to the compliance team. If it is a single submission (compliance and financial statement audit together) do not tear apart to separate audits. If there is only one set, give the audits to the Compliance team. The Compliance team will be responsible for forwarding the audit to the Financial team after the PEPS information has been entered. If more than one copy of the single submission audits is sent, give one copy to the Financial team and the other(s) to the Compliance team. Other correspondence will be sent on to the case teams located in the Washington DC office after being entered into the correspondence database.

Data Discrepancy

Background

In the DRCC, you may experience discrepancies between the data in the DRCC Lotus Notes databases, the PEPS database, and the correspondence/documents received from institutions. Sometimes the differences can be complex, such as, due to a merger of several schools or a closing of one institution among many with common ownership. The following is a list of data discrepancies you may encounter at the DRCC (note that it is not all inclusive, as new problems do occur occasionally):

- you can not find a particular school's OPE ID in Cairo based on a "Quick Search" the school's name, EIN, or state
- a school makes a note that it does not participate in title IV funding, but the school is still in Cairo
- the school is in an older (newer) version of Cairo but not in a newer (older) version
- no EIN has been entered for the school although it is in Cairo
- the school indicates in correspondence that its name/address has changed
- a letter mailed from the DRCC is returned "Not at This Address", inciting a wrong address in the databases
- the school indicates in correspondence that it has closed operations of one, more than one, or all related institutions but it (they) is (are) still in Cairo
- school submits documents under a different name than is recorded in Cairo
- school name is misspelled in Cairo

Data Discrepancy

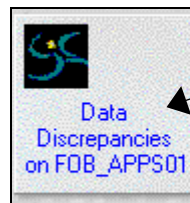
Determining a Data Discrepancy

These discrepancies may be spelled out in a cover letter to financial statements or hidden within the notes of the statements. Whatever the cause of the discrepancy, we must rectify the problem in order to store correct data and minimize associated misinformation.

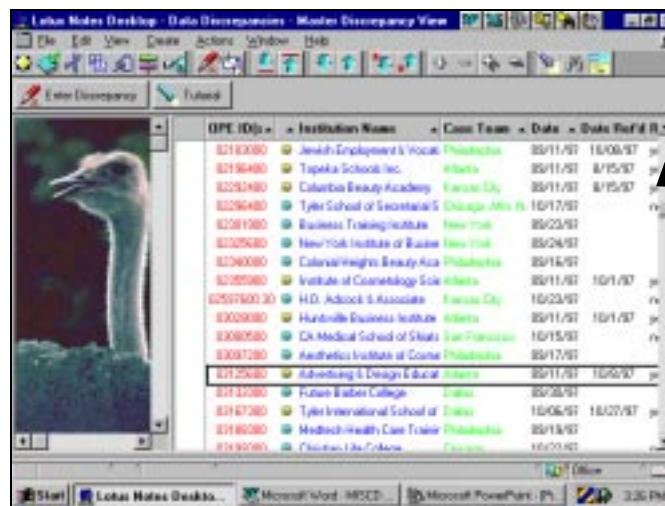
Search for the information in one of the DRCC databases until you are satisfied we do not have it or that what we (or ED) have is incorrect. If the discrepancy is not spelled out in correspondence from the school (i.e. you can not find a particular school's OPE ID in Cairo based on the school's name, EIN, or state) you may want to search in an older version of Cairo (see search tips at the end of this chapter)

Anyone with PEPS access can perform a search for the institution by exact name, city and state or OPE ID#. PEPS is a system supported by the Department of Education therefore training must be obtained through the Department.

When you have determined that a Data Discrepancy form should be developed enter Lotus Notes as instructed in the *Getting Started* chapter. Find the database icon "Data Discrepancies" as shown below:



Database Icon



Click on this button to enter a new record.

Master View for Data Discrepancy Log.

The master information screen will summarize the OPE ID #, Institution Name, Case Team, Date Sent, Date Returned, and whether it was resolved.



The smiley face indicates that the discrepancy has been cleared.



The frown shows that the discrepancy is outstanding.

Enter New Record

Click the mouse on the *Enter Discrepancy* button to enter a new record. Enter the Institution name, OPE ID#, discrepancy, comments, applicable case team, initials, and current date. Save and print this form and attach to the document in question. Place the document with the attached cover sheet in the case team box. Following are specific instructions to complete the Data Discrepancy form.

