South Florida Institute of Technology’s Compliance with Federal Verification and Reporting Requirements

September 30, 2019
ED-OIG/A06T0004
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.

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), final reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.
September 30, 2019

Mr. Gustavo Cordoba  
Director  
South Florida Institute of Technology  
720 NW 27th Avenue, 2nd Floor  
Miami, Florida 33125

Dear Mr. Cordoba:

Enclosed is our final audit report, “South Florida Institute of Technology’s Compliance with Federal Verification and Reporting Requirements,” Control Number ED-OIG/A06T0004. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe might 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:

Mark A. Brown  
Chief Operating Officer  
Federal Student Aid  
U.S. Department of Education  
830 1st Street, NE  
Washington, D.C. 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, the action official would appreciate receiving them within 30 days.

We appreciate the courtesy and cooperation shown by South Florida Institute of Technology officials and employees throughout the audit.

Sincerely,

/s/

Gary D. Whitman  
Regional Inspector General for Audit

Enclosure
# Table of Contents

Results in Brief .................................................................................................................... 1

Introduction ........................................................................................................................ 4

Finding 1. South Florida Institute of Technology Did Not Complete Verification of Applicant Data in Accordance with Federal Requirements ................................................ 8

Finding 2. South Florida Institute of Technology Accurately Reported Verification Results .......................................................................................................................................... 13

Appendix A. Scope and Methodology............................................................................... 14

Appendix B. Acronyms and Abbreviations........................................................................ 18

South Florida Institute of Technology Comments ............................................................ 19
Results in Brief

What We Did

Our audit objectives were to determine whether South Florida Institute of Technology completed verification of applicant data in accordance with Federal requirements and accurately reported verification results to Federal Student Aid. The audit covered award year 2017–2018 (July 1, 2017, through June 30, 2018).

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 Central Processing System and Common Origination and Disbursement System, and disbursing student aid funds authorized by Title IV of the Higher Education Act of 1965, as amended (Title IV), for students selected for verification. We selected a statistical random sample of 60 students from the population of 727 South Florida Institute of Technology students who received a Federal Pell Grant Program (Pell) disbursement and whose applications were selected for verification for award year 2017–2018. For each of the 60 students, we obtained and reviewed the records that the school obtained during its verification process. We then determined whether the student provided the required documentation and whether the records supported the information in the student’s Institutional Student Information Record.

We also compared South Florida Institute of Technology’s records with the information in the Central Processing System and Common Origination and Disbursement System for all 60 students in our sample. We completed this comparison to determine whether the school accurately reported verification status codes to the systems and updated those codes when a student’s information changed as a result of the verification process.

What We Found

South Florida Institute of Technology did not complete verification of applicant data in accordance with Federal requirements for 9 of the 60 students included in our statistical random sample. Based on the results of our statistical random sample, we estimate that South Florida Institute of Technology did not complete verification in accordance with Federal requirements for 109 (15 percent) of the 727 Pell recipients selected for verification for award year 2017–2018. The school did not complete verification in accordance with Federal requirements, in part, because it did not

1 We are 90 percent confident that South Florida Institute of Technology did not complete verification in accordance with Federal requirements for between 59 (8.1 percent) and 180 (24.7 percent) of the 727 Pell recipients selected for verification for award year 2017–2018.
implement a quality control process to provide reasonable assurance that employees were adhering to the school’s verification policies and procedures (see Finding 1).

Although it did not always complete verification in accordance with Federal requirements, South Florida Institute of Technology accurately reported verification results to the Central Processing System and Common Origination and Disbursement System for 59 of the 60 students included in our statistical random sample (see Finding 2). Based on the results of our statistical random sample, we estimate that South Florida Institute of Technology accurately reported verification results for 715 (98.3 percent) of the 727 Pell recipients selected for verification for award year 2017–2018.²

What We Recommend

We recommend that the Chief Operating Officer for Federal Student Aid confirm that South Florida Institute of Technology implemented the quality control process that it designed to provide reasonable assurance that employees complete verification in accordance with the school’s verification policies and procedures.

