



# UNITED STATES DEPARTMENT OF EDUCATION

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FEB 10 2005

Reverend Lawrence Biondi, S. J., Ph.D.  
President  
Saint Louis University  
221 N. Grand Boulevard  
St. Louis, Missouri, 63103

Dear Reverend Biondi:

This **Final Audit Report** (Control Number ED-OIG/A06-D0018) presents the results of our follow up audit of Saint Louis University's (University) use of professional judgment for the two-year period from July 2000 through June 2002 (award years 2000-2001 through 2001-2002). The audit period was expanded, at the request of the Financial Aid Director, to include a third year, from July 1, 2002 through June 30, 2003 (award year 2002-2003). The objective of our audit was to determine whether the University's use of professional judgment resulted in appropriate Federal Pell (Pell) Grant awards in accordance with Section 479A of the Higher Education Act of 1965, as amended (HEA) and the guidance laid out in Dear Colleague Letter GEN-03-07, published in May 2003.

We provided a draft of this report to the University. In its response to our draft report, the University disagreed with our findings and recommendations except for the one Pell Grant over award resulting from a clerical error. The University also stated that it has implemented procedures to ensure that all professional judgment decisions are properly reported to the Secretary of Education (Secretary). We summarized the University's comments in the body of the report and included the complete response as an Attachment to the report.

## BACKGROUND

Saint Louis University is a Catholic, Jesuit university founded in 1818. During the 2002-2003 school year, it enrolled more than 11,000 full and part-time students in 95 academic programs. The University offers Bachelor, Master, and Doctorate degrees. In addition to its main campus in St. Louis, Missouri, the University also has a campus in Madrid, Spain. The University is accredited by the North Central Association of Colleges and Universities. It participates in the Federal Pell Grant, Federal Family Education Loan, Federal Direct Student Loan, Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant programs. According to data provided by the University, \$3,374,389 in Pell Grants was awarded to 1,593 students for award year 2000-2001, \$3,157,985 was awarded to 1,391 students in 2001-2002, and, as of May 14, 2003, \$3,088,190 was awarded to 1,295 students in 2002-2003. The University also provided data reporting that \$1,642,115 in Pell Grants was paid to 777 students

with University financial aid counselor-approved professional judgment applications in award year 2000-2001, \$1,174,838 was paid to 518 students in 2001-2002, and, as of May 14, 2003, \$221,257 was paid to 103 students in 2002-2003. Saint Louis University reported that Pell Grant awards were changed as a result of exercising professional judgment for 41.2% of its students in award year 2000-2001, 26.5% of its students in award year 2001-2002, and 6.6% of its students in award year 2002-2003. The national average for the total use of professional judgment, whether or not the amount of Pell Grant awards changed, was approximately 2.25% during award year 2000-2001 and 2.42% during award year 2001-2002.

### **Previous Audit Report**

In July 1997, the Office of Inspector General (OIG) issued an audit report titled Professional Judgment at Saint Louis University. That audit found during award years 1994-1995 and 1995-1996 a projected 90 percent of the University's professional judgment actions were unreasonable and resulted in projected total Pell Grant overpayments of \$2,599,709. The report recommended the refund of that amount.

The previous audit concluded that the University's use of professional judgment resulted in a de facto substitution of the statutory needs analysis formula with the University's own formula. The University reduced family incomes for reported living and other expenses that exceeded the Income Protection Allowance (IPA) in the statutory needs analysis formula.

In December 1998, the Department issued its final audit determination (FAD) on the report. The Department found that there was no case-by-case "judgment" exercised in granting the reduction for the annual living expenses, and that the University required no supporting documentation. The Department concluded that deductions for medical expenses and elementary and secondary tuition could not be justified in the absence of documentation of special circumstances to support such deductions. The Department also stated it believed the OIG's projected amount of \$2,599,709 to be refunded was understated. Based on its review of the OIG's audit, the Department projected an amount of \$2,816,029 to be refunded.

In March 1999, the University appealed the Department's FAD. An administrative judge entered a decision in favor of the University on May 25, 2000. The administrative judge stated that the University met its burden of establishing that the students at issue were eligible for the Pell Grant funding they were awarded, and that the financial aid administrators did not abuse their discretionary authority in utilizing the provisions regarding professional judgment in making the awards. The judge further held that the University did not abuse its statutory discretion when it established per se categories of special circumstances and performed no further case-by-case analysis.