DRCC Data Discrepancy Form									
Resolved: <input type="radio"/> yes <input type="radio"/> no	Date returned to DRCC: <input type="text"/>								
Institution Name: <input type="text"/>									
OPE ID(s): <input type="text"/>									
The DRCC has reviewed the Financial Statements, PEPS, and Lotus Notes . We can not determine the following:									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"><input type="checkbox"/> OPE ID(s)</td> <td style="width: 50%; padding: 5px;"><input type="checkbox"/> Active / Inactive Status</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/> Institution Name</td> <td style="padding: 5px;"><input type="checkbox"/> Eligibility Status</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/> Institution Address</td> <td style="padding: 5px;"><input type="checkbox"/> Fiscal Year End</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/> Closed Status</td> <td style="padding: 5px;"><input type="checkbox"/> Other</td> </tr> </table>		<input type="checkbox"/> OPE ID(s)	<input type="checkbox"/> Active / Inactive Status	<input type="checkbox"/> Institution Name	<input type="checkbox"/> Eligibility Status	<input type="checkbox"/> Institution Address	<input type="checkbox"/> Fiscal Year End	<input type="checkbox"/> Closed Status	<input type="checkbox"/> Other
<input type="checkbox"/> OPE ID(s)	<input type="checkbox"/> Active / Inactive Status								
<input type="checkbox"/> Institution Name	<input type="checkbox"/> Eligibility Status								
<input type="checkbox"/> Institution Address	<input type="checkbox"/> Fiscal Year End								
<input type="checkbox"/> Closed Status	<input type="checkbox"/> Other								
DRCC Additional Comments: <input type="text"/>									
Regional Case Team: <input type="text"/>									
DRCC Initials: <input type="text"/>									
Date sent to Case Team: 11/03/97									
Case Team Comments: <hr/> <hr/> <hr/>									
Case Team Initials: _____									

Put the name of the institution as it appears on the document/correspondence as the name. If you have an OPE ID for the institution, put it in the OPE ID field. If there are multiple OPE IDs, put as many as possible in the OPE ID field, and if need be, put others at an empty part of the form. If you can not find the OPE ID, type "00000000" in the OPE ID field.

Write a detailed description of the discrepancy in the DRCC Comment field. Explain what the problem is. Examples: Can't find OPE. Institution not in DRCC database, is it in PEPS? Correspondence states one of 12 related schools has closed operations, but OPE ID is still in DRCC database, should it be?

If possible, find the school's regional Case Team. You can find this in the school's "Institutional Profile" in any of the Cairo databases. Write the name in the Regional Case Team field. You should nearly always be able to find the Case Team based on an address on the received envelope, the auditor's city, or some other way. If you can not find the Case Team for the school, ask Greg James for assistance in finding it.

When you have thoroughly documented the data discrepancy on the form, put your initials and the date you send the form and document to the Case Team on the bottom of the form. The date should be the same day you discover the discrepancy.

Attach the form to the document(s) and/or correspondence with a binder clip. Put the attached items in the appropriate Case Teams mail box at the front of room 3522 next to the Recreate work space.

Resolved

When *Data Discrepancy Form* is returned with the document from the case team to the DRCC open previous record on the database. Search for the record using OPE ID # or institution name. Highlight the record line and press enter or double click the mouse. Mark appropriate circle for resolved status and the date returned to the DRCC. Save and print form then place in box for CBMI to file. Continue to process document as suitable.

Other

Incoming Phone Calls

A phone number may be listed on correspondence letters sent to institutions. This number will be a “hot line” for institutions seeking answers to questions regarding the Application for Approval to Participate in Federal Student Financial Aid Programs. If you are unable to field the question properly, refer the question to the appropriate case team member. Record phone calls which need assistance in the *Correspondence Database*.

Closed School Database

An electronic version can be found in the Recertif folder in KPMG’s shared file on the K drive. It is called closed.mdb. It is an Access database. This database was downloaded around February 25, 1997. The closed school database should be updated regularly.

A hard copy of this report and directions on how to use ED’s closed school database can be found with reference material.

Reports

Press the “Reports” button in your cohort database (near the top of the screen). The Screened Report (button is on the left hand side of screen) gives you all institutions in the “passed” and “exempt” categories.

The Complete Report gives you all institutions in the passed category.

The Delinquent report gives you all of the institutions that do not show any activity. For our purposes delinquent means that the application does not fall in the Passed, Exempt, Returned, or Pending category. On the Cohort report that is given to Greg James every Friday, we refer to the delinquents as “Not Received”. The language was changed to assist the case team members.