

Guide for Compliance Audits of Programs Administered for the 2021-22 Academic Year for Clock-Hour Programs

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Author**Robert C. Helgeson, CPA (Inactive)**

Audit Manager

Tel: 651-259-3997

Robert.Helgeson@state.mn.us**About the Minnesota Office of Higher Education**

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to postsecondary education. The agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, finance and trends.

The Minnesota State Grant Program is the largest financial aid program administered by the Office of Higher Education, awarding more than \$210 million annually in need-based grants to Minnesota residents attending eligible colleges, universities and career schools in Minnesota. The agency oversees other state scholarship programs, tuition reciprocity programs, a student loan program, Minnesota's 529 College Savings Plan, licensing and early college awareness programs for youth.

Minnesota Office of Higher Education

1450 Energy Park Drive, Suite 350

Saint Paul, MN 55108-5227

Tel: 651.642.0567 or 800.657.3866

TTY Relay: 800.627.3529

Fax: 651.642.0675

Email: info.ohe@state.mn.us

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Introduction

The audit division of the Minnesota Office of Higher Education (OHE) created this audit guide to document its own policies and procedures related to compliance audits of postsecondary institutions that offer only clock-hour programs. However, others may find this guide useful including other OHE staff and financial aid staff at postsecondary institutions subject to audits.

We recognize that some clock-hour schools do not currently participate in any Federal Title IV aid programs but were grandfathered to allow for continued participation in OHE-administered aid programs. The Title IV aid application process also serves as the initial application process for many OHE-administered programs including Minnesota State Grant. Therefore, OHE requires all clock-hour schools to abide by most Title IV requirements except where OHE's program guidance explicitly differs. An example of this is how payment periods and disbursement amounts are determined for Minnesota State Grant recipients. This guide attempts to highlight and provide detailed guidance to assist both OHE and clock-hour schools to accurately administer aid programs in the clock-hour environment.

The audit division's mission is to ensure that postsecondary institutions participating in OHE's programs properly administer those programs. The ultimate goal is for each student who completes the application process for a program timely receives the accurate amount of aid or other assistance, neither too much nor too little.

To achieve its goal, the audit division not only performs compliance audits of postsecondary institutions, but also acts as part of OHE's resources for those same institutions when they have questions. OHE would rather answer a question and/or provide guidance to an institution during an aid year to prevent errors from occurring than find those errors a year or more after the aid year has closed. This is especially true for clock-hour schools.

We encourage you to read this guide and we welcome your feedback and questions.

Finally, we look forward to working with postsecondary institutions and other parties to achieve the common goal of serving the students of Minnesota.

Robert Helgeson, Audit Manager

Annie Lee, Program Reviewer

Erin Poster, Program Reviewer

Erin Wayne, Program Reviewer

Use of Abbreviations and Acronyms

Financial aid and tax professionals use many abbreviations and acronyms in their work. This guide will “spell out” a new term the first time it is used followed in parentheses by its abbreviation or acronym. A list of abbreviations and acronyms appears in Appendix A of this guide.

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New Programs and Changes for 2021-22 Audits

Federal Title IV Changes and Related Impacts to Minnesota Programs

- **Verification**

The United States Department of Education (ED) issued Dear Colleague Letter DCL ID: GEN-21-05 on July 13, 2021. Effective on that date, postsecondary institutions were no longer required to complete verification except for Verification Tracking Groups V4 and V5. ED also provided waivers and flexibilities related to documentation handling for Groups V4 and V5. The changes applied no matter where in the verification process a student's file was at the time. ED did not waive and continued to stress that institutions must resolve conflicting information. A reviewer with questions about this topic must refer to the 2021-22 Federal Application and Verification Guide (AVG) beginning on page AVG-59. There is a link to GEN-21-05 on that page as well. **MINNESOTA IMPACT:** OHE's statutes and policies refer to verification as subject to Title IV requirements so this change was effective for Minnesota programs on the same date. **Exception:** The one exception was for Minnesota Dream Act applicants. As part of the application process, OHE collects tax returns and other documents and verifies the information as provided on the Minnesota Dream Act application.

- **Selective Service and Drug Conviction**

ED issued DCL ID: GEN-21-04 on June 11, 2021. This guidance related to early implementation of portions of the (Free Application for Federal Student Aid) FAFSA Simplification Act, specifically the termination of the selective service and drug conviction FAFSA questions and their potential to prevent a student from receiving Title IV aid. For 2021-22, the questions and their responses remained on ISIRs, but institutions could ignore any related comment codes (C codes). ED recommended but did not require institutions to go back and review any students' ISIRs that it had not awarded due to the presence of the negative selective service and/or drug conviction comment codes. ED was going to send emails to students whose 2021-22 ISIR included the comment codes and direct the students to contact their financial aid office. **MINNESOTA IMPACT:** OHE's statutes and programs, with one exception, had never used the selective service or drug conviction questions to determine eligibility for Minnesota aid programs. **Exception:** OHE still requires male Dream Act applicants between the ages of 18 to 25 years to register with the Selective Service System.

- **Subscription Based Programs Calendar**

ED created a new academic calendar type for these programs. However, the use of the new calendar type was voluntary on the part of institutions. **MINNESOTA IMPACT:** OHE has continued to work on multiple issues related to the implementation of the federal FAFSA Simplification Act. This topic was included in discussions, but there was no formal OHE guidance as of the date of issuance of this guide.

- **Satisfactory Academic Progress (SAP)**

ED announced regulatory changes that were effective July 1, 2021 but institutions were allowed to early implement. For SAP, ED now exempts non-term, clock-hour, and subscription programs from the quantitative/pace evaluation. Institutions with non-term or clock-hour programs may voluntarily continue to calculate and include the quantitative/pace component in their SAP policies.

Subscription based programs use a different pace calculation. **MINNESOTA IMPACT:** The use of any of these federal changes are voluntary, but a reviewer must be aware of their potential usage.

- **Return to Title IV Funds (R2T4)**

ED announced multiple regulatory changes that were effective July 1, 2021 but institutions were allowed to early implement. The changes related to determining whether a student should be considered to have fully withdrawn from an institution thereby triggering the R2T4 requirements. ED created new exemptions that apply only to modular programs within term-based institutions/programs. **MINNESOTA IMPACT:** The results of an R2T4 calculation flow into the OHE Refund Calculation process. A reviewer who happens upon a situation covered under these new regulations should consult the OHE audit manager before doing any further review work.

Changes and Additions to Minnesota Programs

In addition to possible impacts from federal Title IV changes, new aid programs were added and changes to existing programs and requirements were made for the 2021-22 aid year. These changes will impact how a reviewer performs a Minnesota compliance audit for the 2021-22 aid year. The following is a list of the changes. For detailed information, see the individual program section or other reference that appears next to the change item.

- **Emergency Assistance for Postsecondary Students (EAPS)**

Existing program but added to list of audited programs beginning with 2021-22 (see “Emergency Assistance for Postsecondary Students (EAPS)” later in this guide).

- **Minnesota State Grant (MSG) Changes**

- Calculation parameters changed.
- Mandatory exclusion of developmental and below college-level courses taken by a student beginning on or after July 1, 2021 from the limit on postsecondary attendance (LPAR) calculation (unit calculations).
- Additional qualifying ways (including due to impacts of COVID) added for a student to obtain an additional term of MSG eligibility.

For more details, see “Minnesota State Grant (MSG)” later in this guide.

- **Minnesota Indian Scholarship Program (MISP) Changes**

- Eligibility expanded to allow a student to receive MISP for an extra semester, quarter, etc. in an aid year resulting in a total award amount equal to 150% or 133% of annual award maximum.
- Expanded eligibility parameter to be screened by OHE; should not impact reviewers.

- Possible reinstatement of a term of eligibility for a student who withdrew during the COVID emergency as declared in Minnesota.

For more details, see “Minnesota Indian Scholarship Program (MISP)” later in this guide.

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Minnesota Compliance Audit Information

OHE's Authority to Audit and Alternative Audit Option

OHE's authority to audit the administration of its programs comes from [Minnesota Statute \(MS\) 136A.01 Subd 2 \(a\)\(1\)](#). Postsecondary institutions (institutions) are allowed to use their external auditors to perform the Minnesota compliance audits under [MS 136A.1313](#). The text of that statute follows:

Beginning with audits for fiscal year 1996, in place of the audits provided by the office, public institutions that administer state grants under decentralized delivery may arrange for audits of state financial aid awards and tuition reciprocity recipients in conjunction with their audits for federal financial aid. Audits must be conducted in compliance with guidelines and materials prepared by the office. The office shall develop a review process including procedures for responding to audit exceptions. All other institutions under decentralized delivery may arrange for audits under this section beginning with audits for fiscal year 1997.

An institution that considers using the alternative must be aware of the following:

- The institution must use the same external auditor for both its federal and Minnesota financial aid compliance audits.
- The institution must pay the external auditor for performing the Minnesota compliance audit while OHE does not charge for its audit services.
- The external auditor must use the processes and procedures developed by OHE's audit division to perform the Minnesota compliance audit.
- An institution that chooses to either begin using or discontinue using an external auditor for its Minnesota compliance audit must inform OHE's audit manager in writing by June 30 of the aid year (e.g. by June 30, 2022 if any changes are to occur for the audit of the 2021-22 aid year).
- An institution using an external auditor for the first time must provide OHE's audit manager with the contact information for the external auditor.
- The institution and its external auditor assume the responsibility of learning and understanding OHE's compliance audit requirements. OHE's requirements and processes are different from those used for compliance audits of federal Title IV aid programs. OHE's audit division will act as a resource for an external auditor and will work with them to ensure the successful completion of the Minnesota audit.
- An institution that chooses to use an external auditor must annually complete a Minnesota compliance audit even if OHE may have selected an institution for audit on a different schedule.
- The external auditor must complete a separate Minnesota compliance audit and prepare a separate audit report for each campus of an institution that processes financial aid for its own students. In

some cases, one campus may process aid from one or more programs for multiple campuses so only one Minnesota audit may be required. If an institution and/or its external auditor has questions about these requirements, they should contact OHE's audit manager for clarification before planning the Minnesota compliance audit.

- An external auditor must consult with OHE's audit manager if they identify any evidence of illegal or fraudulent activity during the audit. OHE may need to consult with its General Counsel and/or the Office of the Minnesota Attorney General or other authorities to ensure individuals' rights are protected while also not jeopardizing any further investigations.
- The institution will authorize the release of the draft Minnesota compliance audit report to OHE's audit manager for review prior to the report becoming final.
- The institution shall authorize the external auditor to allow OHE staff access to review and receive copies of the auditor's work papers related to the Minnesota compliance audit.
- The institution or the external auditor will send to the OHE audit manager by January 31 (or such other date as agreed upon) final versions of the institution's federal compliance audit, the Minnesota compliance audit, and any management letters or other reports created in the normal course of an audit. OHE's audit manager will review the reports, ask questions if applicable, and then formally accept the reports. Documents and messages may be sent by email if no personally identifiable information is included.

The rest of this guide does not refer to "external auditors". All of the policies, procedures, and requirements in the following pages are applicable to any reviewer performing a Minnesota compliance audit.

A Program Reviewer's (Reviewer) Responsibilities

- Assist in meeting OHE's stewardship of Minnesota tax dollars and other funds entrusted to it.
- Remain up-to-date on federal and Minnesota state programs and related policies.
- Maintain an attitude of professional skepticism during an audit, i.e. fully understand and be able to explain the details of each material item under review rather than simply accepting an institution's explanation without further investigation.
- Identify specific or general areas of non-compliance with Minnesota program standards (these standards may or may not be the same as for federal Title IV programs).
- Identify potential internal control issues within an institution's administration of Minnesota programs.
- Interpret and explain issues identified during an audit to OHE's program managers or other staff.
- Remember the audit division does not create policy; it provides a service to OHE's program managers in order to implement their program requirements.
- Provide feedback and suggestions to both OHE's program managers and to institutions as to how they could improve their administration of Minnesota programs.

Annual Financial Aid Cycle

Each OHE program has its own start to finish workflow, but some major processes are common to most programs.

The following is a list of the major processes:

- Institution requests to participate in a program.
- Student applies for program funds/benefits.
- Institution (and sometimes OHE) determines if it has valid and sufficient information to determine a student's eligibility.
- Institution (sometimes in partnership with OHE) determines a student is eligible for the funds/benefits for which they applied.
- The institution awards the aid and notifies the student.
- The institution requests and receives funds from OHE to be used for student awards.
- The institution disburses aid to a student's account at the institution (preferred method).
- Institution submits required reports and spending during an academic year/term to OHE.
- Institution continues to monitor the student's eligibility throughout the academic year.
- Institution performs program reconciliations and other end of term/year close out procedures in a timely manner.

Types of Audits Performed

OHE annually disburses funds to approximately 100 Minnesota institutions. Student Education Loan Fund (SELF) funds are also disbursed to many institutions in other states that participate in the SELF program to allow their Minnesota residents access to SELF.

Ideally, OHE would annually perform a complete and thorough review of each institution that received funds. However, that is not possible given limited time and staff. OHE's audit manager annually prioritizes each institution based on many reasons including, but not limited to:

- Number of years since its last audit
- Total enrollment and amount of OHE funds received
- Outcomes of prior audits of the institution
- Significant and recent staff changes in the financial aid office
- At the request of an OHE program manager
- Mix of different types of institutions
 - MN State two-year
 - MN State four-year
 - Private non-profit
 - Private for-profit/proprietary including one or more institutions offering clock-hour programs.
 - Out-of-state institutions participating in SELF Loan program

Standard Audit

A standard audit may cover:

- All programs in which an institution participated,
- Only one or more programs targeted for audit, or
- 100% of all student aid recipients in a given program.

Close Out Audit

In addition to the planned audits, OHE must conduct a close out audit of any institution that closes, loses eligibility for aid programs, or voluntarily ends its participation in one or more OHE programs. This can occur as a planned audit, but can also occur with little or no warning.

