U.S. Department of Education
Office of Inspector General

MiraCosta College's Compliance with Verification and Reporting Requirements

November 27, 2018
ED-OIG/A02S0007

NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

November 27, 2018

Dr. Sunita Cooke
Superintendent/President
MiraCosta College
1 Barnard Drive, #7
Oceanside, CA 92056

Dear Dr. Cooke:

Enclosed is our final audit report, "MiraCosta College's Compliance with Verification and Reporting Requirements," Control Number ED-OIG/A02S0007. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on this audit:

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

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

Sincerely,

/s/

Alyce Frazier
Regional Inspector General for Audit

FINAL REPORT

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Results in Brief

What We Did

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

To answer the objectives, we gained an understanding of the school's processes for verifying applicant data, reporting the results of verification to the U.S. Department of Education's (Department) Central Processing System and Common Origination and Disbursement System, and disbursing student aid funds authorized by Title IV of the Higher Education Act of 1965, as amended (Title IV), to students selected for verification. We selected a statistical random sample of 60 students from the 2,120 students who received a Federal Pell Grant Program (Pell) disbursement and whose applications were selected for verification for award year 2016–2017. For each student, we reviewed the records that MiraCosta obtained during its verification process to determine whether the student provided acceptable documentation and the records supported the information in the student's Institutional Student Information Record.

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

What We Found

We found that MiraCosta generally completed verification of applicant data in accordance with Federal requirements. Specifically, MiraCosta did not complete verification after a subsequent Institutional Student Information Record was received for 1 of the 60 students sampled (see Finding 1).

We also found that MiraCosta did not accurately report verification results to FSA. Specifically, for 10 of the 60 students sampled, MiraCosta did not accurately report new Central Processing System transaction numbers to the Common Origination and Disbursement System after MiraCosta completed verification (see Finding 2).

What We Recommend

We recommend that the Acting Chief Operating Officer for FSA confirm that MiraCosta revised its policies and procedures to ensure Institutional Student Information Records

placed in its suspense account are subject to a second-level of review for proper placement in the school's data system. The Acting Chief Operating Officer should also confirm that MiraCosta submitted documentation to FSA that Pell data discrepancies identified in this report have been updated in the Common Origination and Disbursement System to match verified data.

MiraCosta Comments

MiraCosta agreed with the findings, and stated that it implemented corrective actions to prevent future verification errors.

We revised the recommendations based on the corrective actions reported in MiraCosta's comments. We did not make any additional changes to the report as a result of MiraCosta's comments. We summarized MiraCosta's comments at the end of each finding and have included the full text of those comments at the end of this report.

Introduction

Background

MiraCosta College is a public community college that operates four campuses (Cardiff, Carlsbad, and two in Oceanside) within California. It is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges. MiraCosta offers associate's degrees and certificates in various programs of study and one bachelor degree program. For award year 2016–2017, about 11,000 students were enrolled at MiraCosta.

Federal Assistance Programs and Funding Information

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

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

For award year 2016–2017, MiraCosta disbursed more than $18.5 million in Title IV funds (see Table 1).

Table 1. Title IV Program Funds Disbursed by MiraCosta College for Award Year 2016–2017

Program	Funds Disbursed
Pell	$14,979,647
William D. Ford Direct Loan	$2,875,915
Federal Supplemental Education Opportunity Grant	$365,080
Federal Work Study	$316,669
Total	$18,537,311

SOURCE: FSA DATA CENTER AT HTTPS://STUDENTAID.ED.GOV/SA/DATA-CENTER

Verifying Applicant Data and Reporting the Results

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

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

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

[1] For the award year 2016–2017 notice, see 80 Federal Register 36783 (June 26, 2015).

corresponding data elements that schools were required to verify for award year 2016–2017.

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

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

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

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

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

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

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

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

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

Finding 1. MiraCosta College Generally Completed Verification of Applicant Data in Accordance With Federal Requirements

We found that MiraCosta generally completed verification of applicant data in accordance with Federal requirements. For award year 2016–2017, 2,120 MiraCosta students received a Pell disbursement and were selected for verification by the Central Processing System. We selected a statistical random sample of 60 students from the 2,120 students and reviewed the school's enrollment and financial assistance records. For each student, we reviewed the records that MiraCosta obtained during its verification process to determine whether the student provided acceptable documentation and whether the records supported the information in the student's Institutional Student Information Record. We found that MiraCosta completed verification for 59 of the 60 students we reviewed.