On June 29, 2000, the Office of Student Financial Assistance, now known as Federal Student Aid (FSA), appealed the decision to the Secretary. According to the Office of Student Financial Assistance (SFA), the decision wrongly interpreted the HEA and is not legally supportable. As of the date of this report, the Secretary had not ruled on the appeal.

## AUDIT RESULTS

### **Finding 1 – Failure to Adequately Document Professional Judgment Decisions**

The University's use of professional judgment resulted in \$1,458,584 in Pell Grant funds being inappropriately over awarded to students during award years 2000-2001, 2001-2002, and 2002-2003. The over awards for award years 2000-2001 and 2001-2002 totaled \$1,453,959 based on information provided to us by the University, and \$4,625 in award year 2002-2003. Specifically, for award years 2000-2001 and 2001-2002, we found that none of the 50 student files reviewed contained third-party evidence substantiating the requested adjustments and a written statement by the counselor documenting the basis for their decisions and explaining why the requested adjustments represented a special circumstance for each student on a case-by-case basis. For award year 2002-2003, 13 of the 18 student files reviewed were adequately documented or the professional judgment actions had no effect on the amount of Pell funds disbursed. However, 4 of the 18 files did not contain adequate documentation to identify the basis for the professional judgment decision, and the remaining student received a Pell over award as a result of a clerical error.

The Pell over awards occurred because the University's Policies and Procedures did not require the counselors to prepare a written statement of their determinations and did not require third-party documentation substantiating the claimed adjustments, or the documentation did not adequately document that the professional judgment decision represented a special circumstance. The counselors said they believed the input of the adjustment amounts accepted by them, their initials indicating who had accepted the adjustment, and the date the amount was accepted into the school's financial aid program adequately documented their professional judgment decision. However, in our opinion, this level of documentation was not adequate to support that the professional judgment decisions represented special circumstances.

### **HEA and Departmental Guidance Require Documentation to Support the Counselors' Professional Judgment Decisions**

Section 479A of the HEA states:

- (a) IN GENERAL. —Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical or dental expenses not covered by insurance, unusually high child care cost,

recent unemployment of a family member, the number of parents enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, or other changes in a family's income, a family's assets, or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. **Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title.** No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information. (Emphasis added)

- (b) ADJUSTMENTS TO ASSETS TAKEN INTO ACCOUNT. –A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) if-
- (1) the administrator makes adjustments excluding from family income any proceeds of a sale of farm or business assets of a family if such sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or an involuntary liquidation; or
  - (2) the administrator makes adjustments in the award level of a student with a disability so as to take into consideration the additional costs such student incurs as a result of such student's disability.

Section 478(a) of the HEA provides, in part, that the Secretary shall not have the authority to prescribe regulations to carry out Part F of the HEA. Part F is the Needs Analysis provisions and includes Section 479A above.

The Department's 2000-2001 Student Financial Aid Handbook and its 2001-2002 and 2002-2003 Application and Verification Guides state that occasionally aid administrators have made decisions contrary to the professional judgment provision's intent. Further, the Handbook and Guide state that the aid administrator must make "reasonable" decisions that support the intent of the provision. The Handbook and Guides also state the school is held accountable for all professional judgment decisions and for fully documenting each decision. They specifically state the reason for an adjustment of the data elements used to calculate a student's Expected Family Contribution (EFC) must be documented in the student's file, and it must relate to the student's special circumstances.

The Department reiterated the documentation requirements in its Dear Colleague Letter GEN-03-07, published May 2003, and titled “Dependency Overrides.” In part, the letter states:

After reviewing all relevant documentation related to a student’s assertion that there are unusual circumstances that support why he or she should be considered to be independent rather than dependent, the financial aid administrator must make a specific determination for the student. Upon making such a determination that a dependency override is warranted, the financial aid administrator must prepare a written statement of that determination, including the identification of the specific unusual circumstance upon which the financial aid administrator based his or her determination. The institution must maintain this documentation and the supporting documentation used to make each determination.

### **The University Did Not Adequately Document Professional Judgment**

For award years 2000-2001 and 2001-2002, we reviewed a random sample of 50 students identified as Pell Grant recipients that were coded as having had professional judgment exercised on their behalf. We found that none of the 50 student files reviewed contained third-party evidence substantiating the requested adjustments and a written statement by the counselor documenting the basis for their decisions and explaining why the requested adjustments represented a special circumstance for each student on a case-by-case basis. Based on the lack of written statements and other third-party documentation justifying a deviation from the family contribution expected under the statutory aid formula, we believe that no files for award years 2000-2001 and 2001-2002 contain the required documentation. As a result, we are questioning all Pell received due to professional judgment actions.