South Florida Institute of Technology Comments

South Florida Institute of Technology agreed with both findings and our one recommendation and provided a description of its corrective action plan. The school stated that it provided training to financial aid employees in December 2018. The training covered the different tax transcripts and data elements to be used for verification. Additionally, beginning January 1, 2019, the financial aid director has been tasked with expanding the school’s quality control procedures to include quarterly reviews of the verification processes followed for a sample of students. The financial aid director is required to report the results of these reviews during quarterly discussions with management (see South Florida Institute of Technology’s Comments).

OIG Response

The school’s corrective actions, if implemented as described, should address the recommendation included in the draft of this report. Therefore, we revised our recommendation from the school implementing a quality control process to Federal Student Aid confirming that the school implemented the quality control process and confirming that the process is providing reasonable assurance that employees complete

² We are 90 percent confident that South Florida Institute of Technology accurately reported verification results for between 671 (92.3 percent) and 726 (99.9 percent) of the 727 Pell recipients selected for verification for award year 2017–2018.
verification of applicant data in accordance with the school’s verification policies and procedures.
Introduction

South Florida Institute of Technology is a proprietary school offering postsecondary education programs at two locations: Miami and Hialeah, Florida. During award year 2017–2018, it offered diplomas in Building Construction Technology, Computer Business Application, Electrical Construction Technician, Medical Assistant, Patient Care Technician, Plumbing Technician, Computer Graphic and Web Design, and Refrigeration and A.C. Repair Technician. During award year 2017–2018, 1,783 students were enrolled in the school.

South Florida Institute of Technology is accredited by the Accrediting Commission of Career Schools and Colleges. The school hired Financial Aid Management for Education to provide software for the verification process and to report verification results to the U.S. Department of Education (Department).

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 2017–2018, South Florida Institute of Technology participated in the following Title IV programs:

- Pell: Provides eligible students who have demonstrated financial need with grant assistance to help pay undergraduate educational expenses.
- 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.
- 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.

During award year 2017–2018, South Florida Institute of Technology disbursed more than $7.5 million in Title IV funds (see Table 1).
Table 1. Title IV Program Funds Disbursed by South Florida Institute of Technology During Award Year 2017–2018

<table>
<thead>
<tr>
<th>Program</th>
<th>Funds Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pell</td>
<td>$6,176,798</td>
</tr>
<tr>
<td>William D. Ford Federal Direct Loan</td>
<td>$1,254,851</td>
</tr>
<tr>
<td>Federal Supplemental Educational Opportunity Grant</td>
<td>$59,709</td>
</tr>
<tr>
<td>Federal Work Study</td>
<td>$33,416</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,524,774</strong></td>
</tr>
</tbody>
</table>

*Source: The U.S. Department of Education’s Grants Management System (G5).*

Verifying Applicant Data and Reporting Verification 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 sent to the school, and a Student Aid Report is sent to the student. Both documents show the student’s application data, expected family contribution, and other information, including whether the student was selected for verification.

Verification is the process that Federal Student Aid 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 application data meet the criteria established by the Department, 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 indicates the FAFSA 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 and listing the types of documentation that schools must obtain. See Table 2 for a list of the verification tracking flags and the corresponding data elements that schools were required to verify for award year 2017–2018.

---

3 For the award year 2017–2018 notice, see 81 Federal Register 18843-18847 (April 1, 2016), “Free Application for Federal Student Aid (FAFSA) Information To Be Verified for the 2017–2018 Award Year.”
Table 2. Verification Tracking Flags and Data Elements to Be Verified for Award Year 2017–2018

<table>
<thead>
<tr>
<th>Flag*</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1</td>
<td>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, and number of household members in college.</td>
</tr>
<tr>
<td>V4</td>
<td>High school completion status, identity, and statement of educational purpose.</td>
</tr>
<tr>
<td>V5</td>
<td>All elements under V1 and V4.</td>
</tr>
</tbody>
</table>

*Verification tracking flags V2, V3, and V6 were not used for award year 2017–2018.

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

When a school disburses Pell funds for a student, it is required to report the verification status of the student’s application to the Common Origination and Disbursement System. As described in the “Federal Student Aid Handbook 2017–2018, Application and Verification Guide 2017–2018,” the verification status codes were as follows.

- **V**—The school has verified the student’s information. This includes students selected by the Central Processing System and students selected by the school based on its own criteria.

