GEMCOR, Inc.

Your Trusted Partner in FSA Administration

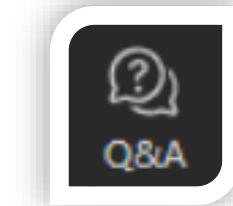
ANNUAL AUDIT PREPARATION



Don Grybas
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AGENDA

- Compliance Audit Preparation
- Financial Audit Preparation
- Corrective Action Plans
- Deadlines & Filing Requirements
- Common Findings
- Q & A: Please type all questions that you have during the webinar into the Q & A chatbox, and we will answer these at the end of the presentation



ANNUAL AUDIT REQUIREMENT SUMMARY

- Compliance Audit (FSA Administration)
- Financial Audit (Corporate Financial Statements)

- Audits are Based on the Institution's Fiscal Year
- Due Within 6 Months of Fiscal Year End (Possibly Earlier)

- Plan Early
- Avoid Repeat Findings (Whenever Possible)

Most Importantly

DO NOT MISS THIS DEADLINE

COMPLIANCE AUDIT PREPARATION

- Should Happen on a Daily Basis
- Review/Improve Internal Controls
- Review Data Security Policies
- Prepare Early
- Ensure Timely Filing of Your Audits
- Contact your Third-Party Servicer (TPS)



COMPLIANCE AUDIT PREPARATION

Files Provided by GEMCOR

- **AuditPackage_FY2026.pdf**

Includes Data to Support FSA Drawdowns and Disbursements Exclusively for the Fiscal Year Including G5 Reports and Monthly DLSAS Reports

- **NetFSADisb_FY2026.xlsx**

Spreadsheet File Containing Detailed FSA Disbursement Information by Student for the Fiscal Year. It is Used in Conjunction with the AuditPackage_FY2026.pdf File

- **G5Summary_Jan2027.pdf**

Includes a G5 Summary Report of Drawdown Activity for the First Month Following the End of the Institution's Fiscal Year. This is Required for 90/10 Testing for Proprietary Institutions

- **AuditPackage_AY2025-2026.pdf**

Includes Data to Support FSA Drawdowns and Disbursements for the Most Recently Completed Award Year Including G5 Reports and COD Funding Summaries

THANK YOU FOR JOINING!