At the University’s request, we expanded our scope to include the award year ended June 30, 2003. We reviewed a random sample of 18 students identified as having had professional judgment exercised on their behalf during 2002-2003. As noted below, the University’s 2002-2003 professional judgment policies and procedures improved, and included a requirement that parents and students requesting professional judgment on the basis of expenses, such as medical and tuition expenses, detail the financial hardship caused by those expenses. While there was substantial improvement in the documentation obtained by the University in 2002-2003, we could not identify the basis for the decision to depart from the EFC for four students who requested adjustments on the basis of claimed expenses. The four files questioned included families with adjusted gross incomes ranging from \$73,564 and five family members, to \$39,053 and three family members; and EFCs ranging from 1766 to 6982. All of the adjusted gross incomes and EFCs were prior to professional judgment being exercised. Although the expenses were documented, the requests did not detail the financial hardships caused by the expenses, as required by the University’s policies and procedures. Therefore, we could not determine the basis for any determination that the claimed expenses constituted a special circumstance. For an additional file, we found that in performing the aid recalculation, the counselor omitted a significant source of family income. With the income included, the professional judgment would have had no effect and the additional Pell Grant funds would not have been awarded.

### **University's 2000-2001 Professional Judgment Policies and Procedures Did Not Require Adequate Documentation**

The University's 2000-2001 Review/Evaluation/Processing Policies and Procedures (P&Ps) directs its counselors to review the student/parent requested adjustments and the Free Application for Federal Student Aid (FAFSA) data when considering whether to exercise professional judgment. Adjustments are primarily requested by students/parents on a Form 9. The Form 9, titled "Special Conditions - Unusual Circumstances Financial Statement," is a form developed by the University.

The 2000-2001 Form 9 states it is an optional form and that it is not required to be completed by the student/parent, but, if applicable, the student/parent should complete the form. The Form 9 states that it gives the student/parents the ability to detail and document any unique, special or unusual financial conditions or circumstances which negatively impact on their ability to contribute to the student's cost of attendance. The Form 9 gives 11 examples of possible unique, special, unusual financial conditions or circumstances and directs the student/parent with the following statement, "If applicable to you, please provide your information per numbered example." The 11 examples included items such as elementary and high school tuition, medical and dental insurance premiums or uninsured expenses, excessive debt repayment, taxable non-cash income, and one-time or temporary increases in income.

With respect to the listed examples, the Form 9 does not ask for nor require the student/parent to submit any comments or documents supporting the claimed expenses or income or why the examples represent a special circumstance for that student. For the 11 examples listed, the Form 9 only provides room for the student/parent to enter dollar amounts. A note on the Form 9 informs the student/parent that if there are any other unique, special, or unusual financial conditions or circumstances, they should attach additional sheets describing in detail what makes each unique, special and unusual. The Form 9 requires the student/parent's signature certifying to the truth and accuracy of the information that has been provided and agreeing to provide proof/verification of the provided information if so requested.

The 2000-2001 P&Ps state that if the data submitted on the Form 9 is excessive or illogical in relation to reported income or assets or is inconsistent with prior year data, the counselor should contact the student/parent. In addition, the P&Ps state that each contact with the student/parent must be fully documented on "screen 048" or on a signed, dated sheet detailing the date of the contact, the reason for the contact, and the outcome (clarification/verification) of the contact.

### **University's 2001-2002 Professional Judgment Policies and Procedures Did Not Require Adequate Documentation**

The 2001-2002 P&Ps provide essentially the same instructions as the 2000-2001 P&Ps. A significant change is that the P&Ps explain that if the counselor-approved expense amount from the Form 9 is greater than \$0, the Student Information System program automatically computes an adjusted amount to be used to adjust the student/parent's Adjusted Gross Income (AGI). The adjusted amount is the counselor-approved amount that exceeds the appropriate portion of the

IPA, for example, 11% of the appropriate IPA for medical expenses. The 2001-2002 Form 9 no longer refers to the items on the Form 9 as examples but refers to them as “possible Financial Special Conditions – Unusual Circumstances.” The 2001-2002 Form 9 lists nine possibilities, and the student/parent is instructed to explain the circumstances of these expenses in the space provided for four of the nine possibilities. No space for an explanation is provided for tuition expenses, medical insurance premiums or uninsured medical expenses. For one category, “income not received in the form of cash,” the student/parent is instructed to submit “a signed copy of your 2000 federal tax return(s), including all schedules and W-2s.”