- **W**—The student was selected for verification by the Central Processing System or the school, and the school chose to make a first disbursement of Pell funds without the required verification documentation. The school must update the code once it completes verification; otherwise, the Common Origination and Disbursement System will reduce the student’s Pell amount to zero.
• S—The Central Processing System selected the student for verification, but the school did not verify the student’s information because the school determined that the student satisfied an exclusion.  

• 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 to the Central Processing System the results of verifying the student’s identity and high school completion status 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.
• 6—Verification attempted; issues found with both identity and high school completion.

---

4 Schools did not need to complete verification if a student (1) died before verification could be completed, (2) did not receive Title IV funds for reasons other than failure to complete verification, (3) was eligible for only an unsubsidized William D. Ford Federal Direct Loan Program loan, or (4) completed verification for the award year at another school.
Finding 1. South Florida Institute of Technology Did Not Complete Verification of Applicant Data in Accordance with Federal Requirements

South Florida Institute of Technology did not complete verification of applicant data in accordance with Federal requirements. For the 2017–2018 award year, 727 South Florida Institute of Technology students received a Pell disbursement and were selected for verification. To determine whether the school complied with Federal verification requirements, we selected a statistical random sample of 60 of the 727 students and reviewed the school’s enrollment and financial assistance records. For each of the 60 students, we determined whether the school obtained all required documentation during its verification process. We also determined whether the records that the school obtained supported the information in the student’s Institutional Student Information Record.5

We found that the school did not complete verification of applicant data in accordance with Federal requirements for 9 (15 percent) of the 60 students.6 For six students, South Florida Institute of Technology did not correctly identify the amount of education credits shown on the Internal Revenue Service tax transcripts. For three students, the school did not correctly identify the amount of income tax paid shown on the Internal Revenue Service tax transcripts. Table 3 lists the nine students and describes the information that the school did not verify in accordance with Federal requirements.

Based on the results of our statistical random sample, we estimate that South Florida Institute of Technology did not complete verification in accordance with Federal requirements for 109 (15 percent) of the 727 Pell recipients selected for verification.

---

5 We concluded that the school complied with requirements if it verified all the required data elements for a student, obtained records supporting the data elements, and obtained records specified in 81 Federal Register 18843-18847 (April 1, 2016).

6 For seven students, the school was required to verify all the elements under verification tracking flag V1. For two students, the school was required to verify the elements required under verification tracking flag V5.
for award year 2017–2018. The 727 students received more than $2.5 million in Pell funds for award year 2017–2018.

### Table 3. Applicant Data Not Verified in Accordance with Federal Requirements

<table>
<thead>
<tr>
<th>OIG Sample Number</th>
<th>Information Not Verified</th>
<th>Description of Noncompliance</th>
<th>Improper Payment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Income Tax Paid</td>
<td>The school used “Income Tax After Credits Per Computer” of $1,313 without subtracting the “Excess Advance Premium Tax Credit Repayment Amount” of $300. As a result, the student’s Institutional Student Information Record incorrectly indicated “U.S. Income Tax Paid” of $1,313 instead of the correct amount of $1,013. There was no effect on the student’s expected family contribution.</td>
<td>$0</td>
</tr>
<tr>
<td>22</td>
<td>Education Credit</td>
<td>The school used “Refundable Education Credit Per Computer” of $1,000 instead of “Education Credit Per Computer” of $0. There was no effect on the student’s expected family contribution.</td>
<td>$0</td>
</tr>
<tr>
<td>24</td>
<td>Education Credit</td>
<td>The school used “Refundable Education Credit Per Computer” of $1,000 added to “Education Credit Per Computer” of $1,500. The school should have used “Education Credit Per Computer” of $1,500. There was no effect on the student’s expected family contribution.</td>
<td>$0</td>
</tr>
<tr>
<td>27</td>
<td>Income Tax Paid</td>
<td>The school used “Total Credits Per Computer” of $0 instead of “Tentative Tax Per Computer” of $1,033 minus “Total Credits Per Computer” of $0. As a result, the student’s Institutional Student Information Record incorrectly indicated “U.S. Income Tax Paid” of $0 instead of the correct amount of $1,033. The expected family contribution changed from “581” to “467” resulting in an incorrect Pell disbursement of $2,685. The correct Pell amount disbursed should have been $2,735, an underpayment of $50.</td>
<td>$50</td>
</tr>
<tr>
<td>29</td>
<td>Income Tax Paid</td>
<td>The school used “Total Credits Per Computer” of $0 instead of “Tentative Tax Per Computer” of $663 minus “Total Credits Per Computer” of $0. As a result, the student’s Institutional Student Information Record</td>
<td>$0</td>
</tr>
</tbody>
</table>