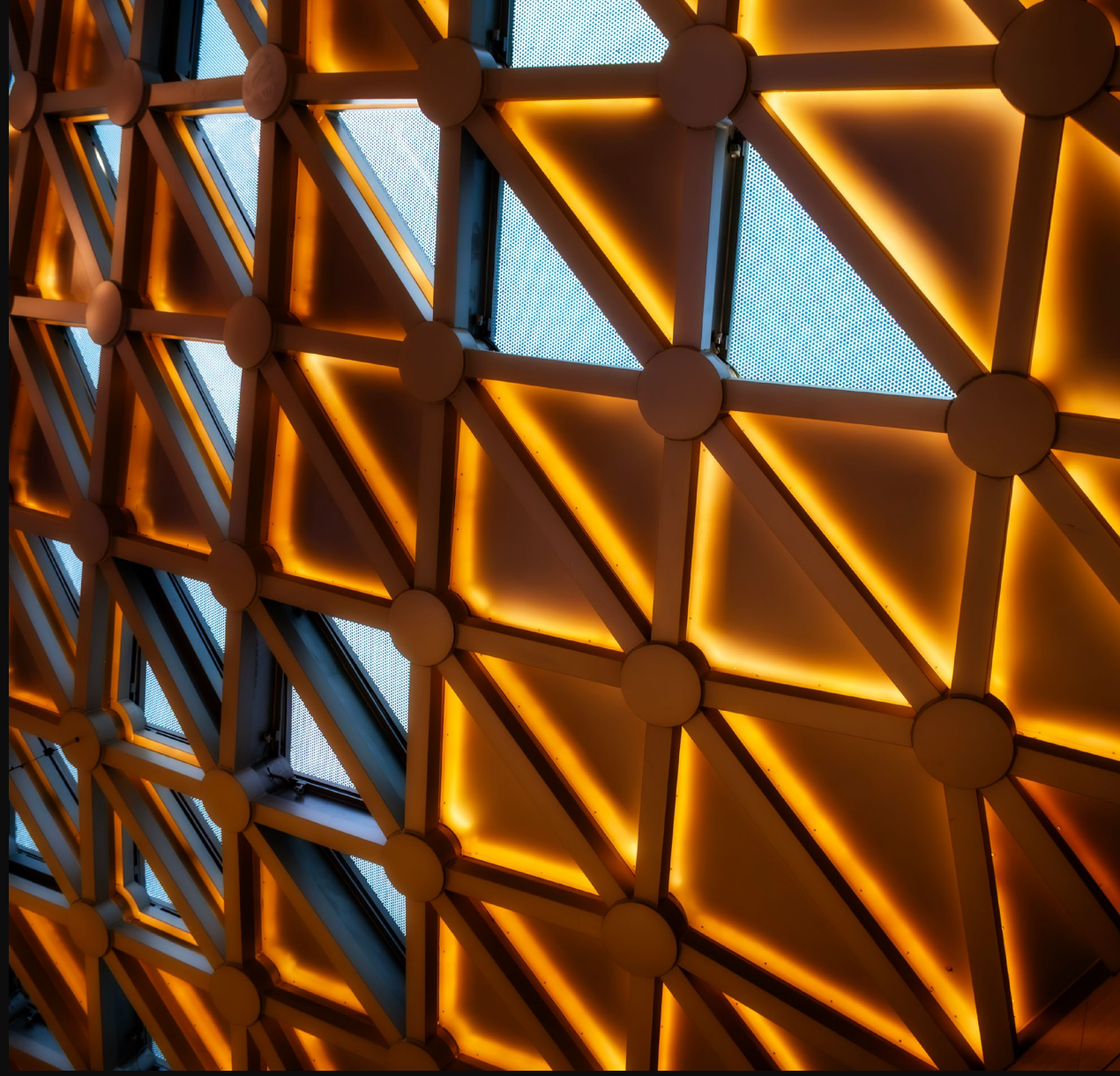
QUESTIONS?



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How to Prepare for an Audit

What Schools Need to Know



SIKICH®

Meet your speaker



John Mazurek

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Sikich at a glance

Sikich offers the public and private sectors a diverse platform of professional services across consulting, technology and compliance. Highly specialized and hands-on teams deliver integrated solutions rooted in deep industry experience. Our approach is strategically and thoughtfully designed to help our clients, teams and communities accelerate success.

Our ranking

Sikich ranks within the country's top 25 largest Certified Public Accounting firms and is among the top 10 of all enterprise resource planning solution partners in the country.

2K+
Total personnel

40+
Years servicing clients

Global presence

1 Positive and collaborative culture

Industry expertise

300+
TIV clients

600+
reports filed annually

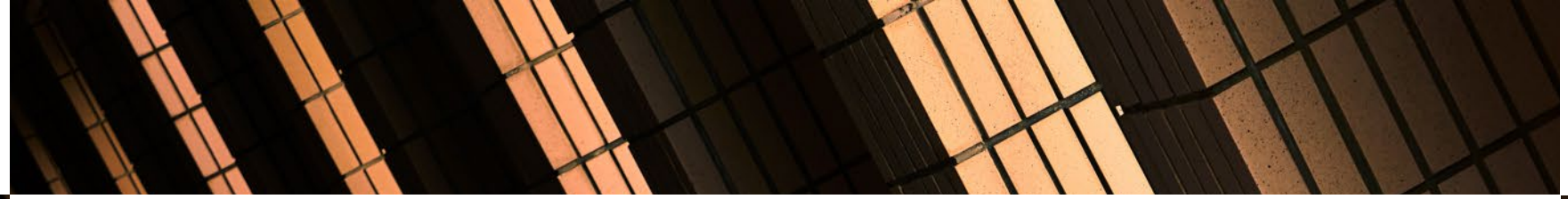
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Agenda