There is nothing in the 2000-2001 or 2001-2002 P&Ps directing counselors to obtain third-party documentation to substantiate the expenses claimed on the Form 9s nor instructions requiring the counselors to document the basis for their decisions and explain why the requested adjustments represented a special circumstance for each student on a case-by-case basis. The P&Ps did state that counselors should review and clarify information to ensure the existence of an unusual special circumstance that negatively impacts the student’s/parent’s ability to contribute to their cost of attendance. The P&Ps did not direct the counselors to document their professional judgment decisions on a case-by-case basis based solely on the merits of the particular circumstance that justified deviating from the expected family contribution. The P&Ps directed the counselors to document their professional judgment decisions by entering the rejected and approved data into the University’s computer system.

### **University’s 2002-2003 Professional Judgment Policies and Procedures Improved, but Did Not Require Adequate Documentation**

The 2002-2003 P&Ps required the counselor to contact the student/parent when reported expenses were considerably greater than 15% of the student/parent’s IPA amount, or appeared excessive in reference to their income or for the number of non-parent/non-college family members. The counselors were also required to contact the student/parent to further investigate, resolve, document, and evaluate the Form 9 reported expenses when the “required documentation” was insufficient or not descriptive enough.

The 2002/2003 Form 9 does not refer to examples of or possible “Financial Special Conditions – Unusual Circumstances.” The Form 9 states, “The following are the Saint Louis University Financial Special Conditions - Unusual Circumstances that will be evaluated in combination with your FAFSA information.” The 2002/2003 Form 9 lists five “Financial Special Conditions – Unusual Circumstances,” and it requires the student/parent to submit documentation with the Form 9 supporting the reported expenses. The Form 9 instructions state, “. . . the expense or income must be significant, 15% or greater of your 2002-2003 FAFSA total income, must have been an essential expense, and the expense must have caused a significant, financial hardship to the student’s parent(s), and/or student/spouse.”

The required documentation for 2002-2003 Form 9 expenses is substantial and includes such items as signed third-party statements, receipts, federal income tax returns, and check stubs. For example, the documentation required for:

(1) Tuition Expenses - is, “A Statement on the school’s letterhead detailing: The student’s name, the person’s full name that paid the 2001 private tuition, and the 2001 paid private tuition amount. In addition, detail below the following: Why these private tuition expenses were essential and the financial hardship(s) caused by these expenses to the parent(s) and/or student/spouse.”

(2) Medical/Dental Insurance Premiums and/or Uninsured Medical/Dental Expenses – is, “A signed copy of the parents’ and student’s/spouse’s 2001 federal income tax returns (all 2001 federal tax return pages and schedules), along with receipts or official documents (check stubs, third party affidavits, etc.) that detail, verify, and clearly indicate the paid 2001 insurance premiums and/or uninsured medical/dental expenses. In addition, detail below the following: Why these medical/dental premium and/or uninsured medical/dental expenses were essential and the financial hardship(s) caused by these expenses to the parent(s) and/or student/spouse.”

The 2002-2003 P&Ps included the instruction that upon completion of the professional judgment decision, the student’s computer and paper source document files are documented regarding the counselor’s review, evaluation, resolution, and professional judgment decision regarding each reported expense. However, the counselor’s documentation consists of the counselor’s initials, along with the amounts accepted, and the date of the acceptance into the school’s financial aid program. Although the documentation required of students/parents to substantiate the “Financial Special Conditions – Unusual Circumstances Statement” amounts requested increased substantially from 2000-2001 until 2002-2003, the University’s P&Ps did not require the counselors to adequately document the basis for their professional judgment decisions and that the amounts requested as adjustments represented a financial hardship and special circumstances for students on a case-by-case basis.

## RECOMMENDATIONS

We recommend that the Chief Operating Officer for Federal Student Aid require the University to—

- 1.1 Refund \$1,458,584 of Pell Grant funds over awarded to students based on the exercise of professional judgment for award years 2000-2001, 2001-2002, and 2002-2003, or provide contemporaneous supporting documentation for why a request from a student or parent represented a special circumstance and how the decision to grant the request was done on a case-by-case basis; and
- 1.2 Implement procedures to adequately document all professional judgment actions, which should include documentation to show that decisions are made on a case-by-case basis and that the requested adjustments actually represent a special circumstance for the student requesting professional judgment.