---

7 We are 90 percent confident that South Florida Institute of Technology did not complete verification in accordance with Federal requirements for between 59 (8.1 percent) and 180 (24.7 percent) of the 727 Pell recipients selected for verification for award year 2017–2018.
<table>
<thead>
<tr>
<th>OIG Sample Number</th>
<th>Information Not Verified</th>
<th>Description of Noncompliance</th>
<th>Improper Payment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>incorrectly indicated “U.S. Income Tax Paid” of $0 instead of the correct amount of $633. There was no effect on the student’s expected family contribution.</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Education Credit</td>
<td>The school used “Refundable Credit Per Computer” of $830 added to “Education Credit Per Computer” of $1,244. The school should have used “Education Credit Per Computer” of $1,244. There was no effect on the student’s expected family contribution.</td>
<td>$0</td>
</tr>
<tr>
<td>42</td>
<td>Education Credit</td>
<td>The school used the education credit amount of $303 that the student provided instead of the $0 amount from the Internal Revenue Service Data Retrieval Tool. There was no effect on the student’s expected family contribution.</td>
<td>$0</td>
</tr>
<tr>
<td>44</td>
<td>Education Credit</td>
<td>The school used “Refundable Education Credit Per Computer” of $1,404 instead of “Education Credit Per Computer” of $0. There was no effect on the student’s expected family contribution.</td>
<td>$0</td>
</tr>
<tr>
<td>56</td>
<td>Education Credit</td>
<td>The school used “Refundable Education Credit” of $1,000 added to “Education Credit Per Computer” of $1,073. The school should have used “Education Credit Per Computer” of $1,073. There was no effect on the student’s expected family contribution.</td>
<td>$0</td>
</tr>
</tbody>
</table>

The total Pell disbursements for these nine students was $29,629. Because the school did not complete verification of applicant data in accordance with Federal requirements, it improperly paid one of the nine students $50 less in Pell funds than the student was eligible to receive. After we brought the $50 improper payment to the attention of school officials, the financial aid director provided us with records showing that the school credited the student’s account for the additional $50. There was no effect on the amount of Pell funds disbursed for the other eight students.

---

8 Section 2(g)(2) of the Improper Payments Information Act of 2002, as amended, defines an improper payment as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
According to Title 34 Code of Federal Regulations (C.F.R.) § 668.54, a school must require an applicant whose FAFSA information is selected for verification to verify the information specified by the Department. Acceptable documentation for verifying income information for tax filers, including education credits and U.S. income taxes paid, for award year 2017–2018 included a tax transcript obtained from the Internal Revenue Service that listed 2015 tax account information of the tax filer (81 Federal Register 18843-18847 (April 1, 2016)). Education credits from any Internal Revenue Service tax transcript were to be taken from the line item “Education Credit Per Computer.” Income tax paid was to be calculated by subtracting “Excess Advance Premium Tax Credit Repayment Amount” from “Income Tax After Credits Per Computer” if using a Form 1040 transcript or by subtracting “Total Credits Per Computer” from “Tentative Tax Per Computer” if using a 1040A transcript (“2017–2018 FAFSA Verification-IRS Tax Return Transcript Matrix”).

South Florida Institute of Technology had written verification policies and procedures that covered all the requirements established by 34 C.F.R. § 668.53. When using an Internal Revenue Service tax transcript as part of the verification process, school employees were supposed to follow “2017–2018 FAFSA Verification-IRS Tax Return Transcript Matrix.” For 9 of the 60 students in our statistical random sample, employees used the wrong line items from Internal Revenue Service tax transcripts to identify education credits and income taxes paid. South Florida Institute of Technology did not identify these errors because it did not have a quality control process to provide reasonable assurance that school employees were adhering to the school’s verification policies and procedures.

**Recommendation**

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

1.1 Confirm that South Florida Institute of Technology implemented the quality control process that it designed to provide reasonable assurance that employees complete verification in accordance with the school’s verification policies and procedures.