While MiraCosta generally completed verification of applicant data in accordance with Federal requirements, it did not complete verification of a subsequent Institutional Student Information Record for one student selected for verification tracking flag V5. The student was initially selected for verification tracking flag V4 on July 8, 2016, and MiraCosta verified the student's information. On January 9, 2017, this student was selected for verification tracking flag V5 for award year 2016–2017, but the school did not complete verification for the V5 flag.[3] In addition, MiraCosta did not report a verification status code for verification tracking flag V5 in the Common Origination and Disbursement System and did not receive a valid Institutional Student Information Record confirming the student was verified for award year 2016–2017 as required by Federal requirements. After the student was selected for verification tracking flag V5, MiraCosta improperly disbursed $2,907 in Pell funding during its Spring 2017 term. Based on the results of our statistical random sample, we estimate that MiraCosta did not complete verification in accordance with Federal requirements for 1.7 percent of the Pell recipients selected for verification for award year 2016–2017.[4]

According to 34 Code of Federal Regulations (C.F.R.) § 668.54(a)(4), a school must require the selected applicant to verify information if the applicant is selected for a

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[3] The verification tracking flag V5 includes all elements requiring verification under verification tracking flags V1 and V4.

[4] We are 90 percent confident that MiraCosta did not complete verification in accordance with Federal requirements for between 0.1 and 7.7 percent of the Pell recipients selected for verification for award year 2016–2017.

subsequent verification of FAFSA information, with the exception that the applicant is not required to provide records for the FAFSA information previously verified for the applicable award year to the extent that the FAFSA information previously verified remains unchanged.

According to FSA's Dear Colleague Letter GEN-15-11 "2016–2017 Award Year: FAFSA Information to be Verified and Acceptable Documentation," June 29, 2015, if an applicant's verification tracking flag changes to verification tracking flag V5, no disbursements of any Title IV funds may be made until verification of the new flag (verification tracking flag V5) is satisfactorily completed.

Lastly, according to the Federal Student Aid Handbook 2016–2017, "Application and Verification Guide," when a school disburses Pell funds to a student, the school is required to report the verification status of the student's application to the Common Origination and Disbursement System.

MiraCosta did not verify the student's verification tracking flag V5 for award year 2016–2017 because its financial aid technician improperly placed the student's subsequent Institutional Student Information Record in a suspense account.[5] According to MiraCosta's suspense management policy, a new Institutional Student Information Record transaction is loaded into the school's data system for processing if the Department generates the transaction or if the student's expected family contribution changes. Institutional Student Information Records that do not require processing by the school are placed in a suspense account. A MiraCosta financial aid technician queries the school's data system weekly for subsequent Institutional Student Information Records. The financial aid technician then identifies those to be placed into a student's account or placed in the suspense account. However, MiraCosta's policy did not require a second-level of review to ensure the financial aid technician correctly identified those Institutional Student Information Records placed in the suspense account to mitigate the risk of human error.

Because MiraCosta did not complete verification for a student selected for additional verification on a subsequent Institutional Student Information Record, the school did not have sufficient evidence that the student was eligible for Title IV aid at the time the school disbursed the aid. However, this same student was selected for verification tracking flag V1 for award year 2017–2018 and MiraCosta completed the award year 2017–2018 verification on August 22, 2017. The elements verified for verification tracking flag V1 for award year 2017–2018 satisfied the additional data elements

[5] MiraCosta maintains a suspense account within its data system for Institutional Student Information Records it decides not to add to a student's account.

required to be verified for verification tracking flag V5 for award year 2016–2017.[6] Nevertheless, MiraCosta should not have disbursed the $2,907 in Pell funding until it verified the additional elements, reported a verification status code in the Common Origination and Disbursement System for verification tracking flag V5, and received a valid Institutional Student Information Record confirming the student was verified for award year 2016–2017.