## UNIVERSITY'S COMMENTS TO FINDING 1

The University did not concur with our finding or the recommendations and stated that its exercise of professional judgment was performed consistent with the requirements of HEA Section 479A. The University further stated that the Department, in the case In re Saint Louis University, Docket Number 99-29-SA (May 25, 2000), expressly rejected the OIG's position. Acknowledging that the case is on appeal, the University points out that the decision by the chief administrative judge, in that case, currently stands as the applicable law governing this issue.

In addition, the University stated that since the Department is prohibited from issuing regulations regulating the exercise of professional judgment, there is not, and there cannot be, any regulation that supports the position taken by the OIG; and, thus, the guidance discussed in the draft report concerning dependency overrides is not applicable to the exercise of professional judgment pursuant to HEA Section 479A.

Regarding Recommendation 1.1, the University believes its policies and documentation collected and completed by the financial aid office satisfies the requirements of HEA Section 479A and the administrative judge's decision, therefore, no liability should exist. However, the University does agree a liability exists for the one student who received a Pell Grant over award as a result of a clerical error.

The University did not concur with Recommendation 1.2 because the University believes that its policies, practices and procedures are in compliance with the applicable requirements of law.

## OIG'S RESPONSE

The University did not provide us with any information to cause revision to this finding. Until the Secretary rules on FSA's appeal of the administrative judge's opinion on our previous audit, the opinion is not a final determination of the Department's position for this issue. In its appeal to the Secretary in that case, FSA requested "that the Secretary reverse [the administrative judge's] initial decision, because the decision is not legally supportable and would render superfluous the comprehensive and detailed statutory formulas enacted by Congress for calculating expected family contributions. Moreover, if not reversed, the decision would fundamentally alter the Federal Pell Grant Program."

The HEA provides two requirements for the use of professional judgment. The decision must be based on adequate documentation of a special circumstance and any decision must be made on a case-by-case basis. The HEA also states that "[a]dequate documentation for such adjustments shall substantiate such special circumstances of individual students." The University did not have documentation to substantiate the special circumstances for individual students.

Both dependency overrides and the use of professional judgment allow financial aid administrators to deviate from the statutory formulas, reducing a student's EFC and increasing the amount of Pell Grant funds for which a student is eligible. The HEA requires documentation for both types of deviation from the statutory formulas. Because of the similarity between dependency overrides and professional judgment, we found the guidance on dependency overrides to be instructive as to what documentation a financial aid administrator should be expected to provide under a reasonable interpretation of the statutory requirement.

### **Finding 2 - Under-Reporting of Professional Judgment Actions**

The University under-reported the number of professional judgment actions taken during award years 2000-2001 and 2001-2002. As a result, the University was not in compliance with the administrative capability requirement contained in 34 C.F.R. §668.16 to report accurately to the Secretary, and the Department was not aware of the true number of professional judgment adjustments taking place at the University.

The HEA requires that to begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance and the preparation and submission of reports to the Secretary (34 C.F.R. §668.16). An institution must also establish and maintain records required under individual Title IV, HEA program regulations. The Application and Verification Guide provides instructions to institutions on how to report adjustments or overrides affecting the EFC.

For award years 2000-2001 and 2001-2002, we reviewed 30 student files from a universe of 85 students whose records did not indicate a professional judgment action (a Code 27 or Code 164 on the student's Institutional Student Information Record [ISIR]) had been exercised and showed a decrease of 3,000 or more in their EFC. However, we found that 12 of the 30 students had 13 professional judgment actions exercised on their behalf during the two years. This also means that the number of professional judgment decisions reported to the Department was understated.

The University's 2000-2001 P&Ps do not mention the professional judgment flags. The 2001-2002 and 2002-2003 P&Ps states that for the Form 9 income and/or expense approved adjustment amount entered in the University's Student Information System, the program automatically reduces the AGI, computes the professional judgment EFC, and sets the professional judgment flag to "Y".

For award year 2001-2002 and beyond, the University's Student Information System program automatically sets the professional judgment flag to "Y" when Form 9 information was used to reduce AGI. However, if a Form 9F was used, the University counselors were required to manually set the professional judgment flag within their Student Information System program.

The University did not have procedures in place to ensure that the professional judgment flag was manually set when a Form 9F was used.

After reviewing the 30 student files, University officials stated they concur that there were 12 students for whom the professional judgment flag was not set to "Y," and, therefore, not communicated to the Department's CPS. The University stated that these 12 cases all reflected adjustments to income that required setting the professional judgment flag to "Y" manually. University officials believe these instances of professional judgment were duly documented in the students' files, and stated they initiated a quality control process on July 1, 2003 designed to ensure that all professional judgment flags are set to "Y" in the future.