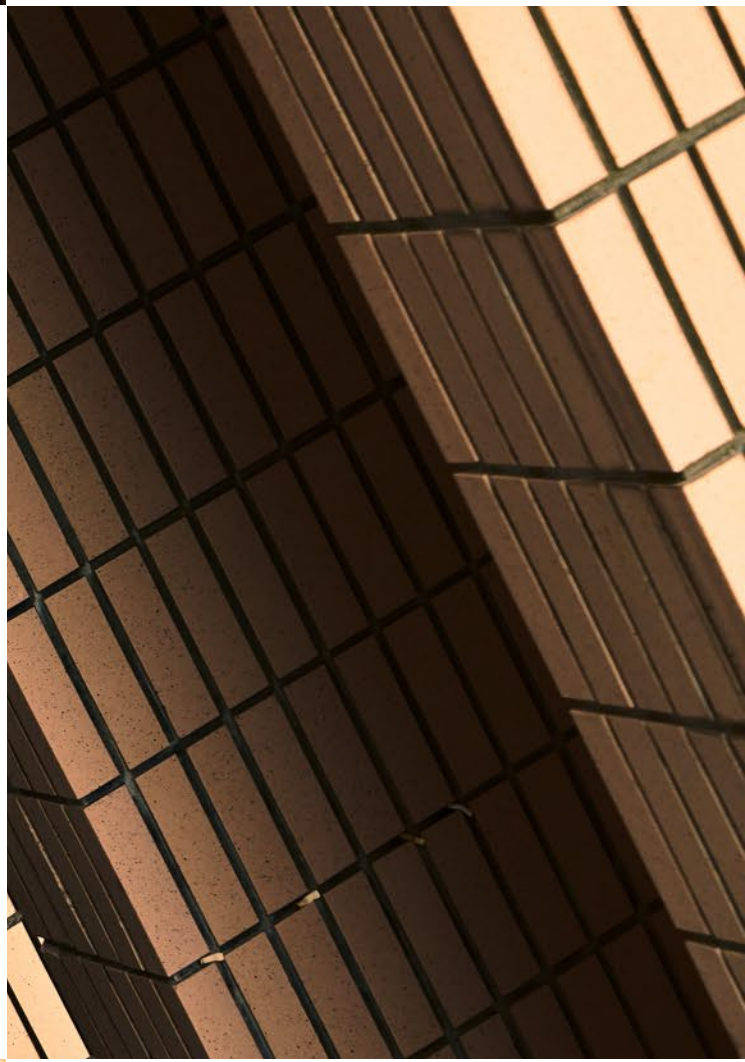
- **What to watch for**
  - Top compliance examination findings
- **Financial responsibility**
  - Accounting and Financial aid department action plans
- **Simple tips for a smooth audit**

Title IV Audit Guide 2023

- This is the basis for the compliance examination process, and all testing is taken directly from requirements listed.
- Can be a useful tool to find answers when questions arise.
  - https://oig.ed.gov/non-federal-audits/title-iv-audits
- Knowledge Center home (SFA Handbook)
  - https://fsapartners.ed.gov/knowledge-center



Common compliance examination findings





Common findings

- Student status – inaccurate/untimely reporting
- Return to Title IV (R2T4) calculation errors
- R2T4 refunds made late
- Student credit balance deficiencies
- Pell/direct loan packaging
- Clery Act disclosures (campus crime)

Common findings

Continued

- GLBA security plan deficiencies
- Qualified auditor’s opinion cited in audit
- Inaccurate disbursement dates/amounts reported to COD
- Errors in reporting student outcomes (grad/transfer rates)
- Repeat finding – failure to take corrective action. Work prior to audit to ensure all corrective action from prior year has been completed.