Recommendations

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

1.1 Confirm that MiraCosta revised its suspense management policies and procedures to ensure Institutional Student Information Records placed in the suspense account are subject to a second-level of review for proper placement in the school's data system.

MiraCosta Comments

MiraCosta agreed with the finding and has implemented a secondary review of suspended Institutional Student Information Records by the Financial Aid Supervisor to reduce the potential for human error.

OIG Response

MiraCosta's corrective action, if properly implemented, should address our recommendation.

[6] For both award years 2016–2017 and 2017–2018, schools were to use 2015 income information for verification.

Finding 2. MiraCosta College Did Not Always Accurately Report Changes to Pell Awards Based on Verification Results

MiraCosta did not accurately report verification results to the Common Origination and Disbursement System. For award year 2016–2017, 2,120 MiraCosta students received a Pell disbursement and were selected for verification by the Central Processing System. Using the same statistical random sample of 60 students referenced in Finding 1, we reviewed the school's enrollment and financial assistance records and found that for 50 of 60 sampled students, the expected family contribution and Pell award amounts in the Common Origination and Disbursement System matched the information in the Central Processing System. However, MiraCosta did not accurately report new Central Processing System transaction numbers for 10 of the 60 students.

As a result of verification, all 10 students had increases to their expected family contribution, which resulted in decreases to the amount of their Pell awards. When MiraCosta reported Pell disbursements in the Common Origination and Disbursement System for the 10 students, it did not submit the Central Processing System transaction number associated with the Institutional Student Information Record containing the information verified by the school. The Common Origination and Disbursement System uses the transaction number to pull the students' revised expected family contributions from the Central Processing System into the students' award information in the Common Origination and Disbursement System.[7] Therefore, the Common Origination and Disbursement System showed an expected family contribution and Pell award amount which differed from the expected family contribution and Pell award amount in the Central Processing System derived from the Institutional Student Information Record containing the information verified by the school.

When MiraCosta disbursed Pell funds to the 10 students, it correctly based disbursements on the expected family contribution and Pell award amount associated with the Central Processing System transaction number connected to the Institutional Student Information Record containing the information verified by the school. However, MiraCosta attributed disbursements in the Common Origination and Disbursement System to incorrect Central Processing System transaction numbers associated with the lower expected family contribution and higher Pell award amounts. We estimate that

[7] The Common Origination and Disbursement system matches the Central Processing System transaction numbers submitted by schools to validate certain data elements for editing purposes.

MiraCosta did not accurately report verification results for 16.7 percent of the Pell recipients selected for verification for award year 2016–2017.[8]

According to 34 C.F.R. Part 690.83 (b)(1) an institution must report to the Department any change in the amount of a grant for which a student qualifies, including any related Pell payment data changes, by submitting to the Department the student's Pell payment data that discloses the basis and result of the change in award for each student.

Further, according to the 2016–2017 Common Origination and Disbursement Technical Reference, Volume II, Section 1, if the Pell award information for a student changes, the school must submit the change to the Common Origination and Disbursement System within 30 days of the date the school becomes aware of the change or by the established Pell reporting deadline, whichever comes first. The Common Origination and Disbursement System uses the Central Processing System transaction number submitted with the award information to pull the expected family contribution reported for the student from the Central Processing System and determine the student's scheduled Pell award. The scheduled Pell award and the student's percentage of eligibility used at any other schools attended are used to determine the student's maximum Pell award amount for the award year.

MiraCosta did not update the Common Origination and Disbursement System with the accurate Central Processing System transaction numbers for the 10 students because it did not have policies and procedures for updating the system when student information differed from the Central Processing System as a result of verification. As a result of our work, the Financial Aid Supervisor provided us with documentation showing that the Common Origination and Disbursement System had been updated with the correct Central Processing System transaction number and correct expected family contribution and Pell award amounts for the 10 students. In addition, the Director of Financial Aid and Scholarships stated that MiraCosta researched this issue and identified and corrected the Common Origination and Disbursement System data for additional students. Including the 10 in our sample, MiraCosta corrected the data for 346 students from award year 2016–2017 and 289 students from award year 2017–2018. To prevent future occurrences, MiraCosta updated its disbursement procedures, and the Financial Aid Supervisor stated the system now flags students for correction when the Central Processing System transaction number differs between the Central Processing System and the Common Origination and Disbursement System.