## **RECOMMENDATIONS**

We recommend that the Chief Operating Officer for Federal Student Aid —

- 2.1 Require the University to undertake a file review for all students not identified as having received professional judgment for our audit period, and determine whether a professional judgment action was taken for those students and not reported. For those students identified as having received a professional judgment action, require the University to evaluate the student files to determine whether there is sufficient documentation in the files to support the decisions. The appropriate Case Management Team should evaluate the file review for accuracy and reliability.
- 2.2 Require the University to return any Pell Grant funds that were disbursed in excess of amounts that the University can support.
- 2.3 Pursuant to 34 C.F.R. §668.84, take administrative action to fine the University for its failure to report all professional judgment actions accurately to the Secretary.
- 2.4 Require a FSA Case Management Team to review the University's procedures to ensure that all professional judgment actions are reported to the Secretary.

## **UNIVERSITY'S COMMENTS TO FINDING 2**

The University stated that it does not concur with our finding or any of the recommendations. The University acknowledged that a computer system deficiency in 2000-2001 prevented a CPS flag from being set in some cases, but stated that all cases involving the exercise of professional judgment were performed under the same procedures, which in all cases were adequate and appropriate under the applicable requirements of the HEA. Additionally, the University stated the system error has been corrected and that procedures have been implemented to ensure all changes are correctly coded on the student information system.

Based on their comments to Finding 1 above, the University does not believe Recommendation 2.1 is necessary. For the same reasons, the University does not concur with Recommendation 2.2 and believes that Pell Grant funds were disbursed in accordance with HEA provisions. Additionally, the University believes that a system error in 2000-2001, which has been corrected, does not warrant any adverse action and thus it does not concur with Recommendation 2.3.

Regarding Recommendation 2.4, the University stated it has long had policies and procedures in place to code all changes made based on professional judgment and has implemented procedures to ensure that all professional judgment actions are reported to the Secretary. The procedures include a weekly variance report of any professional judgment decision without the CPS flags and an additional review by a supervisor to ensure all changes are correctly coded on the student information system.

## OIG'S RESPONSE

The University did not provide us with any information to cause revision to this finding. We believe Recommendations 2.1, 2.2, and 2.3 remain valid. Since the University stated that it has implemented procedures to ensure all changes are correctly coded on the student information system, we changed Recommendation 2.4 to have FSA verify that the new procedures are effective.

## OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether the University's use of professional judgment resulted in appropriate Pell Grant awards in accordance with Section 479A of the HEA, and the guidance outlined in Dear Colleague Letter GEN-03-07, published in May 2003.

Our original audit period was award years 2000-2001 and 2001-2002. At the request of the University's Financial Aid Director, we expanded our audit period to include award year 2002-2003. To achieve our audit objective, we (1) reviewed the professional judgment provisions of the HEA of 1965, as amended, guidance the Department provided in the Student Financial Aid Handbook, and the Dear Colleague Letter GEN-03-07 published in May 2003; (2) reviewed the University's policies and procedures for the three years of our audit period; (3) conducted three random samples and concluded that the computer-processed data was sufficiently reliable for the purpose of meeting audit objective; (4) reviewed sampled student files; and (5) interviewed University officials.

In the first random sample, we reviewed 50 students' files from the combined 2000-2001 and 2001-2002 award year-universe of 1,046 University students. Our sampling universe was identified as students who received a Pell Grant and were identified in the CPS as having received a professional judgment code of either 164 (dependency override) or 027 (adjustments to one or more of the elements that are used to calculate the student's EFC) during either 2000-

2001 or 2001-2002 award years. The 50 student files reviewed contained no written statements and other third-party documentation justifying a deviation from the EFC, and we believe that no files for award years 2000-2001 and 2001-2002 contained this documentation. Therefore, we questioned all Pell received (\$1,453,959) during award years 2000-2001 and 2001-2002 as a result of professional judgment actions based on the attribute of inadequate documentation.

The second random sample consisted of reviewing 18 students' files from a University-identified universe of 122 students who had professional judgment exercised on their behalf during the award year. We compared Pell Grant disbursement information for award years 2000-2001 and 2001-2002 contained in the National Student Loan Database System to the Pell Grant disbursement information provided by the University. Based on this comparison, we determined that the University-provided data was sufficiently reliable for our purposes. For award year 2002-2003, we questioned \$4,625 because four of the 18 files reviewed contained inadequate documentation, and we questioned the Pell Grant funding received by one student as a result of a clerical error.