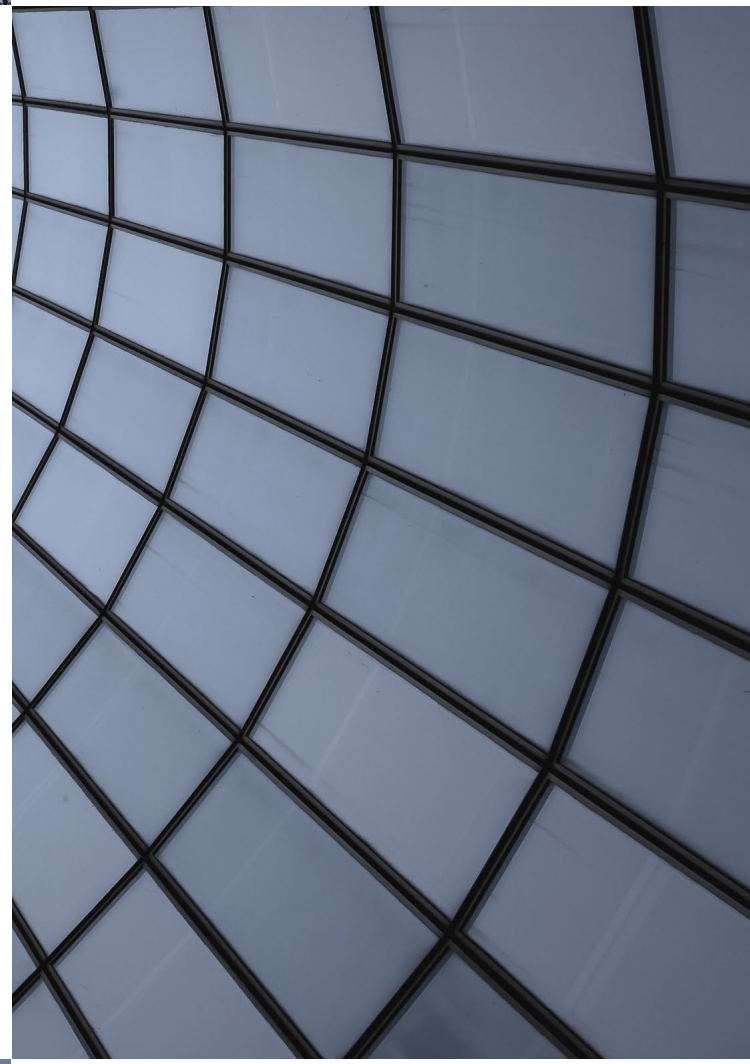
Common findings

Continued

- Credit and clock hour conversions – work with Gemcor with OBBB rules and new packaging and loan limits
- Verification – some schools looking at 50-100% verification
- Rejection of audits for corrective action plans and prior year response to findings. Specific plan needs to be in place.
- Expansion of testing to 90% confidence

Financial responsibility

Financial aid and accounting department action plans



General standards of financial responsibility

- The department considers an institution to not be financially responsible if it:
  - Fails to pay Title IV credit balances
  - Fails to satisfy payroll or debt obligations
  - Fails to make refunds under its refund policy or R2T4 rules
  - Fails to meet a composite score of at least 1.5 (1.0 in limited instances)
  - Fails to make repayments to the department for any debt or liability arising from its participation in TIV programs or
  - Is subject to the mandatory or discretionary triggering events (i.e. 90/10 non-compliance – 45-day notification)

Accounting and financial aid teams

Action items

- Segregation of Duties – proper separation
- Failure to reconcile postings in student management system with the deposits in the accounting system
- Related party transactions – systems need to be in place for full disclosure.
  - Repay related party advances before year end to improve composite score
- 90/10 Calculation – still here FOR NOW
  - Documenting receipt sources
  - Identifying Allocation Federal / non-Federal Funds
  - Identifying Federal Funds paid directly to students
  - Ez-audit rejections – not enough detail on other grant programs
  - Capital cash infusions – need to plan
    - Can no longer infuse capital at the end of the year and expect to withdraw immediately