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[8] We are 90 percent confident that MiraCosta did not accurately report verification results for between 9.3 and 26.6 percent of the Pell recipients selected for verification for award year 2016–2017.

Inaccurate information in the Common Origination and Disbursement System affects a student's Pell lifetime eligibility limit.[9] To ensure that the Pell lifetime eligibility limitation is not exceeded, FSA looks at the percentage of a scheduled Pell award to a student used in any award year the student received a Pell disbursement from the inception of the Pell program. This information resides in the Common Origination and Disbursement System. According to FSA's Dear Colleague Letter GEN-13-14 "Federal Pell Grant Duration of Eligibility and Lifetime Eligibility Used," May 16, 2013, a student whose actual disbursement of Pell funds for an award year was equal to his or her scheduled award would have used 100 percent of the scheduled award for the award year. Thus, under the 6-year duration limit, the maximum duration of Pell funding for a student is 600 percent. A full-time student could receive 100 percent of the scheduled award in each of 6 award years, resulting in a Pell lifetime eligibility used of 600 percent before becoming ineligible for additional Pell disbursements.

In the case of the 10 students we identified, the students could have received 100 percent of their Pell eligibility for the 2016–2017 award year based on the verified, updated, and accurate lower Pell award amounts reflected in the Central Processing System. However, the Common Origination and Disbursement System showed that the students received only a portion of their Pell eligibility for the award year based on the incorrect higher Pell award amounts. For example, the Pell award amount for one student in our sample decreased from $5,765 to $5,365 after the expected family contribution increased as a result of verification. MiraCosta correctly updated the Pell award amount to $5,365 in the Central Processing System and MiraCosta's data system; however, the Common Origination and Disbursement System incorrectly reflected a Pell award amount of $5,765. During award year 2016–2017, the student was disbursed 100 percent of the student's Pell award in the amount of $5,365. However, the Common Origination and Disbursement System incorrectly showed that the student was disbursed about 93.1 percent of the student's award based on the original $5,765 Pell award.

If not corrected, this type of error would enable students to receive more than their 600 percent Pell lifetime eligibility limit in future award periods. If incorrect information resides in the Common Origination and Disbursement System the Department could make overpayments to these students in future Pell award periods.

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[9] Pell lifetime eligibility limit is the amount of Pell funds a student may receive over the student's lifetime and is limited by Federal law to the equivalent of 6 years of Pell funding.

Recommendations

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

2.1 Confirm that MiraCosta submitted documentation to FSA that Pell data discrepancies identified in this report have been updated in the Common Origination and Disbursement System to match verified data in the Central Processing System.

MiraCosta Comments

MiraCosta agreed with the finding and implemented a system flag to catch and update student records. In addition, MiraCosta fixed the affected records for the 10 students we identified, and shared supporting documentation from the Common Origination and Disbursement System with the audit team. In addition to correcting records for the students in our sample, MiraCosta identified and updated records for over 600 other students, and provided a screenshot from the Common Origination and Disbursement System showing the total number of student records updated. However, due to the large number of records involved, MiraCosta did not provide the award detail screen showing corrected Pell award amounts for each of the additional students. MiraCosta will provide documentation of the corrected records to FSA upon request.

OIG Response

MiraCosta's corrective actions, if properly implemented, should address our recommendation.

Appendix A. Scope and Methodology

We evaluated MiraCosta's processes for verifying applicant data, reporting the results of verification, and disbursing Title IV funds for students selected for verification for award year 2016–2017. We first gained an understanding of the Title IV regulations in 34 C.F.R. Part 668, Subpart E, "Verification and Updating of Student Aid Application Information;" the notice of FAFSA Information To Be Verified for the 2016–2017 Award Year, 80 Federal Register 36783 (June 26, 2015); and Department guidance (Dear Colleague Letter GEN-15-11, "2016–2017 Award Year: FAFSA Information to be Verified and Acceptable Documentation," "Federal Student Aid Handbook 2016–2017," and "Common Origination and Disbursement 2016–2017 Technical Reference") relevant to the audit objectives.