Our third random sample was conducted to test the completeness and authenticity of the professional judgment information maintained by the CPS relative to the University's records. In this sample, we reviewed 30 students' files from a universe of 85 students for the award years 2000-2001 and 2001-2002 who received a Pell Grant, the CPS showed a decrease of 3,000 or more in EFC between successive ISIR transactions within an award year, and who did not have either professional judgment code 164 or 027 listed on their ISIR transactions. We found that 12 of the 30 (40%) student files reviewed had professional judgment actions taken during the two years. Based on our review, we concluded the professional judgment information maintained by the CPS relative to the University's students was not complete but was sufficiently reliable for our purposes (see Finding 2).

We performed fieldwork May 12 through July 31, 2003, at the University's St. Louis, Missouri campus. On February 12, 2004, we provided the University with point sheets and spreadsheets that outlined our findings and provided specific details on each student file reviewed. The University's response to the point sheets indicated they disagreed with Finding 1 and agreed with Finding 2. Subsequent to providing the point sheets, we conducted an exit conference and discussed the results of our audit with University officials on September 1, 2004. Our audit was conducted in accordance with generally accepted government auditing standards appropriate to the scope described above.

## STATEMENT ON INTERNAL CONTROLS

As part of our audit, we gained an understanding of internal controls, policies, procedures, and practices applicable to the University's use of professional judgment. Our testing identified weaknesses that adversely affected the University's ability to administer professional judgment within the Title IV, HEA programs. These weaknesses are fully discussed in the AUDIT RESULTS section of this report.

## ADMINISTRATIVE MATTERS

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education official, who will consider them before taking final Departmental action on this audit:

Ms. Theresa S. Shaw, Chief Operating Officer  
Federal Student Aid  
U.S. Department of Education  
Union Center Plaza, Rm. 112G1  
830 First Street, NE  
Washington, DC 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

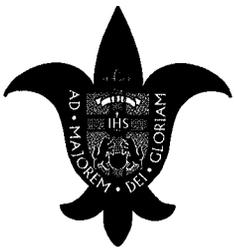
In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions or wish to discuss the contents of this report, please contact me, at 214-880-3031. Please refer to the control number in all correspondence related to this report.

Sincerely,

/s/  
Sherri L. Demmel  
Regional Inspector General  
for Audit

Attachment



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**SAINT LOUIS  
UNIVERSITY**

Office of Scholarship/Financial Aid

January 14, 2005

Ms. Sherri L. Demmel  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
1999 Bryan Street, Suite 2630  
Dallas, TX 75201-6817

Dear Ms. Demmel:

This is Saint Louis University's response to the Office of Inspector General Draft Audit Report (Control Number ED-OIG/A06-D0018). The Draft Audit Report was received on December 2, 2004 and an extension to the response date was confirmed via email from Jim Kucholtz on December 27, 2004.

**Finding 1 – Failure to Adequately Document Professional Judgment Decisions**

Recommendation 1.1: Refund \$1,458,584 of Pell grant funds over awarded to students based on the exercise of professional judgment for award years 2000-2001, 2001-2002, and 2002-2003, or provide contemporaneous supporting documentation for why a request from a student or parent represented a special circumstance and how the decision to grant the request was done on a case-by-case basis.

Response: Saint Louis University does not concur with this finding and recommendation. It is the position of the University that the exercise of professional judgment resulting in the referenced adjustments, and the documentation supporting such exercise on a case-by-case basis, was performed consistently with the requirements of Section 479A of the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1087tt). Section 479A contains very broad language authorizing financial aid administrators to exercise their professional judgment in adjusting the data elements that go into the calculation of expected family contribution, stating "Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator...."

The position taken by the Inspector General in the Draft Audit Report has been expressly rejected by the Department of Education in the case In re Saint Louis University, Dkt. No. 99-29-SA (May 25, 2000). That decision of the chief administrative judge, while appealed by the Office of Federal Student Aid, currently stands as the applicable law governing this issue. Further, as the Draft Audit Report acknowledges, the Higher Education Act also provides that the Department of Education is prohibited from issuing regulations regulating this exercise of professional judgment by financial aid administrators. Thus, there is not, and there cannot be, any regulation that supports the position taken by the OIG in the Draft Audit Report. The guidance concerning dependency overrides (Dear Colleague Letter GEN-03-07), referenced in the Draft Audit Report, is not applicable to the exercise of professional judgment pursuant to HEA Sec. 479A.