**South Florida Institute of Technology Comments**

South Florida Institute of Technology agreed with the finding and recommendation and provided a description of its corrective action plan. The school stated that it continues to provide ongoing training on the verification of applicant data. It provided an internal training session to its financial aid employees in December 2018. The internal training

---

9 All references to the C.F.R. are to the July 1, 2017, version.
covered the different tax transcripts (for example, 1040, 1040A, and 1040EZ) and the data elements to be used in the verification process.

Additionally, the school stated that it has taken additional steps to strengthen its internal control processes. Beginning January 1, 2019, the financial aid director has been tasked with expanding the school’s quality control procedures to include quarterly reviews of the verification processes followed for a sample of students. The financial aid director is required to report the review results during quarterly discussions with management.

**OIG Response**

The school’s corrective actions, if implemented as described, should address our recommendation. Therefore, we revised our recommendation from the school implementing a quality control process to Federal Student Aid confirming that the school implemented the quality control process and confirming that the process is providing reasonable assurance that employees complete verification of applicant data in accordance with the school’s verification policies and procedures.
Finding 2. South Florida Institute of Technology Accurately Reported Verification Results

For the 2017–2018 award year, 727 South Florida Institute of Technology students received a Pell disbursement and were selected for verification. We selected a statistical random sample of 60 of the 727 students. For each of the 60 students, we compared the school’s enrollment and financial assistance records with the records in the Central Processing System and Common Origination and Disbursement System.\(^\text{10}\) We found that South Florida Institute of Technology accurately reported verification results to the Central Processing System and Common Origination and Disbursement System for 59 (98.3 percent) of the 60 students. For all but one student, the school accurately 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. The school also reported the correct codes to the Central Processing System for students selected under each of the verification tracking flags.

Based on the results of our statistical random sample, we estimate that South Florida Institute of Technology accurately reported verification results for 715 (98.3 percent) of the 727 Pell recipients selected for verification for award year 2017–2018.\(^\text{11}\) We do not have any recommendations for corrective actions.

South Florida Institute of Technology Comments

South Florida Institute of Technology agreed with the finding.

\(^{10}\) We concluded that South Florida Institute of Technology complied with guidance if it updated the Common Origination and Disbursement System when a student’s Institutional Student Information Record information changed and if it reported the appropriate verification status code to the system. Also, for students selected under verification tracking flags V4 and V5, we concluded that the school complied with guidance if it reported the correct code (1 through 6) to the Central Processing System.

\(^{11}\) We are 90 percent confident that South Florida Institute of Technology accurately reported verification results for between 671 (92.3 percent) and 726 (99.9 percent) of the 727 Pell recipients selected for verification for award year 2017–2018.
Appendix A. Scope and Methodology

We evaluated South Florida Institute of Technology’s processes for verifying applicant data, reporting verification results, and disbursing Title IV funds for students selected for verification for award year 2017–2018. To accomplish our audit objectives, we first gained an understanding of the following regulations and guidance relevant to the audit objectives and in effect for the audit period:

- regulations in 34 C.F.R. Part 668, Subpart E, “Verification and Updating of Student Aid Application Information;”
- the notice of FAFSA information to be verified for award year 2017–2018, 81 Federal Register 18843-18847 (April 1, 2016), “Free Application for Federal Student Aid (FAFSA) Information To Be Verified for the 2017–2018 Award Year;”
- the notice of award year 2017–2018 deadline dates for reports and other records associated with the FAFSA, 82 Federal Register 29058-29062 (June 27, 2017), “2017–2018 Award Year Deadline Dates for Reports and Other Records Associated With the Free Application for Federal Student Aid (FAFSA). . . ;” and

We then reviewed information in the Department’s grants management system to identify the Title IV programs in which South Florida Institute of Technology participated during award year 2017–2018. In addition, we reviewed the school’s website and documents and records that school officials provided us to gain an understanding of the school’s history and organizational structure. Further, we interviewed South Florida Institute of Technology and Financial Aid Management for Education officials and reviewed the school’s financial aid policies and procedures to gain an understanding of the processes that the school designed for verifying applicant data, reporting the results of verification to the Central Processing System and Common Origination and Disbursement System, and disbursing Title IV funds for students selected for verification.