Depending on the circumstances of an individual institution, OHE's program managers may waive the close out requirement.

The period to audit is determined by when an institution ceases operations or otherwise ends its participation in OHE programs. Usually the audit period will be the current aid year, but it may include one or more prior aid years.

A close out audit should be performed while an institution is still in operation and approaching the announced date of closure. However, in some cases, a close out audit will need to be performed immediately after an institution closes while staff are still available to provide documents and answer questions.

Policy Audit

A policy audit is a form of targeted audit. OHE may audit an institution's policies and how the institution has implemented them. The most common policy audit topics are an institution's refund policies and procedures and its SAP policy.

Timeframe Audited

The timeframe audited is usually one aid year in the period from July 1 to June 30 to match the State of Minnesota's fiscal year. For 2021-22, the dates are July 1, 2021 through June 30, 2022. While some institutions may operate using different fiscal years, the compliance audit period should remain the July 1 to June 30 timeframe. An institution may request an exception from the OHE audit manager, but the audit manager's decision is not subject to appeal.

Multiple Aid Years Audited

OHE may plan an audit to cover more than one aid year in cases where an institution has very few students participating in OHE's programs. Or, a planned audit of one aid year may uncover issues that

prompt OHE to expand its scope into prior years. The following are examples of when a multi-year audit may be necessary:

- A planned audit for a single aid year that has already closed (e.g. 2021-22). OHE may expand the timeframe to the two prior completed aid years (e.g. 2020-21 and 2019-20).
- A planned audit or a close out audit for an open aid year (e.g. 2022-23). OHE may expand the timeframe to the prior three completed aid years.
- An audit during which a reviewer finds an institution may potentially or is intentionally mismanaging one or more Minnesota aid programs. The reviewer must discuss concerns with the OHE audit manager before doing any further audit work. Depending on the circumstances, an audit may be expanded beyond the time limits listed previously.
- Any audit of an institution offering clock-hour programs usually requires a reviewer to begin auditing a student's record from their first day of attendance through the current time if that student is still enrolled. This is necessary due to the unique process of determining payment periods and award amounts for MSG when a student is not enrolled on a full-time basis for the entire program. An inaccurate calculation in a student's first or preceding payment period will most likely cascade causing inaccuracies in all subsequent payment periods. This can be true even when a student's clock-hour program spans more than one aid year.

Programs to Be Audited

The following is a list of the active programs administered by OHE during the 2021-22 aid year that clock-hour schools were eligible to access for their students. Most institutions do not participate in every program every year. The most common programs to be reviewed at clock-hour schools are MSG, SELF, and MISP.

- Minnesota State Grant (MSG)
- Minnesota Dream Act (Dream Act)
- Public Safety Officer Survivor Grant (SOS)
- Minnesota Indian Scholarship Program (MISP)
- Emergency Assistance for Postsecondary Students (EAPS)—not new but audited for the first time in 2021-22
- State Work Study (SWS)
- Student Educational Loan Fund (SELF or SELF Loan)

Policies to Be Audited

Each institution must develop and annually review/update certain policies related to its administration of aid programs. Some of the policies match the Title IV requirements, but not all of the Title IV policies apply to every OHE program. Some policies are unique to an individual OHE program. Some policies are required to be created, while others are optional.

A reviewer must request from the institution each applicable item from the list below. A reviewer may accept electronic links (preferred method) in lieu of paper/scanned documents. A reviewer must obtain and review each policy prior to beginning the review of individual student files. A reviewer must use their understanding of the policies during the audit to verify that the institution complied with its policies.

If an institution has recently changed a policy, even if it was not in effect until after the 2021-22 aid year, a reviewer must request and review the updated policy for compliance purposes.

A reviewer must obtain additional information from clock-hour schools that is not required from term-based schools. Please note the bullet points at the end of the list for these additional items.

Policy/Forms List

- Academic calendar(s) for each program that was eligible for any state aid programs including any changes made during an academic year.
- Satisfactory Academic Progress (SAP) policy or policies if using more than one. Clock-hour institutions' SAP policy requirements and available flexibilities are unique so a reviewer must understand the nuances before evaluating a policy and/or checking for institutional SAP compliance. Clock-hour institutions must check SAP at official evaluation points as defined for Title IV programs. This may not coincide with the end of payment periods for MSG.
- Refund policies (see "Refunds" later in this guide).
- Allowing a student to waive receipt of MSG/CCG due to inability to obtain academic transcripts (see "Transcripts and Waiver of Aid" later in this guide).
- Leave of Absence (LOA)—mostly for clock-hour institutions and is voluntary.
- Form used to inform students at the institutions that were grandfathered in to continue participation in Minnesota aid programs that the institution does not participate in the federal Pell Grant program.
- Treatment of veteran's educational benefits and/or ROTC benefits when calculating SELF loan eligibility (see "Student Educational Loan Fund (SELF)" later in this guide).
- Clock-hour school's defined length of its academic year (minimum standard of 900 hours and 26 weeks of instructional time).
- Clock-hour school's catalog or other document describing each program including the number of clock-hours, etc.
- Clock-hour school's scheduled days of operation and patterns of attendance for each program offered that may be different for the same program if offered as both full-time and part-time versions.
- Clock-hour school's scheduled closed days (holidays, staff in-service, etc.) but also unscheduled closed days (snow days, etc.).

OHE's Audit Process

The OHE audit process is performed remotely by audit staff rather than on site at institutions. The process from beginning to end is as follows:

- The audit team selects next institution to audit from previously identified list of priority institutions or an institution that has announced its closure.
- Assigned reviewer(s) collect information from OHE program managers/OHE's computer systems to determine the programs the institution received funds from and if the institution has officially closed out each program for the year to be audited.
- After determining the overall population of student recipients by program, the reviewer selects a random sample to test using a statistical function to determine the proper sample size (see "Sampling Process" later in this guide).
- Reviewer creates a student list, which is an Excel spreadsheet with all program samples combined. The student list includes an OHE identity number assigned to each student for the purpose of allowing open communication with the institution without disclosing any protected personal information.
- Reviewer creates a sample letter including instructions to the institution explaining what documents OHE needs, how to securely download and upload the secure documents, and how to use the Excel spreadsheet with OHE identity numbers, etc.
- Reviewer and/or audit manager contacts the institution to set up a time for an entrance interview either virtually or by phone to review the audit process, to ask some initial questions, and to allow the institution to ask questions. Reviewer sends the sample letter and sample list to institution through the secure portal prior to the entrance interview.
- OHE provides a date by which the institution should upload all of the requested documents and information. For larger institutions with larger student sample sizes, OHE encourages institutions to upload documents in batches (e.g. by program) as they become available rather than sending all documents on the final due date.
- The option to print paper documents rather than uploading electronically is also available to institutions. The reviewer would then set up a time with the institution to pick up the documents.
- Reviewer creates the audit worksheets to be completed for each student selected by program.
- Reviewer monitors for receipt of documents from institution and reminds the institution as the due date approaches.
- Reviewer inspects documents and completes the audit worksheets. During this process, the reviewer documents any follow-up questions and notes potential findings. The reviewer may send follow-up questions in batches to the institution (e.g. by program) depending on the number of questions/issues to resolve.
- Reviewer discusses potential findings, recommendations, and other questions with audit manager before the reviewer conducts an exit meeting via phone or virtually with any institution staff that want to be involved.
- Reviewer writes the first draft of the audit report.

- Reviewer notifies the other reviewers that the draft is ready for their review, obtains feedback, and makes changes as necessary.
- Reviewer notifies the audit manager that the draft is ready for review.
- Audit manager assigns a report number and reviews the draft report and work papers. During the review process, the audit manager edits text and places comments and questions in the report margins.
- Audit manager and reviewer meet to discuss audit manager's questions and comments.
- Reviewer edits the draft based on audit manager's guidance and provides responses to the audit manager's question and comments.
- Audit manager may, if necessary, perform a second review of the draft. If the audit manager approves the draft, the reviewers send a copy to each OHE program manager who oversees any of the programs discussed in the report.
- Reviewer obtains feedback from the program managers including whether or not to leave a finding as a finding, reduce it to a recommendation, or remove it entirely from the report. During this process, the program managers also discuss questions with audit staff and determine if the amounts that will later be invoiced to the institution are appropriate.
- The approved draft version of the audit report is sent electronically to the financial aid director of the institution and the director's immediate supervisor. At the institution's request, the draft will be sent to other institutional staff.
- The institution has approximately 30 days to review the draft and either accept it as is or file appeals of specific items and submit documentation to OHE. An institution may request additional time to review. OHE will approve the request if the delay appears reasonable (e.g. not six months).
- In some cases, OHE may require the institution to perform a 100% review of all students within a program for one or more fiscal years based upon the findings identified. If this occurs, OHE will provide instructions as to what the institution must do and the format in which the institution is to report back to OHE. When possible, OHE requests that the additional review and report be completed as part of the institution's response to the draft report. If any additional instances of the finding are identified, then the institution can include in its report any additional amounts due to OHE. This allows OHE to include those amounts on the institution's final invoice.
- If an institution sends a formal appeal to OHE along with additional documents and/or explanation as to why one or more findings were not accurate in its view, OHE will review all of the new information. The reviewer and the audit manager perform the first review. Then, the reviewer and the audit manager meet with the appropriate program manager to discuss the appeal. The program manager's decision is final and may not be appealed.
- If the institution does not formally notify OHE during the 30 days of any appeals or if an appeal was filed and was reviewed by OHE, then OHE will make any necessary edits to the draft report and re-issue the report in final form. If the institution owes any funds to OHE as a result of an audit, an official invoice is created and included with the final report. The final report is sent to all of the institutional staff who received the draft version as well as to the chief executive officer (president or equivalent).

- The institution again has approximately 30 days during which it must prepare a corrective action plan (CAP) in response to each finding and recommendation in the final report. The CAP and the institution's payment (if applicable) are due on the date stated in the report.
- Reviewer monitors for receipt of the CAP and works with OHE financial services staff to track payments received. Once received, the reviewer reads the CAP and informs the audit manager of their opinion as to whether to accept it or return it to the institution for additional work.
- Audit manager makes final decision to close the audit based on the reasonableness of the CAP and the receipt of any funds due. Audit manager instructs reviewer to issue close letter.
- Reviewer issues the close letter to the institution.
- Reviewer updates various internal OHE spreadsheets for historical tracking purposes.

Sampling Process

The size of each program sample to audit will depend on the number of students participating in the program (the "population") and the results of prior audits. The reviewer should increase the sample size if they believe there is an increased possibility of financial aid disbursements to ineligible students or other issues.

NOTE: Sample size information for refund calculations appears under "Refunds" later in this guide.

If a population for an aid program is less than or equal to 10, then the sample size will be the population size.

If the reviewer determines that an institution had a systemic problem in calculating awards for a particular program, the reviewer may require the institution to perform a 100% review of the population for that program. The full review may cover the aid year under audit, the previous aid year, the aid year still open at the time of the audit, or any combination of these.

OHE uses a statistical compliance sampling model. The Excel function HYPGEOM.DIST is the tool used to determine sample sizes. The function has five arguments that are determined by the OHE audit manager in discussion with a reviewer. An initial sample should result in a level of compliance with a 75% confidence level using a tolerable error rate of no more than 3% with an expected error rate of zero.

The HYPGEOM.DIST function returns a decimal that is the complement of the confidence level. In other words, if the function's result is at or about 0.25 (25%), then the sample size used in the calculation is the correct one to yield a 75% confidence level.

The function's arguments for this application:

- Argument 1 is the expected error rate that must always be set to zero (0).
- Argument 2 is the sample size which must be determined after the other arguments are set; use trial and error entering various numbers until the function returns a result as close to 0.25 as possible.

- Argument 3 is a numerical value representing the tolerable errors in the entire population (e.g. if the population is 500 and the tolerable error rate is 3%, then the value to enter for Argument 3 is 15 (3% of 500). If the calculated number is not a whole number, always round up.
- Argument 4 is the total population to be sampled (e.g. the number of students who received MSG during the year under audit).
- Argument 5 is always set to TRUE to use the function in the way prescribed by the American Institute of Certified Public Accountants (AICPA).

Types of Testing

A reviewer's focus is on testing compliance with various attributes, requirements, and policies related to the administration of Minnesota programs. The objective of a compliance audit is not to provide an opinion on an institution's financial statements.

A test may be a "yes or no" question. For example, did a student meet the defined Minnesota residency requirement? A test may be to review a policy to make sure it includes all of the required elements. Sometimes, a written policy may be non-compliant even though in practice the process was correctly administered. A test may be of an internal control such as how do supervisors review and approve work study hours for payment.

Audit Exceptions to Be Identified and Documentation Process

A reviewer must document and report all exceptions identified during the audit to the OHE audit manager. However, how OHE notifies and discusses exceptions with an institution will vary depending on the nature and frequency of the exceptions.

Each phase of the operation of a financial aid program is subject to exceptions. For example, an institution may have properly determined every student's eligibility, disbursed the funds to the students, and processed any required refunds. However, if the institution did not follow OHE's required spending/reporting schedule, then there is an exception.

A reviewer must still document and report an exception even when an institution takes corrective action after it has closed out for an aid year. In many cases, the error was discovered while the institution was collecting requested documents for OHE's audit. This does not apply to errors found by an institution during its year-end reconciliation processes that occur after June 30 as these errors can be corrected before and as a part of the close out of the prior year's program.

Some exceptions may be so minor or infrequent that OHE will discuss the issues with the institution's financial aid staff either by phone or in an email. In either case, those issues will not appear in the audit report.

Exceptions Include Both Overawards and Underawards to Students

The staff of the institutions that participate in OHE's programs sometimes make errors during the administration of Title IV and OHE programs. Some errors result in a student receiving more aid than they were eligible to receive. Other errors result in a student receiving less aid than they were eligible to receive. Each of these situations must be documented as a finding.