The University's professional judgment policies and the documentation collected and completed by the financial aid office satisfy the requirements of Section 479A of the HEA and the administrative judge's decision, and therefore, the University disputes the OIG's recommended liability. The only portion of the recommended liability that the University agrees with is the one student in the 2002-2003 award year who received a Pell Grant over award as a result of a clerical error. The University has not been able to identify the student in question and asks that you identify that student.

Recommendation 1.2: Implement procedures to adequately document all professional judgment actions, which should include documentation to show that decisions are made on a case-by-case basis and that the requested adjustments actually represent a special circumstance for the student requesting professional judgment.

Response: Saint Louis University does not concur with this recommendation. The University believes that its policies, practices and procedures are in compliance with the applicable requirements of law.

## **Finding 2 – Under-Reporting of Professional Judgment Actions**

Recommendation 2.1: Require the University to undertake a file review for all students not identified as having received professional judgment for our audit period, and determine whether a professional judgment action was taken for those students and not reported. For those students identified as having received professional judgment, require the University to evaluate the student files to determine whether there is sufficient documentation in the files to support the decisions. The appropriate Case Management Team should evaluate the file review for accuracy and reliability.

Response: Saint Louis University does not concur with this finding and recommendation. Notwithstanding a regrettable computer system deficiency in 2000-01 that prevented a CPS Flag from being set in some cases, all cases involving the exercise of professional judgment were performed under the same procedures, which in all cases are adequate and appropriate under the applicable requirements of the HEA. Based on the University's response to Finding 1 above, we believe Recommendation 2.1 is unnecessary.

Recommendation 2.2: Require the University to return any Pell Grant funds that were disbursed in excess of amounts that the University can support.

Response: Saint Louis University does not concur with this recommendation. For the reasons given above in response to Finding 1, the University believes that the Pell Grant funds were disbursed in accordance with the HEA provisions, and thus that no repayment is warranted.

Recommendation 2.3: Pursuant to 34 CFR 668.84, take administrative action to fine the University for its failure to report all professional judgment actions accurately to the Secretary.

Response: Saint Louis University does not concur with this recommendation. The system error that occurred in 2000-01 has been corrected and does not warrant any adverse action against the University.

Ms. Sherri L. Demmel  
January 14, 2005  
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Recommendation 2.4: Require the University to implement procedures to ensure that all professional judgment actions are reported to the Secretary.

Response: Saint Louis University has long had policies and procedures in place to code all changes made based on professional judgment. However, as noted in the Draft Audit Report, due to manual actions some of the indicators did not trigger a flag notifying CPS a change had occurred based on professional judgment. Corrective actions have been taken to correct records. A weekly variance report of any professional judgment decisions without the CPS flags coded is part of the compliance review. (Note: Deadlines to submit changes for years 2000-01 and 2001-02 had passed.) The University also implemented a procedure whereby all professional judgment decisions are reviewed by a supervisor, to ensure all changes are correctly coded on the student information system.

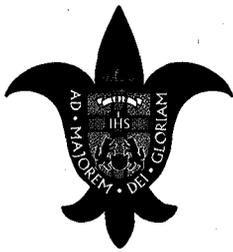
Please contact me if the University can provide any further information.

Very truly yours,



Cari Wickliffe  
Director of Student Financial Services

cc: Lawrence Biondi, S.J., President  
William Kauffman, General Counsel



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**SAINT LOUIS  
UNIVERSITY**

Office of Scholarship/Financial Aid

February 2, 2005

Ms. Sherri L. Demmel  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
1999 Bryan Street, Suite 2630  
Dallas, TX 75201-6817

Re: Addendum to Saint Louis University Response to Audit ED-OIG/A06-D0018

Dear Ms. Demmel:

I am writing to provide this addendum to my January 14, 2005, letter to you concerning your Draft Audit Report concerning Saint Louis University.

On page two of my letter I indicated in the University's response to Finding 1 "the University agrees [that there was] one student in the 2002-2003 award year who received a Pell Grant over award as a result of a clerical error. The University has not been able to identify the student in question and asks that you identify that student." Subsequent to my letter, Mr. Jon Kucholtz of your staff identified the student. The University has verified this occurrence and submits this addendum to its initial response.

Saint Louis University concurs with the portion of the recommended liability that the University repay a \$1450 Pell Grant over award resulting from a clerical error. The student has been identified in the sample as student #6, year 03.

Please contact me if you have further questions.

Very truly yours,

Cari Wickliffe  
Director of Student Financial Services

cc: Lawrence Biondi, S.J., President  
William Kauffman, General Counsel