To identify any findings or recommendations included in prior audits and reviews and relevant to our audit objectives, we reviewed reports on annual audits (financial and compliance) of South Florida Institute of Technology for the years that ended December 31, 2013, through December 31, 2017, conducted by Hernandez and Tacoronte, P.A.
Internal Control

After reviewing the Federal requirements relevant to verifying applicant data, reporting the results of verification, and disbursing Title IV funds for students selected for verification; prior audit reports; and other relevant school information, we determined that the control activities component of internal control was relevant to our audit. Therefore, we gained an understanding of South Florida Institute of Technology’s control activities relevant to verifying applicant data, reporting verification results, and disbursing Title IV funds to students selected for verification.

We then compared the school’s written verification policies and procedures with the requirements established by 34 C.F.R. § 668.53 and determined that the school’s policies and procedures covered all the requirements. Next, we evaluated whether the school implemented the relevant control activities by assessing whether the school followed them when completing verification, reporting verification results, and disbursing Title IV funds for 60 randomly selected students who were selected for verification.

We did not identify any significant instances of noncompliance or deviations from the control activities for reporting verification results and disbursing Title IV funds for students selected for verification. Therefore, we concluded that the school implemented those control activities as designed. However, South Florida Institute of Technology’s control activities were not sufficient to provide reasonable assurance that it completed verification of applicant data in accordance with Federal requirements. Specifically, South Florida Institute of Technology did not have a quality control process to provide reasonable assurance that school employees were adhering to the school’s verification policies and procedures (see Finding 1).

Sampling Methodology

We used sampling to achieve our audit objectives. From the National Student Loan Data System, we obtained the population of 727 students who received at least one Pell disbursement for award year 2017–2018 and whose applications were selected for verification by the Central Processing System. To ensure that we could estimate the extent of the school’s compliance with a margin of error not exceeding 10 percent at the 90 percent confidence level, assuming a sample error rate not exceeding 20 percent, we selected a statistical random sample of 60 of the 727 students.

12 Control activities are the policies, procedures, and practices that management establishes to achieve objectives and respond to risks.

U.S. Department of Education
Office of Inspector General
ED-OIG/A06T0004
Analysis Techniques

To determine whether South Florida Institute of Technology complied with Federal requirements relevant to verifying applicant data, reporting verification results, and disbursing Title IV funds for students selected for verification, we reviewed the enrollment and financial assistance records in the school’s information systems and the records that the school obtained for the 60 students included in our statistical random sample. We reviewed the records to determine whether they demonstrated that the school completed its verification procedures in accordance with 34 C.F.R. § 668.54 through § 668.57, 81 Federal Register 18843-18847 (April 1, 2016), and 82 Federal Register 29058-29062 (June 27, 2017). We concluded that South Florida Institute of Technology complied with requirements if it verified all the required data elements for a student, obtained records supporting the data elements, and obtained records specified in the Federal Register.

We also compared South Florida Institute of Technology’s records with information recorded in the Common Origination and Disbursement System for the 60 students to determine whether the school reported verification results in accordance with “Federal Student Aid Handbook 2017–2018, Application and Verification Guide 2017–2018” and “Common Origination and Disbursement 2017–2018 Technical Reference.” We concluded that South Florida Institute of Technology complied with the guidance if it updated the Common Origination and Disbursement System when a student’s Institutional Student Information Record information changed and if it reported the appropriate verification status code to the system. Also, for students selected under verification tracking flags V4 and V5, we concluded that the school complied with the guidance if it reported the correct code (1 through 6) to the Central Processing System.

Finally, we reviewed enrollment and financial assistance records in South Florida Institute of Technology’s information systems for the 60 students to determine whether the school disbursed Title IV funds in accordance with 34 C.F.R. § 668.58 through § 668.61. We first calculated each student’s 2017–2018 Pell award using the student’s final expected family contribution, enrollment status, and cost of attendance. We then compared our calculated award amount to the Pell payment schedule to determine the amount of Pell funds that the student was eligible to receive for award year 2017–2018.13 Next we compared the amount of Pell funds that the student was eligible to receive with the amount that the school disbursed for the students. We concluded that South Florida Institute of Technology disbursed the correct amount of Pell funds and complied with requirements if it (1) calculated the student’s Pell award based on

13 “Payment Schedule for Determining Full-Time Scheduled Awards for 2017-2018 Award Year.”