In most cases, OHE will require an institution to return overawarded amounts either directly to OHE or to the SELF servicer. This return of funds may create or increase a student's balance due to an institution.

A reviewer must include a recommendation in the audit report strongly encouraging institutions to hold students harmless in these situations by either using institutional aid to pay the balance or write off the balance due without any further collection actions.

A reviewer must also document underawards and include a recommendation in the audit report strongly encouraging institutions to hold students harmless, even if a student is no longer enrolled at the institution. The recommendation should include some options for the institution. Examples include:

- If the student is still enrolled, the institution can apply institutional aid or make a reduction in tuition for the current aid year on the student's account. The entry should be clearly labeled as a correction of an error from the specific year of the error.
- If a student is no longer enrolled, the institution should determine if it has an accurate address, phone number, email, etc. to contact the former student. If it does, then the institution should contact the former student and make arrangements to pay the underawarded amount to the former student. Alternatively, with written permission and instructions (including email) from the former student, the institution may send the amount with a letter of explanation to a student's loan servicer/lender to reduce the student's debt.
- If the institution does not believe it has current contact information for the former student, then the institution should contact and work with the lender/servicer of the former student's loan or parent loan to arrange for direct payment to reduce debt subject to escheatment requirements.

OHE will, in limited circumstances, net an overaward finding with an underaward finding to reduce the total due to OHE. Both the overaward and the underaward must be for the same student within the same program in the same aid year.

The next section applies only to human or technological errors made at an institution. This section does not excuse a student or parent who intentionally submitted false data or who was attempting to manipulate the aid process.

Materiality Standards

- The accounting concept of materiality is that while errors or omissions may be present, an institution's financial statements as presented would not mislead a reader of the statements.

- A compliance audit does not provide an opinion as to the institution's overall financial statements and internal control. A Minnesota compliance audit reviews how program standards were applied (or not) to individual students and whether an institution's policies are compliant (e.g. SAP, refunds, etc.).
- Minnesota compliance audits have few materiality standards.
- If the institution made an error in processing an aid program for an individual student, even if the final award amount was correct, that is still considered a finding.
- If a disbursement amount was off by \$1, this is considered immaterial and is not a finding. In fact, this occurs frequently within the MSG program.
- If after the audit and any additional required full program reviews are completed, the institution owes a refund to OHE, and the total amount due is less than \$100, then no invoice will be issued. However, if any amount is due for a borrower's SELF loan, then the institution must return the funds back to Firstmark, and provide OHE with an email confirmation that it has been paid, so OHE can confirm it has been paid in Firstmark's database.

Types of Audit Exceptions and Requirements

OHE uses two different terms in audit reports to describe audit exceptions. OHE determines the level of exception using a list of questions. The following list is not intended to cover all possible questions.

- Did the same exception appear in one or more prior year's audits of the institution?
- Did OHE document the same exception as less than a finding (recommendation or comment) in a prior year's report with a warning that future exceptions of the same kind would be findings and could result in return of funds?
- How many students in the current year's sample had the same exception?
- What was the dollar value of the current year's exception?

The three levels of exceptions are:

- **Comment:** NOTE: No longer used beginning with audits of the 2021-22 aid year. Used when an institution appeared to have acted in good faith but was not fully aware of or understood a particular process or requirement. A comment is also used when a particular exception occurred for the first time at an institution and had limited impact to students. A comment may contain a warning that future occurrences of the same exception will be considered a finding and require the institution to return funds to OHE. An institution does not have to reply to a comment in its CAP.
- **Recommendation:** Used when OHE wants to encourage an institution to review and preferably make changes to one of its policies or procedures. OHE does not require repayment of funds under a recommendation. The institution does have to respond to each recommendation in its CAP to explain whether it intends to follow the recommendation or why it does not intend to follow it.
- **Finding:** Used to formally document an exception. Each finding will have at least one requirement associated with it. Each finding may also have one or more recommendations associated with it. These recommendations are considered a part of the finding and the institution must address each recommendation in addition to each requirement. A requirement may be a return of funds to OHE,

the need for the institution or OHE to perform a 100% audit of an entire program's student population for one or more years, and/or the need to create or edit a policy that OHE has determined to be not in compliance, etc. The institution must provide as part of its CAP a detailed response to each finding and related requirement and/or recommendation to explain why it thinks the issue occurred and what steps it will take to minimize the risk of the same issue occurring again.

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General Program Requirements for 2021-22 Compliance Audits of Minnesota Aid Programs

General and Specific Program Sections Not Considered to Be Comprehensive Audit Guidance

The following sections provide audit guidance for issues that apply to more than one program, followed by additional specific guidance for each individual program. **However, these sections are not intended to be comprehensive audit guidance.**

A reviewer will find some situations that are not completely addressed in this guide and must always audit a program using a combination of this guide and the State Financial Aid Manual. As noted earlier in this guide, a reviewer must be familiar with other federal and Minnesota reference materials when performing an audit.

Reference Materials for Both Institutions and Reviewers

The following are reference and guidance materials that both institutions and reviewers must use to remain in compliance with the requirements of Minnesota aid programs. While reviewers are not expected to memorize all of the following, they must be very familiar with the information and know generally where to find specific information when needed during an audit. Reviewers must cite specific references for each finding as well as for most stand-alone recommendations.

NOTE: When a Minnesota Statute conflicts with a Minnesota Administrative Rule, the statute takes precedence.

- [2021-22 Federal Student Aid Handbook including the Application and Verification Guide](#)¹- note that the official guidance is the federal regulations and other source materials from which ED prepares the Handbook.
- [Federal Program Integrity Information](#)²- Questions and Answers as updated.
- [Federal COVID guidance](#)³- related to Title IV programs.
- [OHE COVID guidance](#)⁴- related to its programs.
- [Minnesota State Financial Aid Manual](#)⁵- use the current version of each chapter as it appears on OHE's website subject to exceptions noted in this guide.

¹ <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/pdf/2021-2022>

² <https://www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity-qa.html>

³ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2021-01-15/publication-federal-register-updated-waivers-and-modifications-statutory-and-regulatory-provisions-under-heroes-act-ea-id-ohe-announcements-21-05-updated-feb-26-2021>

⁴ <http://www.ohe.state.mn.us/mPg.cfm?pageID=891>

⁵ <https://www.ohe.state.mn.us/mPg.cfm?pageID=891>

- Updates to Minnesota programs that occurred after the most recent version of the Minnesota State Financial Aid Manual and was provided by OHE program managers to institutions.
- [2021 Minnesota Statutes 136A. Higher Education](https://www.revisor.mn.gov/statutes/cite/136A)⁶.
- Minnesota Administrative Rules [Chapter 4830](https://www.revisor.mn.gov/rules/4830/)⁷ for most programs other than SELF and [Chapter 4850](https://www.revisor.mn.gov/rules/4850/)⁸ for SELF Loans.
- [2021 Minnesota Statutes 299A.41 through 299A.47 Public Safety Officer and Survivor Benefits](https://www.revisor.mn.gov/statutes/cite/299A)⁹.

Required Items to Review That Are Not Specific to an Individual Program

Institution's Financial Aid Office's Understanding of Program Requirements

An institution's financial aid office staff is expected to understand how to accurately administer each OHE program in which it participates. OHE provides both formal and informal training sessions for institutions. OHE expects that an institution will contact an OHE program manager or the audit department at the time a question arises rather than after the close of an aid year.

OHE assumes that a financial aid staff has taken all necessary actions to:

- Be familiar with both federal Title IV and OHE program requirements.
- Read and understand the Federal Student Aid Handbook, the Minnesota State Financial Aid Manual, and other information referred to in those documents (e.g. income tax issues).
- Remain up-to-date on any program changes announced by both the U.S. Department of Education (ED) and OHE.

Records Retention and Availability to Audit

The following is from the December 2021 State Financial Aid Manual Minnesota State Grant Program page 101:

The school must make available all pertinent books, documents, papers and records for audit and examination for three years after the last day of a fiscal year or until all audit exceptions for the period are resolved.

OHE's policy is to audit aid years prior to the year currently under audit when certain findings (e.g. Minnesota residency) are identified in the current year's audit. OHE has agreed with institutions that it will only audit back for a total of three aid years including the current year under audit. OHE is not bound by this agreement if reviewers find evidence of an institution administering State aid funds in a potentially fraudulent or grossly negligent manner. Clock-hour schools must retain and be able to

⁶ <https://www.revisor.mn.gov/statutes/cite/136A>

⁷ <https://www.revisor.mn.gov/rules/4830/>

⁸ <https://www.revisor.mn.gov/rules/4850/>

⁹ <https://www.revisor.mn.gov/statutes/cite/299A>

provide OHE the required records and documents necessary to audit a student from their first day of enrollment through their final date of attendance adjusted for any LOAs, etc.

Student Accounts Required

OHE requires an institution to have a separate student account for each student. **OHE strongly recommends** an institution run **all transactions** through a student's account. This provides the institution, the student, and reviewers a complete record. Each transaction must be dated as the dates are used to determine student eligibility for an aid disbursement.

Special disbursement note: OHE has stated that even if an institution advances its own funds to credit a student's account but labels the disbursement as, for example, MSG, then as of that date, a receivable from OHE is established for the institution. That receivable amount is not guaranteed because of certain special circumstances related to a student's enrollment level changing and usually occurs when an institution uses summer as a header term. Certain OHE programs have other special conditions that could override this general statement.

Transactions include:

- Charges
- Adjustments to original charges for reasons such as enrollment changes, withdrawal from classes, etc.
- Personal payment credits
- Disbursements of financial aid including the name of the aid program
- Payments made from the student account (refunds of excess funds to students for living expenses, return of aid to an aid program due to a student's withdrawal, etc.)

Again, even though program specific guidance may allow for aid to be disbursed directly to a student, OHE strongly recommends institutions run all activity through a student's account. An institution that chooses to make payments outside of a student's account must follow the OHE requirements stated in the State Financial Aid Manual.

A reviewer should include questions in the entrance interview about an institution's use of external partners such as Higher One to process refunds to students.

Cash Management

OHE's grant and scholarship programs are funded by legislative appropriations of Minnesota taxpayer monies. OHE's SELF Loan program is designed to be self-sustaining using the principal and interest payments made by past and current borrowers to make new loans. Institutions that participate in OHE's programs are stewards of these funds and must follow OHE's cash management requirements.

OHE either requires or encourages an institution to properly segregate and account for each Minnesota aid program's funds within its general ledger. For example, MSG funds **must be** accounted for in a

separate general ledger account. Separate accounts ease the tasks of monitoring during the year and reconciliation at the end of a term or year.

Institutions are required to monitor their cash positions for each program. In general, institutions are required to return cash to OHE as soon as it becomes reasonably certain that it will not spend all the cash it has on hand. An individual aid program may have more specific requirements. Further, institutions must return cash to OHE within 10 days following receipt of a request from OHE.

Transcripts and Waiver of Aid

OHE discovered an instance where an institution within Minnesota was allowing students to waive receipt of MSG due to the inability to obtain transcripts from previously attended institutions. Without all transcripts, the current institution cannot complete the LPAR (Limit on Postsecondary Attendance Review) unit calculation process to determine remaining eligibility for MSG funds.

OHE developed a waiver form for both a student and a financial aid staff member to sign. This waiver also includes information for the student to review about how they could possibly obtain their transcripts allowing the current institution to calculate MSG eligibility.

Because a student's financial aid application for other programs (e.g. MISP) is not considered complete if a student signs this waiver, the student becomes ineligible for those programs as well.

Minnesota Residency

Most of OHE's aid programs require a student applicant to be a Minnesota resident as defined for each program. Minnesota residency is not simply based on a student's address or year of state residency from their Free Application for Federal Student Aid (FAFSA). Minnesota residency for in-state tuition at public institutions does not necessarily equate to Minnesota residency for OHE aid programs.

Each institution must have a process by which it can accurately determine an applicant's Minnesota resident status. This may include a requirement to complete an additional questionnaire attached to the FAFSA on-line process or as a stand-alone form. The admissions process could include the necessary questions and document requests needed for a financial aid office to make a determination.

A Valid ISIR/SAR

The "FEDERAL FOUNDATION"

OHE has adopted the Federal Title IV aid application process (FAFSA) to also serve as a student's initial application for most Minnesota aid programs. In addition to meeting the Title IV requirements, each Minnesota program has other requirements that are discussed later in this guide.

The federal central processing system (CPS) sends the processed information as an output document to Title IV institutions selected by the student. This output document is called an Institutional Student Information Record (ISIR). The recipient institution(s) must review the ISIR to determine if it is a "valid ISIR". "Valid ISIR" is defined as an ISIR that is free of errors, has no unresolved conflicting information or

codes, and/or has been secondarily reviewed by the institution if the ISIR was flagged for verification by either the CPS or the institution itself. Institutions use a valid ISIR and other information to award aid from both Federal Title IV and Minnesota programs. However, some federal requirements do not apply in all cases. For example, if a student has failed to register for the Selective Service, that could be a barrier for Title IV purposes but not for MSG awarding purposes (with an exception for Dream Act students).

The primary reference tool for institutions to use is the Application and Verification Guide (AVG). The AVG is a part of the Federal Student Aid Handbook. The AVG and the Handbook are updated annually by ED.

OHE considers a valid ISIR to be “the federal foundation.” If an institution uses an ISIR that has not been properly reviewed to become a valid ISIR, then the foundation for awarding Minnesota aid is not laid properly. The Minnesota program awards built on top of the foundation will also likely be invalid. This means that an institution may have to return to OHE up to the full amount of Minnesota aid that was previously disbursed to a student.