Accounting and financial aid teams

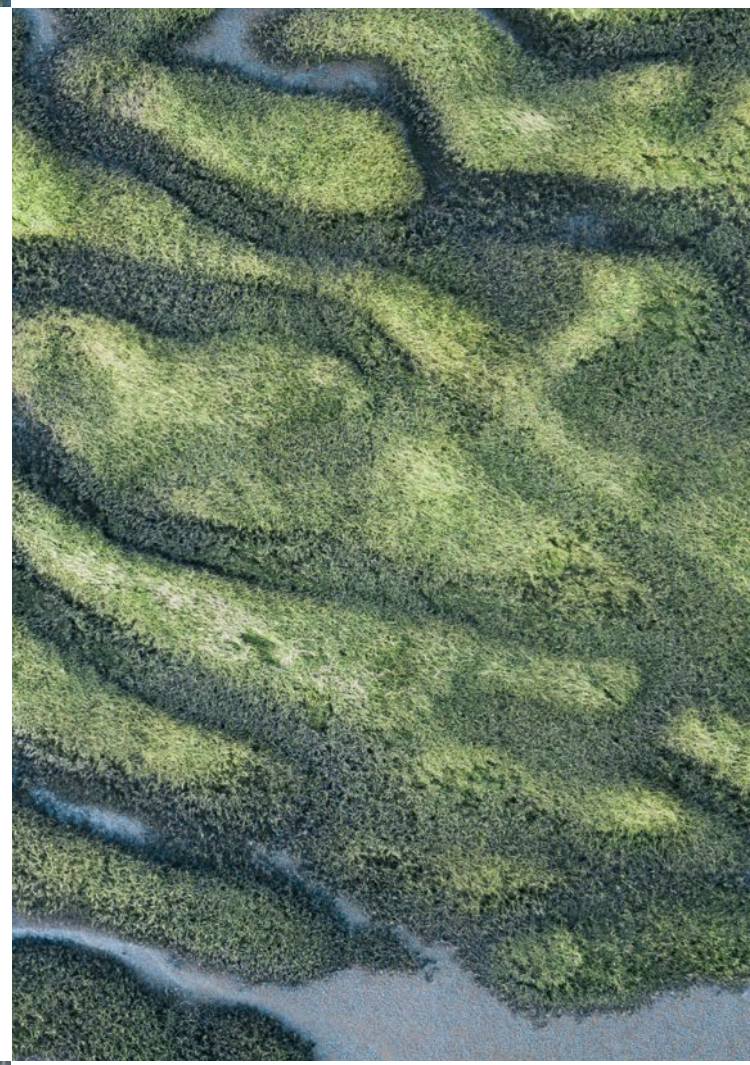
Action items

- Lease negotiations
  - Composite score can be negatively impacted by long-term building or equipment leases (shorter leases recommended)
  - Pay attention when amending/modifying older leases. Can negatively affect composite score
- Pay down short term liabilities (a/p and accrued expenses) before year end
  - Will reduce total assets and may improve composite score
- Debt financing (or refinancing) needs to be planned in advance
  - Long-term financing will only positively impact composite score if financing is directly tied to the purchase of property, plant, equipment and building improvements



Simple tips for a smooth audit







Take time to prepare and document systems and internal controls

- Should not be an annual process – assign team members well ahead of time who is responsible so information can be provided at least a week in advance of the scheduled audit date (if not sooner)
- Contact Gemcor to request the annual audit package soon after year end – will help expedite audit!
- NSLDS and COD Detail – ensure access
- Polices and procedures manuals – follow them!
- Be sure your team is available for questions during the scheduled audit period (especially in this remote environment – easy to get sidetracked)
- Review student files and internal controls for changes that have occurred (new employees, roles, etc.) throughout the year
  - To help expedite the audit process, we prefer to review graduate and drop files before year end (4th quarter preliminary audit testing)

Student Financial Aid examination

- Samples are based on dept of education/OIG's audit guide, unlike the financial statement audit
  - When internal control systems are working effectively, we can limit testing on the financial statement audit
- Testing is fairly static on the financial aid examination
  - Review the audit guide on your own.
  - You'll know what we're looking for.
- Less is sometimes more – if the documents are in the student file, we'll need to look at them.
  - Remove extraneous info.
- There has been discussion from OIG that they hope to issue a new version of the audit guide next year
  - Wishful thinking with reduction in force

Changes to ez-audit system

- eZ-Audit System is now integrated within Partner Connect
- All prior usernames and passwords have been deactivated
- https://fsapartners.ed.gov
  - Log in and access eZ-audit on this page

- Register an account at fsatraining.ed.gov for all employees needing access
  - Access will require dual authentication for security purposes
  - You will need to grant access to your auditor or 3rd party if they assist with audit submissions.
- Once registered, navigate to account access management section
  - Many training videos and webinars available to help with new system

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Thank you

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