U.S. Department of Education
Office of Inspector General
ED-OIG/A06T0004
the expected family contribution shown on her or his last Institutional Student Information Record for award year 2017–2018 and (2) adjusted the student’s Title IV award if the student’s information changed after the student had already received Title IV funds, or the student did not provide documentation within the required timeframe.

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

We relied, in part, on data that South Florida Institute of Technology 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 included in our statistical random sample. We also compared the school’s data for the 60 students with 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 data in the National Student Loan Data System and the Central Processing System. Therefore, we concluded that the school’s data were sufficiently reliable for use in our audit.

**Compliance with Auditing Standards**

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

We conducted our audit at South Florida Institute of Technology’s offices in Miami, Florida; Financial Aid Management for Education’s offices in Fort Lauderdale, Florida; and our offices from October 2018 through March 2019. We discussed the results of our audit with the South Florida Institute of Technology financial aid director on March 19, 2019, and received their comments on the draft of this report on August 1, 2019.
## Appendix B. Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.F.R.</td>
<td>Code of Federal Regulations</td>
</tr>
<tr>
<td>Department</td>
<td>U.S. Department of Education</td>
</tr>
<tr>
<td>FAFSA</td>
<td>Free Application for Federal Student Aid</td>
</tr>
<tr>
<td>Pell</td>
<td>Federal Pell Grant Program</td>
</tr>
<tr>
<td>Title IV</td>
<td>Title IV of the Higher Education Act of 1965, as amended</td>
</tr>
</tbody>
</table>
August 1, 2019

Email: Gary.Whitman@ed.gov

Gary D. Whitman
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1010 Walnut, Suite 410
Kansas City, MO 64106-2147

Reference: Control Number ED-OIG/A06T0004

Dear Mr. Whitman:

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

FINDING 1

In the nine instances identified where applicant data was not properly verified, there were eight instances of no improper payments made to any student. There was one instance of the nine in which there was an under-award of Pell of $50 which was due to a current student. In the case of the $50 under-award to the student, our institution rectified the underpayment and provided supporting documentation to the U.S. Department of Education Office of Inspector General during the audit.

FINDING 1-CORRECTIVE ACTION PLAN

The Financial Aid Staff at South Florida Institute of Technology continues to provide ongoing training on the verification of applicant data. They followed the procedures we had in place at the time of your audit and as your audit report stated, there were no instances in which federal funds were due to the U.S. Department of Education.

It is important to note, that the US. Department of Education also issued an Electronic Announcement on January 9, 2019 (Verification) Subject: Changes to 2018-2019 and 2019-2020 Verification Requirements, which provides the flexibility to use tax returns and not just “tax transcripts” to verify
income and tax information. The announcement was effective for the 2018-2019 award year and allows Financial Aid staff to verify applicant data in the ISIR directly against the tax returns filed by the student.

Since the site visit, we’ve taken additional steps to strengthen our internal controls and provided an internal training to all our Financial Aid Staff on December 3, 2018. The internal training to our Miami and Hialeah locations Financial Aid Staff covered the different tax transcripts (i.e. 1040, 1040A and 1040EZ) and data elements to be used in verification. Specifically, which line items should be verified against the ISIR. In addition, beginning January 1, 2019, the Financial Aid Director has been tasked with expanding our existing quality control procedures to include quarterly samples of students selected for verification. He thoroughly reviews the file and communicates any identified matters back to the originating Financial Aid staff member. The Financial Aid Director will include the results of his reviews quarterly during his discussions with management.

In our opinion, the additional staff training strengthened and expanded internal control procedures, and the announcement by the U.S. Department of Education which will allow tax returns, as well as, tax transcripts to verify applicant data demonstrate that South Florida Institute of Technology has implemented a quality assurance process to provide reasonable assurance that Financial Aid Staff complete verification of applicant data in accordance with Federal requirements.

**FINDING 2**

In regards to Finding 2, the U.S. Department of Education Office of Inspector General stated that South Florida Institute of Technology accurately reported verification results and no recommendations were made. South Florida Institute of Technology's financial aid office strives for a high level of quality when processing federal financial aid awards for students and to safeguard compliance and student satisfaction.

Thank you for the professionalism and the hospitality demonstrated by your staff during the audit and for considering our comments in your final report. Please feel free to contact me if you have any questions or additional information is needed.

Sincerely,

* /s/
Gustavo Cordoba
Director