Institutions Assumed to Have Certain Federal Income Tax Knowledge

The AVG includes federal requirements for institutions to follow to avoid awarding with invalid ISIRs. One specific requirement relates to an institution’s assumed knowledge of certain federal income tax matters. The following was taken from page AVG-94 of the 2021-22 AVG:

Financial aid administrators do not need to be tax experts, yet there are some issues that even a layperson with basic tax law information can evaluate. Because conflicting data often involve such information, FAAs must have a fundamental understanding of relevant tax issues that can considerably affect the need analysis. You are obligated to know:

(1) whether a person was required to file a tax return and

(2) what the correct filing status for a person should be.

For example, an FAA who notices that a dependent student’s parents, who are married and live together, have each filed as head of household (which offers a greater tax deduction than filing single or married) must ask if that is the right status. [IRS]

Publication 17 explains...the criteria a person must meet to file as head of household.

Resolution of the conflict could be the parents refiling and submitting a copy of the amended return or a reasonable explanation of why there really is no conflict under IRS rules.

OHE’s audit department has identified an increasing number of tax-related findings. Most of those findings are related to the head of household filing status and various issues related to whether and how an undocumented person should file. Some cases related to an undocumented person being married to a U.S. citizen. As noted in the excerpt from the AVG, IRS Publication 17 is a good resource for these types of issues.

The CPS includes one or more comment codes on the ISIR related to data match results. Some of these comments relate to a mismatch of the applicant's or applicant's parent's tax filing status versus their marital status. For the 2021-22 aid year, comment codes 361 through 368 were used to draw an institution's attention to a possible mismatch of information. Since there are valid reasons for some of the mismatches, ED "...encourages, but does not require, institutions to review the applicant's record to determine if the reported status is correct and that the correct income and other information were reported on the FAFSA."

OHE reviewers will not issue a finding if an institution chooses not to do further review when these comment codes appear. However, if during its audit, OHE determines that there were issues related to the mismatch of information, it may issue a finding and may require the return of OHE aid funds.

Certain Minnesota Institutions Do Not Participate in Federal Title IV Programs

A small number of Minnesota institutions were allowed to continue their participation in Minnesota aid programs even though they do not participate in Federal Title IV programs. These institutions were already participating in OHE programs but not participating in the federal Pell Grant program as of July 1, 2010. A statutory change to MS 136A.103 required institutions to participate in the Pell program before they could apply to participate in OHE programs. The small number of institutions were grandfathered in allowing them to continue to participate in OHE programs until some future event such as a change of institutional ownership.

Since these institutions do not participate in Title IV programs, the CPS cannot send ISIRs to them. The CPS does send a Student Aid Report (SAR) to a student who filed a FAFSA. The institution must obtain a SAR from each student who filed a FAFSA. The institution then proceeds as described earlier regarding ISIRs to ensure the SAR is valid before awarding Minnesota aid.

Valid ISIR/SAR Issues and Findings

- Non-Title IV schools unable to determine what level of verification to perform as it was not indicated on a SAR. OHE said that they must do full verification for each student selected.
- Non-Title IV school not working with students to submit required SAR changes due to verification or professional judgment.
- Institutions not following Title IV requirements in AVG for when corrections must be submitted to CPS.
- Institution awarded and paid MN aid based on an invalid ISIR/SAR.

Refunds

The word "refund" can be used in several ways when discussing student accounts and financial aid. A reviewer must clearly communicate with the institution under audit about the type(s) of "refund" they wish to review.

"Refund" may be used in reference to the following situations:

- Title IV credit balance on a student's account.
- Minnesota credit balance on a student's account.
- "Standard credit balance"-an excess of payments and credits over charges on a student account that does not meet either Title IV or Minnesota credit balance standards. This may occur during a student's enrollment or following a student's withdrawal from an institution.
- A reduction in tuition, fees, or other charges due to student's change of enrollment while still enrolled including fully withdrawing during a term or payment period.
- The required return of Title IV aid funds as calculated under the R2T4 process when a student is considered to be fully withdrawn from enrollment prior to completing at least 60% of the term or payment period.
- The OHE Refund Calculation process used to determine if an institution must return OHE aid funds to OHE following a student's partial or complete withdrawal from enrollment prior to completing a term or payment period.

Title IV Credit Balance

Reference: 2021-22 FSA Handbook, Volume 4, pages 4-54 through 4-76

A Title IV credit balance occurs whenever the amount of Title IV funds credited to a student's account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period. Please see Volume 5 for a discussion of credit balances when a student withdraws.

While OHE does not have the ability to require an institution to take action to correct any federal issues identified during an audit, OHE may include an explanatory note in the audit report describing those issues.

Minnesota Credit Balance

Reference: State Financial Aid Manual-Minnesota State Grant Program-pages 75 to 76

The same language is also found in most, if not all, other OHE program manuals including State Work Study as a student may authorize an institution to credit work earnings directly to their student account.

Unless otherwise authorized by the student, whenever an institution applies state financial aid disbursements to a student's account and determines that the amount of those disbursements exceeds or exceeded the amount of allowable charges the institution assessed the student, the institution must pay that balance directly to the student as soon as possible but within 14 days of the later of:

- a. the date that balance occurs,*
- b. the first day of classes of a payment period/period of enrollment as applicable, or*
- c. the date the student rescinds his or her authorization to hold funds.*

This also applies to cases where the institution posts State Grant disbursements to the student's account prior to receipt of State Grant funds from the Agency.

A reviewer must keep this requirement in mind when reviewing a student's account during an audit. There are additional nuances that require a reviewer to consult the pages of the MSG manual listed above.

“Standard Credit Balance”

A student may have a credit balance due to them but the credit balance does not rise to the level of either a Title IV or Minnesota Credit Balance.

This type of credit balance occurs when there is a mixture of sources of financial aid, possibly including institutional scholarships, outside scholarships, tribal funding, or other aid and payments that exceed the student's charges for the term or payment period. This type of credit balance may also be created as the result of a student changing enrollment level up to and including full withdrawal from school during a term or payment period. After all required calculations and any associated required refunds of aid to the source programs have been completed, any remaining credit balance belongs to the student.

Possible Issues and Audit Findings

An institution chooses to return additional credit balance funds to a student's lender (including OHE via SELF) with the good intention of reducing a student's outstanding student loan debt. No refunds beyond those required by statute, regulation, policy, law, etc. may be initiated by an institution without first obtaining written and signed (email is permissible) instructions from a student.

One reference to this issue is found in Volume 4, Chapter 2, page 4-61 of the 2021-22 Federal Student Aid Handbook. The following quote refers specifically to the handling of a Title IV credit balance, but it is also applicable to a “standard credit balance” as defined above.

Prior to releasing a Title IV credit balance, a school may ask a student if he or she would like any or all of the Title IV credit balance funds to be returned to his or her Direct Loans in an effort to reduce any outstanding federal student loan debt. This practice is acceptable as long as the student is made aware of the full Title IV credit balance amount and the student clearly indicates in writing the specific amount of the Title IV credit balance he or she would like returned.

In the case of a “standard credit balance”, a student may instruct in writing an institution to return funds to one or more of their student loans including SELF or other private loans.

Policies for Reductions in Tuition, Fees, and other Charges

The following refers to “refund policies.” In practice, they are policies relating to whether and how an institution reduces charges when a student adjusts enrollment level including fully withdrawing during a term or payment period. The term “refund” can be misleading as the result of the application of a policy may result in a student owing a balance to the institution.

Each institution that participates in federal and/or state aid programs must have an institutional refund policy. This policy addresses what, if any, reductions are made to a student's charges if the student adjusts their enrollment level including fully withdrawing from school during a term or payment period.

OHE either licenses or registers schools (sometimes only certain programs) which allows the schools to operate. Each of the two types of institutions are subject to different refund policy requirements.

Registered institutions may create their own refund policy; neither ED nor OHE may impose minimum requirements.

A licensed institution is one that does not offer at least a two-year degree program. Licensed institutions **must** use OHE's statutory refund policy. The policy and requirements are under [2022 MS 136A.827](#).

Many clock-hour institutions in Minnesota fall under the licensed category and are, therefore, required to use OHE's refund policy under MS 136A.827. Reviewers must read and be able to implement the OHE refund policy in order to audit student withdrawals from clock-hour programs. OHE's audit division also serves as a resource for institutions to consult for questions related to the OHE refund policy.

Some clock-hour programs use enrollment agreements under which a student agrees to pay a program's full charges as opposed to being charged and responsible for payment term or payment period. OHE refers to these programs as those that "charge up front" as the student incurs an obligation for the full program charges even if they withdraw before completing the program. OHE provides a version of its OHE Refund Calculation Spreadsheet specifically for use by institutions that charge up front for its programs.

There are unique Title IV requirements for pro-rating COA for programs that charge up front. These requirements impact awarding, credit balances, and total withdrawal calculations. It is very important for a reviewer to be aware of these requirements while performing an audit of these types of programs.

A reviewer should review and be familiar with Title IV requirements provided in various places within the Federal Student Aid Handbook. The following references are from the 2021-22 Handbook:

A school may charge the total tuition cost of a program at the beginning of the first period of enrollment. If the program is longer than an academic year, for Direct Loans and Campus-Based aid, the tuition costs apply only to the first period of enrollment. For example, if a school charges the entire \$10,000 tuition cost for a program up front, the \$10,000 will be included in the first academic year's COA when packaging Direct Loans and Campus-Based aid but would not be included in the second academic year's COA components. For Pell Grants, you must prorate these charges to reflect the academic year in accordance with the procedures outlined in Chapter 3. [Volume 3, Chapter 2, page 3-60]

- Pell formula 4: clock-hour and non-term credit hour programs [Volume 3, Chapter 3, page 3-85]
- Prorating charges; includes an example for an institution charging up front for a program. [Volume 4, Chapter 2, beginning on page 4-35]

- Prorating charges for the purpose of completing an R2T4 calculation in the event a student fully withdraws from an institution. [Volume 5, Chapter 1, beginning on page 5-32]

Required Audit of a Sample of Students that Fully Withdrew during a Term or Payment Period

References

- FSA Handbook-Volume 5—for R2T4 information
- 2021 MS 136A.827—for statutory refund policy required for licensed institutions
- Minnesota Financial Aid Handbook—Minnesota State Grant Program
- Minnesota Financial Aid Handbook—SELF Loan Program

When a student fully withdraws from an institution without completing the academic term or payment period, it can trigger up to three separate processes for an institution to complete.

The three processes are:

- Institutional refund policy-see “Policies for Reductions in Tuition, Fees, and other Charges.”
- Return of Title IV Funds (R2T4)—only applicable if the student was considered a recipient of Title IV aid other than Federal Work Study.
- OHE Refund Calculation—only applicable if the student was a recipient of aid from an OHE program other than State Work Study. **NOTE:** In some cases, an institution may determine that based on the results of the first two bullet points above, there is no possibility of any funds being returned to OHE. In that case, an institution does not need to complete the OHE Refund Calculation process, but must at least **make a note in the student’s file**. A reviewer seeing this note then knows that the institution at least was aware of the OHE refund process requirement.

The order in which an institution completes the three processes is important. The OHE Refund Calculation process must be completed last as the results of the first two processes flow into the OHE process.

OHE provides Excel spreadsheets to assist institutions with the OHE Refund Calculation process. One version of the spreadsheet is for schools that charge up front for a student’s entire program. This is typically used for clock-hour programs at cosmetology and barber schools. However, institutions are not required to use OHE’s forms and may use their own as long as the results are the same.

A reviewer must be familiar with all of the processes and related forms. Reviewing a student’s file to verify the accurate completion of the various refund processes may require a reviewer to consult one or more of the references listed above. There are too many nuances and exceptions, especially within the R2T4 and the OHE processes, to cover here in this guide.

Refund Sample Size

The refund sample is usually not requested in OHE’s original sample letter to an institution, but will be requested later in the process.

The refund population is the list of all students who received aid from one or more OHE programs (except SWS) that fully withdrew from school during the 2021-2022 aid year. This includes withdrawals initiated by a clock-hour school if a student does not attend classes for 14 consecutive days and the school has not had contact with the student to determine what the student's plans are.

The refund sample is usually not simply a random sample from the population. As a reviewer works through the student files from the other OHE program samples, they may find one or more students that totally withdrew from school. The reviewer must verify the refund calculations for any student that was already in a program sample. The reviewer must track the number of refunds verified in this manner.

The refund sample size is at least 5% of the total refund population capped at 20 students. However, any student refunds reviewed as part of other OHE program samples may be used as part of the total sample.

The refund sample is normally not finalized until after the other program samples have been reviewed. If a reviewer has already reviewed enough refunds to meet the 5% sample capped at 20 students, then they do not need to request any additional student files. If the sample size has not been reached, then the reviewer must randomly select additional students from the refund population list. If a random selection has already been reviewed as part of other OHE programs, the reviewer will select the next name in the population. A reviewer will then submit a second sample request to the institution.

The reviewer will include the results of the review of the refund policies as well as the refund sample audit as a separate section of the OHE audit report.

Special COVID Guidance for Programs during the 2021-22 Aid Year

ED issued a series of special guidance documents related to the COVID pandemic and Title IV programs beginning in March 2020. The first guidance was based on the CARES Act (Coronavirus Aid, Relief, and Economic Security Act). This guidance was subsequently amended and expanded several times.

Many of the Title IV waivers and flexibilities remained active during the entire 2021-22 academic year. See the resources listed under "Reference Materials for Both Institutions and Reviewers" earlier in this guide.

As stated previously in this guide, OHE does not have the authority to require an institution to correct any federal issues that are not also part of OHE's program requirements. However, OHE will include explanatory notations in the audit report if it believes an institution did not properly follow federal guidance, especially if it resulted in negative impacts on students.

OHE's Commissioner was granted special authority by the Minnesota legislature to suspend or otherwise change specific statutes, rules, and policies related to OHE's programs during the time Minnesota was under a peacetime health emergency declaration by the Governor. These special powers were to end as of the later of December 31, 2020 or 60 days following the end of the declared health emergency.

The health emergency officially ended on July 1, 2021. OHE issued on July 16, 2021 a final guidance document announcing the end of the special Minnesota waivers and flexibilities. No special COVID waivers or flexibilities applied to the 2021-22 academic year.