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

To identify any findings or recommendations included in prior audits or reviews and relevant to our audit objectives, we reviewed annual audit reports of MiraCosta for the years that ended June 30, 2016, and June 30, 2017, conducted by Vavrinek, Trine, Day, & Co., LLP, pursuant to Office of Management and Budget Circular A-133 and the Uniform Guidance.

Internal Controls

After reviewing the Federal requirements relevant to verifying applicant data, reporting the results of verification, disbursing Title IV funds to students selected for verification, prior audit reports, and other relevant school information, we determined that the control activities component of internal control was relevant to the audit.[10] Therefore, we gained an understanding of MiraCosta's control activities relevant to verifying applicant data, reporting verification results, and disbursing Title IV funds to students selected for verification. After gaining an understanding of these control activities, we

[10] Control activities are the policies, procedures, and mechanisms that management establishes to achieve objectives and respond to risks.

compared the school's verification policies and procedures to the requirements established by 34 C.F.R. §668.53 and determined that the school's policies and procedures included all of the necessary elements. Then, we evaluated whether the school implemented the relevant control activities by assessing the school's compliance with the verification, reporting, and disbursing requirements for 60 randomly selected students. We found that MiraCosta's policies and procedures were not sufficient to provide reasonable assurance that the school reported updated student data to the Common Origination and Disbursement System after completing verification (see Finding No. 2).

Sampling Methodology

We used sampling to achieve our audit objective. We obtained from the National Student Loan Data System the population of 2,120 students who received at least one Pell disbursement for award year 2016–2017 and whose applications the Central Processing System selected for verification. To ensure that we could estimate the extent of the school's compliance with a margin of error not exceeding 10 percent at the 90 percent confidence level, assuming a sample error rate not exceeding 20 percent, we selected a random sample of 60 of the 2,120 students.

Analysis Techniques

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

We also compared the records in MiraCosta's information systems to the data recorded in the Common Origination and Disbursement System for each of the 60 students to determine whether the school reported the results of verification in compliance with "Federal Student Aid Handbook 2016–2017, Application and Verification Guide 2016–2017" and "Common Origination and Disbursement 2016–2017 Technical Reference." We concluded that the school complied with requirements if it updated the Common Origination and Disbursement System when a student's Institutional Student Information Record information changed and reported the appropriate verification status code to the system. For students selected under verification tracking flags V4 and

V5, we concluded that the school complied with requirements if it reported the correct code (1 through 5) to the Central Processing System.

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

Use and Reliability of Computer-Processed Data

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

Compliance with Standards

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

We conducted our audit at MiraCosta's offices in Oceanside, California, and our offices from May 2018 through August 2018. We discussed the results of our audit with MiraCosta officials on August 30, 2018.

Appendix B. Acronyms and Abbreviations

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

MiraCosta Comments

October 25, 2018

Alyce Frazier
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
ED-OIG / A02S0007

Dear Inspector General Frazier,

Thank you for the opportunity to respond to the U.S. Department of Education Office of Inspector General's draft report on MiraCosta College's Compliance with Verification and Reporting Requirements. In general, we do not disagree with the content and findings of the draft report.

In regard to Finding 1, we agree that the ISIR should have been loaded instead of suspended, and we should have completed the verification requirements prior to a disbursement. In accordance with the findings, we have implemented a secondary review of suspended ISIRs by the Financial Aid Supervisor in order to reduce the potential for human error.

In regard to Finding 2, we agree that the COD system was not updated properly. This was caused by a bug in the PeopleSoft processes that generated the files, and we have implemented a flag to catch and update these students to address the issue. The affected records have been fixed. Documentation has been shared with the audit team and is available to FSA upon request.

Thank you for considering our comments in your final report. Please feel free to contact me at 760.795.6713 with any additional questions.

Sincerely,

/s/

Michael Dear
Director of Financial Aid & Scholarships
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