OHE published its COVID guidance at the top of its webpage for “Campus Financial Aid Administrator Resources” that also contains the State Financial Aid Manual. The link to the webpage on the OHE’s website is: <http://www.ohe.state.mn.us/mPg.cfm?pageID=891>

The title of the guidance document that applied to 2021-22 is *Expiration of Peacetime Public Health Emergency/COVID 19*.

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Specific Program Requirements to Review for 2021-22 Compliance Audits of Minnesota Aid Programs

Minnesota State Grant (MSG)

Regulatory References

- 2021 MS 136A.121
- MN Rules Chapter 4830.0100-4830.0700
- April 2022-State Financial Aid Manual-Common Definitions (SFA-CD)
- December 2021-State Financial Aid Manual-Minnesota State Grant Program (SFA-MSG)

Eligible institutions

OHE's financial aid division using established criteria annually creates a list of MSG-eligible institutions. Each institution must sign a participation agreement that covers most OHE programs with the exception of SELF. The audit department does not participate in the process. Only institutions approved by OHE to process MSG awards will be subject to MSG compliance audits.

Student Application Process

- Submit FAFSA.
- Institution must obtain additional information from a student to verify Minnesota residency and prior postsecondary attendance via a State Grant Student Eligibility Questionnaire or by other acceptable methods. See the SFA-MSG beginning on page 12.

Student Eligibility Requirements

An institution that receives a student's ISIR/SAR must first take steps to ensure that it is a valid ISIR/SAR (see previous section). Then, using the valid ISIR/SAR and other application documents, it must determine if a student is eligible to be considered for an MSG award. The following table shows the basic requirements and the additional references needed to determine student eligibility.

It is important for a reviewer not to assume answers to eligibility questions based solely on the review of a student's ISIR/SAR. Each of the eligibility requirements has nuances and exceptions to consider and that is why a reviewer must become familiar with and refer often to the items in the reference columns in the table. For example, to determine a student's cumulative enrollment to date (units), an institution must obtain transcripts from other institutions the student has attended. Within that process, there are exceptions related to what credits are and are not counted.

MSG Eligibility Requirements

Eligibility Requirement	State Financial Aid Manual Reference	Statutes and/or Rules Reference
Minnesota resident	SFA-CD beginning on page 9	MS 136A.101 Subd 8 MS 136A.121 Subd 2 (1)
Graduate of a secondary school OR received GED OR at least 17 years of age at time of disbursement of MSG	SFA-MSG-beginning on page 26	MS 136A.121 Subd 2 (2)
Undergraduate student	SFA-MSG-beginning on page 16	MS 136A.121 Subd 9
Not exceeded equivalent of eight semesters of full-time enrollment (LPAR) excluding developmental education courses taken on or after July 1, 2021	SFA-MSG-pages 16 to 26 and pages 32 to 33	MS 136A.121 Subd 9
Not in default on a student educational loan	SFA-MSG page 27	MS 136A.121 Subd 2 (4)
Not more than 30 days in arrears for child support payments (unless complying with a written payment plan)	SFA-MSG- beginning on page 27	MS 136A.121 Subd 2 (5)
Enrolled at a MN institution for at least three credits while pursuing a program that apply to degree, diploma, certificate at any eligible MN institution	SFA-MSG-beginning on page 28	MS 136A.101 Subd 7
Pursuing a degree, diploma, or certificate	SFA-MSG-beginning on page 28	MN Rules 4830.0400 Subp 4 (C)
Making SAP on date of disbursement	SFA-CD-beginning on page 17 SFA-MSG-page 37	MN Rules 4830.0400 Subp 5
Does not owe a State Grant overpayment to OHE	SFA-MSG-beginning on page 26	N/A
Not receiving tuition reciprocity benefits from another state while attending a MN institution	SFA-MSG-page 37	N/A

Awarding State Grants

For more details, refer to the SFA-MSG pages 43 to 69.

After an institution has validated a student's eligibility per the previous section, it may then determine if it should award an MSG to a student.

MSG awards are calculated using Minnesota's Shared Responsibility Formula. There is one formula for two-year or less institutions and one for four-year institutions. The basic structure of the formula appears in the SFA-MSG Appendix J.

Each institution must have a software system to calculate MSG awards that can interface with OHE's MSG Decentralized Delivery System (DDS). This includes being able to accurately prorate MSG awards based on a student's enrollment level for each term of enrollment during the aid year.

The Minnesota legislature (with minor exceptions granted to OHE) determines the annual parameters to be used in the Shared Responsibility Formula. Detailed information about the parameters listed below begins in the SFA-MSG on page 43.

The parameters used for the 2021-22 aid were:

- Annual tuition and fees cap for two-year institutions: \$6,288
- Annual tuition and fees cap for four-year institutions: \$15,368
- Annual living and miscellaneous expense (LME) allowance: \$10,530
- Expected student share: 50%
- For dependent students, factor to multiply against the nine-month Parent Contribution (PC): 79%
- For independent students without dependents, factor to multiply against the nine-month expected family contribution (EFC): 35%
- For independent students with dependents, factor to multiply against the nine-month EFC: 71%
- The 2021-22 Federal Pell Grant tables

A reviewer must check the accuracy of MSG awards by comparing the amount calculated by the institution with the amount calculated by OHE. As mentioned earlier in "Materiality," it is very common for term awards to be off by \$1 and this is not an audit exception.

MSG Review Process

Process or attribute to review	What to review	State Grant Manual Reference
Date FAFSA received by CPS	FAFSA must have been received by CPS no later than the 30 th calendar day of the term in order to be eligible for MSG for that term	SFA-MSG pages 11 to 12

Process or attribute to review	What to review	State Grant Manual Reference
MSG budget	Budget used to calculate MSG for each term matches the student's program length (2 or 4). Other special circumstances impacting budget accurately handled.	SFA-MSG beginning on page 43
Attended multiple institutions during same term	Student may not receive awards for more than 15 credits per term	SFA-MSG beginning on page 48
Consortium or contractual agreements	Did "home" school accurately calculate award with correct budgets.	SFA-MSG beginning on page 68
Total MSG credits paid for aid year	MSG maximum per year is 60 quarter credits or 45 semester credits, was there a partial award for remaining credits in final term	SFA-MSG beginning on page 54
Attended multiple institutions during same aid year	Maximum MSG credits, credits translated if schools do not operate on same academic terms (quarter/semester)	SFA-MSG page 54
Summer term awards	Institution may not require additional student request for summer awards—must occur automatically if enrolled	SFA-MSG page 56
Crossover terms	If academic term begins before July 1 and ends after July 1, was the MSG calculated and paid using only one year's data based on institution's choice	SFA-MSG beginning on page 56
Minimum term award	\$50 for semesters and \$33 for quarters	MS 136A.121 Subd 5

Special Clock-Hour Requirements to Determine Payment Period Lengths, MSG Award Amounts, and Disbursement Dates

MSG Versus Pell Payment Periods

OHE currently does not follow the Pell model for determining length of MSG payment periods and award amounts. ED considers a full-time student to be attending on average at least 24 clock hours per week. OHE defines a full-time student as one who attends on average at least 30 clock hours per week.

ED considers every student in a clock-hour program to be attending full-time no matter what a student's actual attendance level is (subject to COA issues and other exceptions). In general, ED directs an institution to disburse a full-time Pell Grant (subject to EFC and other eligibility requirements) during a student's first payment period. For example, if an institution defines their academic year as 900 clock hours and 26 weeks of instructional time, then the first payment period ends after a student successfully completes 450 clock hours and 13 weeks of instructional time. The first full-time Pell Grant disbursement for payment period one is made even if the student is attending at a lesser enrollment level. However, the student cannot receive the next full-time Pell disbursement until they have successfully completed both 450 hours and 13 weeks of instructional time. If a student is attending at a half-time enrollment level, it will generally take that student twice as long to complete the 450 hours compared with a full-time student.

OHE uses a different approach to determine the length of a clock-hour student's payment periods and MSG award amounts. A student who attends on average at least 30 hours per week is considered full-time for MSG and, subject to meeting other eligibility requirements, may receive a Level 15 MSG award. However, the timing of the disbursement could change the MSG enrollment level.

A student and institution usually sign an enrollment agreement that includes many important items including the weekly number of hours the student is expected to attend. For example, if a student contracts to attend at least 30 hours per week, that equates to a Level 15 MSG. Similarly, if a student contracts to attend 18 hours per week, that equates to a Level 9 MSG. As long as the institution disburses the MSG within the first 14 calendar days of the student's first payment period, the amount of the award and the payment period length will be based on the enrollment level for which the student contracted.

If the institution does not disburse within the first 14 calendar days of the payment period, then it must perform an additional calculation to determine the student's MSG enrollment level. The institution must calculate the student's actual average hours attended during the period from the student's first day of attendance through the date of disbursement.

Special Calculation Note 1: An institution may only calculate enrollment levels using completed days of attendance. When an institution performs the enrollment level calculation also determines the proper date of disbursement on a student's account that is also reported to OHE. If an institution performs the enrollment level calculation at the end of a day after a student has logged all of their hours for that day, then those hours and that day must be included in the calculation; the disbursement date must be the date of the calculation. If an institution performs the enrollment calculation during a day when a student is in attendance but has not completed all of their hours, then the calculation will include only the hours and days completed through the prior day; the disbursement date must be the prior day's date.

OHE has created an OHE clock-hour spreadsheet to use along with instructions in a PowerPoint presentation for use by institutions as well as by OHE reviewers. Institutions are not required to use OHE's spreadsheet, however, institutions will be subject to audit findings if its calculations do not match OHE's review. Average weekly hours are determined by dividing the total hours successfully completed during the appropriate time interval by the number of scheduled weeks during the same interval. The length of a scheduled week is capped by OHE at five days even if the institution is open more than five days per week. Each scheduled day counts for 0.2 of a scheduled week. See SFA-MSG page 79 for more information on this topic.

If the result of this additional calculation shows the student has been attending on average at least 30 hours per week, then the institution may disburse the Level 15 MSG. However, if the result shows that the student has been attending less than 30 hours per week, the institution must make two adjustments.

First, based on the actual average hours attended (with the result being truncated, not rounded), the institution must use the table on page 29 of the SFA-MSG to convert average hours per week of attendance to a MSG enrollment level. For example, if the student actually averaged 29 hours per week, then the institution could only disburse a Level 14 MSG award. The previously mentioned OHE audit spreadsheet also includes the tools to easily convert average hours per week to MSG enrollment level for institutions with either two or three payment periods in their academic year.

Second, unlike Pell Grant where the payment period is always based on the assumption that a student is attending full-time, OHE requires the adjustment of payment period lengths when a student is attending fewer than 30 hours per week. Continuing the example above where the institution determined that the student was attending only 29 hours per week, this changes the MSG payment period length from 450 hours to 420 hours. Again, the previously mentioned OHE audit worksheet includes the tools to easily calculate reduced payment period lengths.

At this point, we know that the student's first payment period will run from hour 1 through hour 420 and they have received a Level 14 MSG disbursement. Subsequent payment periods are handled similarly but with additional calculation requirements.

Once the student successfully completes the 420 hours and the associated instructional weeks, the institution may determine if the student is eligible for a MSG disbursement for the second payment period. Again, the calculation instructions are determined by whether the institution disburses the second MSG award within the first 14 days of the second payment period.

If the institution does disburse within the first 14 days of the second payment period, the calculation to determine the MSG enrollment level is based on the student's actual average weekly hours of attendance during the first payment period (hours 1 through 420 and the available days). If the student actually ended up attending an average of 30 hours per week, then the institution may disburse a Level 15 MSG and the next payment period will be 450 hours running from hour 421 through hour 870. But, if the student's actual attendance dropped to 27 hours per week, then the institution may only disburse a Level 13 MSG. The second payment period would be 390 hours and the payment period would run from hour 421 through hour 810.

If the institution does not disburse within the first 14 days of the second payment period, then the calculation is different. The institution must calculate the student's actual average weekly hours of attendance from the beginning of the previous payment period (in this example, the beginning of the first payment period) through the date of disbursement. The rest of this scenario follows the immediately preceding paragraph to determine MSG enrollment level and the length of the second payment period.

This process continues during the entirety of a student's clock-hour program. The final MSG payment must be prorated based on the number of hours remaining in the program divided by the number of hours in a full payment period based on the enrollment level. For example, in a 1,550 hour program with a student attending full-time, the student could receive three Level 15 MSG disbursements to take them

through hour 1,350. The remaining 200 hours of the program are less than a full payment period. The institution first determines what the amount of a Level 15 award should be. Then, that amount is multiplied by 200/450 to determine the prorated amount of the final MSG disbursement. If a school chooses to convert the fraction (e.g. 200/450) to a decimal, then the result must be rounded to the third decimal point (e.g. 200/450 results in 0.44444 that would need to be rounded to 0.444). In any case, once the fraction or decimal is multiplied by the full MSG award amount at the correct enrollment level, the result must be truncated. If the student had been attending part-time and the result of the calculations from the appropriate paragraph above is the student's final payment period should be based on a Level 14 MSG and 420 hours, then the pro-ratio would be different. Assuming the student had 300 hours remaining in their program due to their part-time attendance, then the pro-ratio would be the full amount of a Level 14 award multiplied by 300/420. This is the actual hours remaining in the program divided by the length of a Level 14 payment period.

Special Calculation Note 2: A situation sometimes arises where the enrollment level calculated for a payment period corresponds to a \$0 MSG amount. Even if the amount is \$0, the same calculations must be completed to properly determine when a prior payment period ended and the new payment period began. Each payment period must have established beginning and end points as a clock-hour calculation is a continuous process beginning with a student's first day of attendance and continuing through their last day of attendance up to and including completion of a program.

Another unique situation occurs when an institution fails to pay an MSG during the payment period, but rather disburses it at the same time it disburses the second MSG payment. If the date of disbursement is the same for both disbursements, then the calculations needed would be as follows. First, the institution must calculate the student's average weekly hours attended from the first day of enrollment through the disbursement date. Based on that calculation, the institution can determine the correct level of MSG to disburse and also determine the length of the second payment period and when the second payment period actually began. This date is important because the institution needs to determine if they are disbursing the second payment period's MSG within the first 14 days of the beginning of the second payment period. As discussed earlier, this will determine the parameters of the average weekly hours of attendance. If the institution is disbursing within the first 14 days of the second payment period, then the calculation will be to determine the actual average weekly hours of attendance during the first payment period. But, if the institution is disbursing the MSG after the first 14 days of the second payment period, then the calculation has already been done. This would be the actual average weekly hours of attendance from the beginning of the previous payment period (in this case, payment period one) through the date of disbursement. Since the institution already performed this calculation to determine the award for the first payment period that is being disbursed on the same day, no additional work is required. In these situations, the institution may need to retroactively document the appropriate end date of the first payment period and start date of the second payment period, so future calculations will be calculated correctly. This applies whether the institution uses the OHE clock-hour spreadsheet or not.

The most important thing for an institution and a reviewer to keep in mind during these calculations is that if your calculations are inaccurate at the beginning of a student's program, that inaccuracy will have cascading effects all the way through to the final prorated payment period. If an institution's financial aid staff or a reviewer is unsure about something, it must be resolved at that time before an inaccuracy occurs in the first place. This is when an institution or a reviewer should consult with the rest of the audit division to utilize the power of the team to arrive at a correct answer.

Again, the OHE clock-hour spreadsheet created to assist with these calculations will only be as accurate as the data entered into it. If the inputs are accurate, many of the calculations described above will be done for you leaving fewer manual calculations required. This spreadsheet is also useful when a student fully withdraws from school and/or takes a leave of absence.

For more information, explanations, and links to relevant appendices about this topic, see the SFA-MSG pages 78-84.

Monitoring During an Academic Term/Payment Period

A student's enrollment level may change during a clock-hour program as discussed above. A student may also fully withdraw from a program.

A student's ISIR/SAR information may change due to a correction, being selected for verification on a subsequent ISIR/SAR, or the application of professional judgment by an aid administrator. See SFA-MSG beginning on page 9.

Disbursement Process

Date of disbursement

An institution must be able to record the date on which it disbursed MSG funds to a student. This date is reported to OHE and is the date that reviewers use to determine a student's enrollment level to confirm accurate disbursement amounts (see "Special Calculation Note 1" in the prior section).

Reviewers must look for any pattern of disbursements within payment periods that suggests an institution is deliberately delaying MSG disbursements until later in a payment period. While this would not constitute a finding, it would result in a recommendation in the report. Delaying MSG disbursements in a clock-hour program can result in reduction in and/or loss of MSG funds; this is not a student-friendly practice.

Methods of disbursement

OHE allows multiple methods of disbursing MSG funds, but prefers that all institutions disburse only to a student's account at the institution. This allows for a complete audit trail for the MSG funds and for the student account record to include all transactions.

Other acceptable methods and related requirements are described in the SFA-MSG beginning on page 72.

Interim Reporting Required

Each eligible institution must have the ability to report MSG data via an electronic means that interfaces with OHE's DDS.

Each institution “...is responsible for submitting a batch containing DDS records for both State Grant recipients and no-need students...on at least a monthly basis.” The first DDS batch for a new aid year must be submitted by June for an institution using a leading summer term and by August 1 for institutions that begin reporting with fall term.

Cash Management Requirements Prior to and during an Academic Term/Payment Period

Institutions have various cash management requirements. Some requirements relate to individual student account balances. Other requirements relate to the flow of funds between the institution and OHE.

The financial aid year ends on June 30. If a student’s payment period contains July 1, then that payment period is considered a crossover term. For example, a payment period may begin as early as May and end in July or August. If all other requirements are met (student has a valid ISIR for each aid year, etc.), an institution may choose whether to calculate and pay this payment period’s MSG from either aid year.

Institutions may request cash draws from OHE based on its most recently accepted DDS submission to OHE. The goal is to minimize excess cash on hand at any time throughout the aid year after the institution has drawn enough cash to pay all of the currently accepted awards and disbursements to students.

State Credit Balances and Required Refunds to Students

Whenever an institution credits funds from **any** Minnesota financial aid program to a student’s account, it must make a determination if a state credit balance has been created.

A state credit balance occurs when the total of all Minnesota financial aid disbursements made during an academic term/payment period exceeds the amount of a student’s direct charges on their account for that term/payment period. Direct charges are tuition and required fees plus any charges for room and meals. This is true even if an institution uses its own funds to disburse State aid in anticipation of drawing State funds to reimburse itself. State aid is identified by the label used in a student’s account (e.g. MN State Grant, MN Indian Scholarship, MN SELF Loan, etc.).

Once a state credit balance is identified, an institution must pay the credit to the student no later than 14 days after certain benchmark dates. A student may allow an institution to retain the credit balance under certain circumstances but the student’s instructions must be in writing. Reviewers should refer to the SFA-MSG on pages 75 to 76 for more information.

Separate General Ledger Account Required

Each institution is required to have a separate general ledger account for MSG funds to aid in the year-end reconciliation process. OHE should be able to track cash draws sent to the institution, amounts disbursed to students, any funds returned due to changes in student enrollment including withdrawals, and any refunds sent by the institution to OHE.

End of Term Monitoring for Enrollment Changes

There are several reasons an institution may change a student's MSG award and disbursement after the end of an academic term.

Late disbursement

An institution may not be able to award and/or disburse MSG funds to a student during a payment period because the student has not provided required information so the institution can complete verification or resolve conflicting information. The following is from the SFA-MSG:

A student is eligible to receive retroactive payment for a past term, even if the student is not currently enrolled in a subsequent term, provided the student currently meets all of the program eligibility requirements as of the date of disbursement. If payment is for a term that has already been completed, the disbursement must be based on the student's enrollment status as of the end of the term.

Backdated or Retroactive Withdrawal Date

The following is from the SFA-MSG page 99:

A student who withdraws from a class or classes and is granted a retroactive withdrawal date back to the start date of the term will be treated as if the student never attended the class or classes. The award must be recalculated to exclude credits granted a retroactive withdrawal and the overpayment returned to the State Grant program.

A reviewer must be careful as the federal Pell Grant requirements for this topic do not match the State's.

End of Financial Aid Year Close-out Processes

Reconciliation

Each institution is required to annually perform a reconciliation of its MSG records at the end of the aid year in preparation for closing out the year. The reconciliation must be documented in a manner that can be provided to reviewers as part of a compliance audit.

Disbursement amounts must be reconciled for each student. Each student's MSG award and actual disbursements reside in multiple places. The following must all be reconciled to each other at a student level:

- MSG award in the institution's financial aid system
- MSG award reported to OHE via the DDS system
- MSG disbursements on the student's account at an institution
- MSG disbursements reported and accepted by OHE via the DDS system

The movement of cash between OHE and an institution must also be reconciled. As previously stated, each institution must use a separate general ledger account to document movements of MSG funds. This reconciliation must show that:

- Each cash draw sent by OHE can be traced as a cash receipt at the institution.
- Each refund of cash sent by the institution to OHE can be traced in OHE's DDS records.
- The net cash received by an institution equals the reconciled total amount of all individual student disbursements.

The result of the above reconciliations will be one of the following:

- The institution neither owes cash to OHE nor does it need to draw cash from OHE to close the aid year.
- The institution has excess cash on hand that must be returned to OHE to close the aid year.
- The institution has a cash deficit and must request funds from OHE to close the aid year.

Reporting

Each institution must submit to OHE a final DDS batch for the ending aid year. An institution must continue to submit final batches until all exceptions are resolved and OHE accepts the final batch.

The institution and OHE's DDS records must be balanced by no later than August 31 each year for the prior year's MSG funds.

Cash Management

An institution will find itself in one of three cash positions at the end of an aid year. These three positions are described above under "Reconciliation."

- If an institution ends the aid year with excess cash, it must return that cash to OHE by no later than August 31.
- If an institution ends the aid year with a cash deficit in the MSG program, the institution must draw cash from OHE in order to balance its position. Institutions must draw funds from OHE prior to a deadline set each year that fits within the State of Minnesota's annual fiscal year requirements. The deadline usually occurs in the first 15 days of August.
- After OHE accepts an institution's final DDS batch and if applicable, receives the institution's refund of excess cash, OHE informs the institution that it is closed out for the prior aid year.

MSG Issues and Possible Audit Exceptions

- Institution awarded/dispensed MSG based on an invalid ISIR/SAR including improper tax filing status for parents/students.
- Institution dispensed MSG at an incorrect enrollment level.
- Institution awarded MSG to a student with a FAFSA application receipt date later than 30 days from the start of the term.
- Institution incorrectly identified student as a Minnesota resident.

- Institution continued to disburse MSG to a student who had reached/exceeded the maximum units of eligibility—sometimes due to incorrectly analyzing a student’s transcripts from other institutions.
- Institution did not submit monthly DDS batches to OHE.
- Institution did not fully and/or accurately complete year-end reconciliation.
- Institution submitted incorrect disbursement dates in its DDS batches.
- Institution failed to close out the prior aid year by August 31 including making a late refund of excess cash.
- Institution improperly required students to file additional forms in order to request MSG for a summer term.
- Institution unable to provide reviewer with all requested documentation to support the awarding of MSG to one or more students.
- Institution awarded MSG and other MN aid to a student who was coded in the institution’s records system as being eligible for tuition reciprocity benefits. Occurred when a student had left school and then returned several years later after they had established Minnesota residency. A Minnesota public institution may be able to grant resident tuition to a student, but that does not make the student a Minnesota resident for Minnesota aid purposes.
- OHE’s DDS does not generate an exception report if a disbursement reported by an institution is less than the regularly calculated amount. This was designed to handle situations like a partial refund of MSG due to a student’s withdrawal from school during a term, a student only being eligible for MSG at a lower enrollment level than the actual enrollment level (could be approaching maximum 45 or 60 credits paid within an aid year), or some other unusual circumstance.
- Institution did not complete a consortium agreement with an out-of-state school for concurrent enrollment but did pay MSG based on combined credits.
- Refund issues (see “Refunds” earlier in this guide).

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Minnesota Dream Act

Overview and Regulatory References

The Minnesota Dream Act (Dream Act, also known as the MN Prosperity Act) was signed into law in May 2013. The statutory reference is MS 135A.043.

The Act opened up access to both in-state tuition rates and access to various OHE-administered financial aid programs for undocumented students meeting certain criteria. The Dream Act itself did not create any new financial aid programs.

Information about the Minnesota Dream Act is on OHE's website at:

<http://www.ohe.state.mn.us/mPg.cfm?pageID=2056> .

Eligible Institutions

Institutions eligible to participate in MSG are also eligible to disburse MSG to qualified Dream Act students. Institutions that participate in other OHE programs may include Dream Act students in those programs as well. Only the SWS program has an additional restriction that is discussed below.

Student Application Process

An undocumented student who wants to access benefits under the umbrella of the special Dream Act provisions must apply for aid. However, these students are not able to file a FAFSA.

OHE provides a Dream Act application on its website. Dream Act students complete this application that is then routed directly to OHE staff. OHE staff act as the "CPS" to calculate EFC, PC, etc.

Every Dream Act application is selected for "verification". This means that each Dream Act applicant must also provide additional documents (high school transcript, copies of student's and/or parents' or spouse's income tax returns, W-2s, other college transcripts if applicable, etc.). OHE uses this additional information to verify the information provided on the student's Dream Act application that was used to calculate the equivalent of an EFC and PC, if applicable.

Reviewer's Role to this Point in the Process

OHE financial aid division staff complete the review and verification of each Dream Act student's application before any aid eligibility is determined. Therefore, a reviewer does not need to verify that the equivalent of a "valid ISIR" has been used to award aid.

Administration and Review of each OHE Program under the Dream Act

MSG

OHE emails estimated awards to students after applications are reviewed and follows up with final awards after the Minnesota legislative session has ended. Students are informed that the amount of

MSG will vary based on their enrollment level. Funds are sent to each campus after the end of the add/drop period to minimize the need for adjustments.

Institutions are not able to send DDS records for Dream Act students. An institution must still complete a reconciliation of awards and cash for Dream Act MSG students.

A reviewer must review and validate some of the same items as for MSG including:

- Student's enrollment level on each date of disbursement.
- Student's SAP status.
- The correct amount of MSG based on enrollment level was disbursed.
- Refund calculations and return of funds (if applicable) were completed correctly.
- The reconciliation of disbursements by student and total cash received/disbursed.

See the "Minnesota State Grant (MSG)" section of this guide.

SWS

A Dream Act student who is also a Deferred Action for Childhood Arrivals (DACA) student with work authorization may request SWS from the institution if that institution participates in SWS. The institution must review the work authorization and DACA status in addition to the other SWS requirements before a student may begin working.

A student authorized to work may only work through the end date of the authorization unless it is renewed and then the institution must again verify the authorization. Beyond this extra validation step, Dream Act students attending institutions participating in SWS must follow the same application process for SWS as any other student. The institution's end-of-year report must list Dream Act students just like any other student. A reviewer must use the guidance in the "State Work Study (SWS)" section of this guide in addition to reviewing the additional work authorization documents.

SELF

A student applying for a SELF Loan does not need to be a U.S. citizen. However, under the Dream Act, a student could be eligible for grant/scholarship aid (e.g. MSG). Therefore, a student under the Dream Act must file a Minnesota version of the FAFSA in order to meet the maximum effort test under the SELF program.

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Public Safety Officer Survivor Grant (SOS)

Regulatory References

2021 MS 299A.41 through 299A.47 under the Office of Public Safety. OHE administers only the education benefit under MS 299A.45 and MN Rules 4830.8000 to 4830.8040.

2016-2017 State Financial Aid Manual-Public Safety Officer's Survivor Grant Program (SFA-SOS)

Eligible Institutions

Any institution that is eligible to participate in the MSG program **must** participate in SOS.

Student Application Process

- Does **not** have to submit a FAFSA.
- Obtains a Public Safety Officer's Benefit Fund Certificate from the Office of Public Safety.
- Completes the student portion of OHE's current year SOS application form and returns the form with a copy of the Benefit Fund Certificate to the institution's financial aid office.
- Institution's financial aid office completes its portion of the application and submits it **each** term with the student's enrollment level to OHE for processing. The institution must attach a copy of the Benefit Fund Certificate if the student is applying for the first time.

Student Eligibility Requirements

The Office of Public Safety uses its own statutes and rules to determine who qualifies as a public safety officer survivor. A survivor can be a spouse and/or a dependent child.

SOS Eligibility Requirements

Eligibility Requirement	State Financial Aid Manual Reference	Statutes and/or Rules Reference
NOT required to be a Minnesota resident	N/A	N/A
Enrolled in an undergraduate or graduate program leading to a degree or certificate at an eligible MN institution	SFA-SOS pdf page 7	MS 299A.45 Subd 1(2)
Not exceeded 10 semesters or 15 quarters of receiving SOS (not unit driven—actual terms of receipt)	SFA-SOS pdf page 8	MS 299A.45 Subd 4

Eligibility Requirement	State Financial Ad Manual Reference	Statutes and/or Rules Reference
Student's application must be received at OHE no later than the last day of classes of the academic year for which grant funds being requested.	SFA-SOS pdf page 8	MN Rules 4830.8030 Subp 2
For dependent student survivor, must be under the age of 23 on the first day of academic year (see exception below)	SFA-SOS pdf page 7	MS 299A.45 Subd 1 (4)
Exception to age 23: increased to age 30 if student had served on active military duty for at least 181 consecutive days and honorably discharged or released to the student's reserve or National Guard unit.	SFA-SOS pdf page 7	MS 299A.45 Subd 1 (4)

Awarding SOS Grants

After an institution has validated a student's eligibility per the previous section, it may then award an SOS grant.

OHE processes the application submitted by the institution and determines the SOS award amount.

The award amount is calculated using information gathered as part of the institution's annual MSG budget questionnaire. The SOS grant amount is the lesser of the institution's average full-time tuition and mandatory fees or the applicable tuition and fee maximum established in law.

The annual tuition and fees maximum amounts for 2021-22 were:

- \$6,288 for two-year institutions
- \$15,368 for four-year institutions (this is also used for graduate level SOS awards)

The award must be prorated based on term (semester or quarter).

The term award must be prorated by enrollment level. Full-time enrollment for undergraduate programs is 15 credits and for graduate programs is eight credits. See MS299A.45 Subd 2 (d).

Disbursement Process

OHE notifies an institution of the approved SOS recipients and associated term award amounts. An institution must not adjust a recipient's eligibility for an MSG based on the receipt of an SOS grant.

An institution must verify that a recipient continues to meet the eligibility requirements for the SOS award on the date of disbursing the funds to the student's account (or via any other method allowed under the MSG program).

Cash Management Requirements

OHE will send the SOS term funds to an institution within 30 days of receipt of a student's application but not before July 1 of the academic year. An institution must return SOS funds for an academic term if a student fails to enroll or reduces enrollment level so that a refund must be calculated.

End of Financial Aid Year Close-out Processes

An institution must reconcile its SOS records with OHE each term; there are no additional year-end close out processes.

SOS Issues and Possible Audit Exceptions

- Institution disbursed award at the incorrect enrollment level.
- As a result of disbursing at the incorrect enrollment level, the institution failed to return SOS funds to OHE during a term.
- **NOTE:** OHE financial aid division stated that most institutions send in the SOS applications after their drop/add periods. However, an SOS recipient would be eligible for additional funds if they originally registered for less than 15 credits and subsequently added courses. Institutions should work with OHE financial aid staff to increase award and obtain cash.
- Refund issues (see "Refunds" in this guide)

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Minnesota Indian Scholarship Program (MISP)

Regulatory References

- 2021 MS 136A.126
- July 2021 State Financial Aid Manual-MISP (SFA-MISP)
- April 2022 State Financial Aid Manual—Common Definitions (SFA-CD)
- December 2021 State Financial Aid Manual-Minnesota State Grant (SFA-MSG)

Eligible Programs/Institutions

The definition of an eligible institution for MISP is expanded relative to MSG. (see MS 136A.126 Subd 2 and SFA-MISP pages 1 to 2).

OHE adopted the internal position that an institution that is eligible to participate in MSG must do so within one year of its first MISP award/payment to continue in MISP.

Student Application Process

- Submit FAFSA.
- Institution must obtain additional information from a student to verify Minnesota residency and prior postsecondary attendance via a State Grant Student Eligibility Questionnaire or by other acceptable methods. See the SFA-MSG beginning on page 12.
- Student must submit documents to OHE financial aid division to verify they are at least one-fourth American Indian ancestry or they are an enrolled member or citizen of a federally recognized American Indian or Canadian First Nations tribe.
- Undergraduate student unable or unwilling to provide all prior academic transcripts for LPAR review under MSG may be ineligible for MISP. See table below for exception.
- Complete student portion of MISP application online (preferred).
- Institution completes its portion of the application online including student budget sheet.
- A paper application is available, but all information from a paper application received by OHE is entered manually by OHE staff into the MISP database.

MISP Eligibility Requirements

Eligibility Requirement	State Financial Aid Manual Reference	Statutory Reference
Minnesota resident	SFA-CD beginning on page 9	MS 136A.126 Subd 1 MS 136A.101 Subd 8

Eligibility Requirement	State Financial Aid Manual Reference	Statutory Reference
At least one-fourth of American Indian ancestry or an enrolled member or citizen of a federal recognized American Indian or Canadian First Nations tribe (expanded beginning in 2021-22)—documentation obtained and determination made by OHE financial aid division prior to awarding so not audited	SFA-MISP page 5	MS 136A.126 Subd 1(1)
Making SAP on date of disbursement	SFA-CD beginning on page 17 SFA-MISP page 2	MS 136A.126 Subd 1(3)
Not in default on a federal or state student educational loan or if in default, has regained eligibility for federal or state aid	SFA-MISP page 2	MS 136A.126 Subd 1(4)
Undergraduate only—eligible or would be eligible to receive either Pell or MSG—as defined in the SFA-MISP	SFA-MISP pages 2 to 3	MS136A.126 Subd 1 (5)
Transcripts from prior schools not provided but institution can document student would not qualify for MSG at any enrollment level	SFA-MISP page 2 See “Transcripts” earlier in this guide	MS 136A.126 Subd 1(2) and (5)
Undergraduate only—enrolled for at least nine credits per term (3/4 time) using same standard as for MSG (for clock-hour programs, student must be attending at least 18 hours per week)	SFA-MSG beginning on page 28	MS 136A.126 Subd 1(5)
Graduate students only—enrolled at least ½ time as defined by the institution	SFA-MISP page 3	MS 136A.126 Subd 1(6)

Awarding MISP

Institutions may award MISP based on their internal packaging process. However, the OHE financial aid division is more involved in the day-to-day awarding and disbursing of MISP than for some other programs. The OHE financial aid division determines prioritization of applications and creates a student waiting list if needed.

OHE places a student award on a school's award roster only after reviewing a completed MISP application.

A MISP application is considered initially complete after OHE has received all of the following:

- Documentation of a student's at least one-fourth American Indian ancestry or enrolled member or citizen of a federally recognized American Indian or Canadian First Nations tribe.
- A completed student section of the MISP application.
- A completed institutional section of the MISP application including a student applicant's budget and gift aid amounts for the academic year. Institutions have been asked not to submit an initial budget sheet until it has a valid ISIR that has been verified (if applicable) and has had all conflicting information resolved.

The OHE financial aid division uses the budget worksheets to verify award amounts for each term of attendance indicated on the most recent budget worksheet.

IMPORTANT NOTE: Institutions are responsible for updating budget worksheets anytime a student's COA and/or total grant/scholarship aid changes for one or more academic terms. Institutions must submit an updated budget worksheet to OHE as changes occur.

MISP awards are calculated by term by subtracting a student's EFC and all grant/scholarship aid (excluding Federal veterans education benefits if they are also excluded from estimated financial assistance (EFA) for federal aid calculations) from a student's COA. **NOTE:** Scholarships to be deducted include the Minnesota Indian Teacher Training Scholarship administered by the Minnesota Department of Education (MDE).

Annual and Lifetime MISP Award Limits

Annual award maximums:

- Undergraduate-\$4,000 per academic year
- Graduate-\$6,000 per academic year

Minimum annual award is \$100.

Per SFA-MISP page 8:

Awards for students with eligible enrollment for less than an academic year will be pro-rated based on the number of eligible terms of enrollment. For example, a student in a semester-based program with eligible enrollment in a fall semester only, will be awarded their fall semester remaining need or \$2,000, whichever is less.

Expanded award amounts became effective in 2021-22 (see MS 136A.126 Subd 4(e) and SFA-MISP page 8). Eligible students may now receive a third semester or fourth quarter or equivalent within the same award year. A reviewer must watch for crossover terms.

If the extra term is a crossover term, any amount of Pell Grant, MSG, or other gift aid must be actual amount awarded even if it is awarded from a different award/fiscal year (see SFA-MISP page 5).

Maximum years of receipt per student per SFA-MISP pages 3 to 4:

- In general, an annual award equals an award received by the student in 2 semesters, 3 quarters, or the equivalent.
- Undergraduate students enrolled in programs below a bachelor's degree (certificate, diploma, and associate degree) must not have previously received three or more annual awards.
- Undergraduate students enrolled in bachelor's degree programs must not have previously received five or more annual awards.
- Graduate students must not have previously received five annual awards at the graduate level or ten annual awards at any academic level.
- All students must not have previously received 10 annual awards and may only receive awards to complete one academic program per level and one terminal degree program.

Maximum years of receipt per student is monitored by OHE's financial aid division. A reviewer should report any concerns or questions to the MISP program manager for resolution during the audit process.

Disbursement

Many of the disbursement requirements mirror those in the MSG program including, but not limited to:

- Determination of disbursement date.
- Acceptable methods of disbursement (OHE preference is directly to a student's account).
- Student authorization for EFT transactions.

Disbursement must be based on a student's status at the later of:

- Date of disbursement, or
- Add/drop date for the term as stated in an institution's catalog.

A reviewer needs to be aware of further nuances related to disbursement and must refer to SFA-MISP pages 9 to 11.

Clock-hour institutions must schedule disbursements based on payment periods defined using Title IV standards. For example, an institution that defines its academic year as 900 hours and 26 weeks of instructional time must disburse the second disbursement of an academic year after the student has completed the first payment period of 450 hours. Institutions must follow the standard guidance for crossover terms if applicable.

Monitoring During an Academic Term/Payment Period - Interim Reporting

Institutions must update a student's budget sheet anytime a student's COA or grant/scholarship changes as this could impact a student's MISP need. Institutions must update OHE's financial aid division by either uploading adjusted budget sheets or by directly contacting the financial aid division to work through the changes.

Cash Management

Unlike the MSG program that requires a separate general ledger account, an institution is strongly encouraged to use a separate general ledger account to track its MISP fund activity. If MISP funds are co-mingled with other OHE program funds (e.g. CCG, SWS, etc.), the institution must be able to identify the entries by program and explain the activity to reviewers if requested.

OHE's financial aid division prepares MISP award rosters for each institution using information from the most recent versions of student budgets. An institution may view these rosters online. Institution must review each student on its roster for any changes due to COA or grant/scholarship aid verify each student's continued eligibility. Institution must update OHE on changes prior to receiving MISP funds.

OHE generates MISP award and payment rosters that include payment dates and amounts. These rosters may be viewed online. OHE sends MISP funds via EFT to each institution with an approved payment roster. Institutions may not retain any excess cash for any reason unless its request is approved by the OHE program manager (e.g. hold unused fall term funds for spring term use).

Reconciliation

Institutions required to reconcile MISP at least once at the end of the fiscal year. OHE's recommendation is to reconcile MISP at the end of each academic term.

Must reconcile:

Individual student awards in institution's financial aid office to actual disbursed amounts on student accounts AND with final payment records from OHE.

The movement of cash between OHE and an institution must also be reconciled. As previously stated, OHE strongly encourages each institution to use a separate general ledger account to document movements of CCG funds. This reconciliation must show that:

- Each allocation sent by OHE can be traced as a cash receipt at the institution.
- Each refund of cash sent by the institution to OHE can be traced in OHE's records.
- The net cash received by an institution equals the reconciled total amount of all individual student disbursements.

MISP Issues and Possible Audit Exceptions

- Institution does not update budget sheet throughout the whole aid year.
- Institution only updates its internal aid records, but does not report updates to OHE program manager.
- Overawards that are many times tied directly to not updating the budget sheet.
- Institution fails to reconcile at year-end resulting in MISP cash not being returned on a timely basis to OHE.

- Institution understood MISP program, but still did not deduct all grant/scholarship from COA due to guidance from outside scholarship.
- Refund issues (see “Refunds” earlier in this guide)

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Emergency Assistance for Postsecondary Students Grant Program (EAPS)

EAPS is a competitive grant program administered by OHE. Funding comes from Minnesota legislative appropriations.

The purpose of the program is “...to meet immediate student needs that could result in a student not completing the term or their program including, but not limited to, emergency housing, food, and transportation.

Regulatory References

2021, 1st Special Session of Minnesota Session Laws, Chapter 2, Article 1, Subd 24

Eligible Institutions

Any Minnesota public or private postsecondary institution meeting the requirements of MS 136A.103 “...with a demonstrable homeless student population.”

An eligible institution must provide matching funds as a condition of receiving EAPS grant funds.

Eligible Students

Each eligible institution that applies to OHE and is selected by OHE to receive EAPS grant funds makes the determination of the students on their campus that receive EAPS funds.

Estimated Financial Assistance (EFA)

Per the above-referenced session law, “Institutions shall minimize any negative impact on student financial aid resulting from the receipt of emergency funds.”

Since EAPS funds are to be used for components of a student’s COA, the financial aid office must include EAPS funds as EFA. If a student has unmet need or has total aid less than their COA, the EAPS can be added to the student’s current financial aid award. Any federal or Minnesota recalculation or reclassification requirements still apply. Institutions are permitted to adjust a student’s COA if they have sufficient evidence that the student’s current COA is not representative of a student’s actual costs.

Selection of Sample to Review

Institutions that receive EAPS funds under the competitive grant process do not send a list of students to OHE to show how the EAPS funds were spent. Institutions do file reports with summary data to OHE.

A reviewer must work with the institution’s financial aid office to obtain a list of all 2021-22 EAPS recipients to serve as the population from which to select a sample to review.

State Work Study (SWS)

Regulatory References and Overview

- 2021 MS 136A.231 through 136A.233
- MN Rules 4830.2000 through 4830.2600
- July 2016-Minnesota Financial Aid Manual-State Work Study Program (SFA-SWS)

SWS is a need-based work program. While SWS has many similarities to the federal work study program (FWS), SWS does not follow all of the federal requirements and allowances. A comparison of SWS versus FWS appears in the SWS Manual Appendix 6 pdf pages 69 to 74.

Warning: Current SWS Manual is from the 2016-17 aid year. Some of the comparative provisions in Appendix 6 may no longer be accurate. If there are any questions about the current comparisons, reviewer must consult the audit manager or the OHE financial aid division staff.

Eligible Institutions

Institutions approved to participate in the MSG program are also eligible to apply to participate in the SWS program.

Institutional Application Process

An eligible institution must annually submit an Institutional Request for Participation to OHE by OHE's deadline in order to participate in the SWS program in the next aid year.

Student Application Process

- Submit FAFSA or Dream Act application.
- Institution must obtain additional information from a student to verify Minnesota residency and prior postsecondary attendance via a State Grant Student Eligibility Questionnaire or by other acceptable methods. See the SFA-MSG beginning on page 12.
- Student follows their institutional process for requesting a work position.

Student Eligibility Requirements

SWS Eligibility Requirements

Eligibility Requirement	State Financial Aid Manual	Statutes and/or Rules Reference
Minnesota Resident	SFA-CD beginning on page 9	MS 136A.101 Subd 8 MS 136A.233 Subd 2 (a)(b)

Eligibility Requirement	State Financial Aid Manual	Statutes and/or Rules Reference
Undergraduate minimum enrollment status of half-time (six credits or equivalent)—exception discussed under “Awarding SWS” below	SFA-SWS pdf pages 7 to 8	MS 136A.233 Subd 2 (a) and (g)
Graduate minimum enrollment status of half-time as defined by the institution—exception discussed under “Awarding SWS” below	SFA-SWS pdf pages 7 to 8	MS 136A.233 Subd 2 (a) and (g)
Pursuing a degree, diploma, or certificate at an eligible MN institution—awarding institution does not have to be the same one	SFA-SWS pdf page 8	MS 136A.233 Subd 2 (a)
Making SAP during the time while receiving SWS funds	SFA-SWS pdf page 9 e.	MN Rule 4830.2300
Authorized work permit—DACA students only	SFA-SWS pdf page 9 c.	DREAM Act
Not receiving tuition reciprocity benefits from another state while attending a MN institution	SFA-SWS pdf page 9 d.	MN Rule 4830.2300

Awarding SWS

- Need-based award that follows the same packaging model as FWS.
- SWS is usually awarded after all other aid has been packaged.
- Portion of non-need-based loans (e.g. PLUS, FDL-Unsub, SELF, etc.) that exceeds student’s EFC subtracted from COA as part of calculation to determine SWS need. See SFA-SWS pdf pages 15 to 16 for a calculation template.
- Priority to students enrolled for at least 12 credits or equivalent (OHE does not test for this).
- Total awards to graduate students cannot exceed graduate students’ percentage of total enrollment at an institution (OHE does not test for this).
- Institution limited to using up to 30% of initial SWS allocation for student internship positions in the for-profit sector. Position must be documented to show direct relationship to student’s field of study, etc.

Exception to Minimum Student Enrollment Eligibility Requirement

References: SFA-SWS pdf pages 16 to 17 and MN Rules 4830.2300.

A student may work and be paid from SWS during one term per aid year in which they are either enrolled less than half-time or not enrolled at all. Institution must verify student’s intention to re-enroll

on at least a half-time basis in the next academic term. Institution must document and retain enrollment documentation showing that it either:

- Checked the student’s registration for the next academic term, or
- Obtained a signed, written statement from the student stating their intent to enroll at least half-time in the next academic term.

Student may NOT be paid from SWS during a LOA. Institution expected to take earnings during an exception term into consideration for awarding SWS for subsequent terms and may deduct work-related expenses (per FWS).

Additional Institutional Requirements to Administer SWS

Validate Student’s Eligibility to Work

- Each student employee must complete the Federal I-9 and W-4 forms before they can begin working.
- **Student’s ISIR flagged for verification:** OHE has adopted the federal policy that a student who is otherwise eligible to work, but for whom verification has not been completed, may work for the first 60 consecutive calendar days after enrolling. There are institutional reclassification requirements if verification has not been completed within the 60 days.

Reference: 2021-22 AVG Chapter 4 page AVG-79 “Interim Disbursements” and SFA-SWS Appendix 6 pdf page71.

Child Support Reporting

- Employers (including institutions) doing business in Minnesota are required to report the hiring or re-hiring of any employee who resides or works in Minnesota to the Minnesota Department of Human Services.
- Must be reported within 20 days of hire.

Reference: MS 256.998

Minimum Wage Compensation

Institution must pay SWS employees at least the highest of the following minimum wage rates:

- Federal
- Minnesota
- Local

These rates may be further broken down by types of employer (large versus small based on number of employees), age of employee (e.g. under 18), and/or immigration status (e.g. working under a J visa, etc.).

Reference: SFA-SWS Manual pdf pages 12 to 13 (likely outdated). MS 136A.233 Subd 3 (c), (d), and (e)

Eligible Employers

Institutions primarily employ SWS-awarded students at:

- The institution itself (or another eligible postsecondary institution),
- A non-profit, non-sectarian agency located in Minnesota, or
- A private, for-profit employer for student internships (subject to constraints listed in the “Awarding SWS” section above)

There are other permitted types of employers listed in the SFA-SWS pdf page 7.

On-campus Employment

OHE encourages, but does not require, institutions to have work contracts with each student who works in an on-campus position. If contracts are used, they must be signed by both the student and school before the student begins working. These contracts must be available to reviewers for audit purposes. Reference: SFA-SWS pdf page 15.

Off-campus Employment

Institutions are required to make, document, and retain documentation of efforts to place SWS students in eligible off-campus positions. Public institutions may not reduce hours or otherwise replace a regular employee with an SWS student.

Reference: SFA-SWS pdf pages 10 to 12 and MS 136A.233 Subd 3 (f).

Contract required: Institution must have a written and signed contract with each prospective eligible off-campus employer. Contents of contract may vary based on type of position. See SFA-SWS pdf pages 14 to 15 and sample contract in SFA-SWS Appendix 4. Off-campus employer contract must state that the employer agrees to pay at least 25% of student’s gross compensation in addition to any required FICA, worker’s comp, or other insurance requirements.

Reference: SFA-SWS pdf pages 14 to 15 and MN Rules 4830.2400

Unlike FWS, institution not required to spend a minimum percentage of SWS for community service positions.

Supervision of SWS Employees

All SWS employees must be supervised consistent with the employee’s position and other needs. Off-campus contracts must contain the details related to employee supervision.

Reference: SFA-SWS pdf pages 14 to 15

Eligible SWS Employment Positions

Follow FWS guidance related to work on campus, work for proprietary schools, and work for non-profit or governmental agencies.

Reference: General-2021-22 FSA Handbook, Vol 6, pages 6-41 and 6-73

Proprietary Schools-2021-22 FSA Handbook, Vol 6, pages 6-74 to 6-75

Off-campus at non-profit or governmental—2021-22 FSA Handbook, Vol 6, pages 6-75 to 6-77

Off-campus at private for-profit companies—2021-22 FSA Handbook, Vol 6, pages 6-77 to 6-78

SFA-SWS Appendix 6 pdf page 70

Internships-SFA-SWS pdf page 11

Tutoring with local K-12 schools—SFA-SWS pdf pages 11 to 12

Calculation and Disbursement of SWS

Institution must pay each SWS employee based on actual hours worked multiplied by the hourly rate. While not encouraged, institutions may pay overtime with SWS funds. All hours worked must be compensated time. SWS employees may not receive compensation for sick leave, vacation, or holiday pay.

Reference: SFA-SWS pdf pages 14 and 19.

Institution **may not** use SWS funds to pay a student employee whose position is paid by the job or on a salary basis. An institution must retain and be able to provide documentation of its payroll process.

Reference: SFA-SWS pdf page 19.

A reviewer must be able to see:

- The actual hours worked per pay period for each SWS employee. The actual hours, not simply totals, worked per day and by a.m. or p.m. should be shown.
- A record of both the SWS employee and one or more supervisor's signature or electronic approval of hours worked for each pay period.
- The pay period begin and end dates and the actual payroll disbursement dates.

SWS wages are subject to garnishment including for child support. A reviewer must be provided the documentation and calculations related to any garnishments. Institution must disburse SWS wages at least once per month.

Institution may disburse SWS wages by one or more of the following:

Reference: SFA-SWS pdf page 17:

- Issuing a physical check made payable to the employee.
- Initiating an EFT or ACH transaction to transfer wages directly to a bank account identified by the employee.
- Crediting wages directly to the student employee's account at the institution to pay charges.

An SWS employee must provide written authorization to allow for EFT/ACH payment and for payroll deductions to be applied to their student account.

Monitoring During an Academic Term/Payment Period

An institution must monitor several items after each pay period for each SWS employee:

- Changes in an SWS employee's financial need due to changes in their financial aid award (e.g. change in EFC, receipt of additional aid previously unknown to the institution, etc.).
- SWS earnings for the aid year (or other award period) compared with the SWS employee's SWS award amount.
- Changes in a student's enrollment level to less than half-time enrollment unless already covered by the exception discussed under "Awarding SWS" above.

There is an annual \$300 overaward tolerance but this is only for **unintentional** overawards. An institution may not include this tolerance in an initial SWS award. Institutions must monitor each SWS employee's earnings to avoid overawards. OHE strongly encourages institutions to notify SWS employees and/or their supervisors when an employee's earnings are approaching their SWS award. OHE will require institutions to return the State share of SWS payments associated with overawards determined to have been avoidable.

Reference: SFA-SWS pdf pages 16 and 25.

Interim Reporting and Cash Management Requirements

OHE determines the annual allocation of SWS funds for each institution that timely completes the annual request for participation. OHE sends the allocation in three unequal disbursements with 15% sent in July, 35% in October, and 50% in December.

OHE sends refund requests/requests for reallocation to participating institutions in November, February, March, and May. The November request is also used to obtain feedback from institutions about the upcoming December final 50% distribution of their original allocations (e.g. no change requested, no change requested and request additional reallocation, reduce December allocation, eliminate December allocation and indicate a refund coming to OHE). Each institution is required to reply to each request by the deadline set by OHE.

Unlike the MSG program that requires a separate general ledger account, an institution is strongly encouraged to use a separate general ledger account to track its SWS fund activity. If SWS funds are co-mingled with other OHE program funds (e.g. MISP, CCG, etc.), the institution must be able to identify the entries by program and explain the activity to reviewers if requested. The institution must have an internal process by which the business office and financial aid office regularly monitor the amount of SWS funds spent and remaining to spend. OHE recommends this process be performed at least monthly and using historical trend analyses as part of this process. SFA-SWS pdf page 25.

This process allows the financial aid office to project the institution's annual SWS disbursements and take appropriate actions as follows:

- If an institution's annual projected SWS spending will not use its full annual SWS allocation, then excess cash must be returned to OHE during the reallocation/refund requests that occur several times each year. OHE may also require an institution to return excess cash at any time OHE determines that an institution will not be able to spend its annual SWS allocation.
- If an institution's annual projected SWS spending is at least its initial SWS allocation, then the institution may request reallocation of funds from OHE during the reallocation/refund requests that occur several times each year.
- In either above case, an institution may also be able to carry forward or carry back SWS funds to a different aid year. This must also be factored into the SWS projections to estimate an institution's SWS cash position. Unlike the CCG program there is no administrative expense allowance. For more information, see the SFA-SWS pdf pages 24 to 25.
- An institution must also consider the interaction of SWS and FWS spending. In some cases, it is possible to reclassify one or more employee's source of funding from one to another in order to balance out spending versus allocations in both programs. If this is done, the institution must be able to show a reviewer that this was done and that year-end reports to both OHE and ED are accurate. Reference: SFA-SWS pdf page 25.

Each participating institution must report its SWS spending once per month to OHE using an online portal. SFA-SWS pdf page 26.

Each participating institution must timely complete and respond to each reallocation/refund request from OHE during an aid year.

State Credit Balances and Required Refunds to Students

Whenever an institution credits funds from **any** Minnesota financial aid program to a student's account, it must make a determination if a state credit balance has been created. A state credit balance occurs when the total of all Minnesota financial aid disbursements made during an academic term exceeds the amount of a student's direct charges on their account for that term. Direct charges are tuition and required fees plus any charges for room and meals. This is true even if an institution uses its own funds to disburse State aid in anticipation of drawing or receiving State funds to reimburse itself. State aid is identified by the label used in a student's account (e.g. MN Child Care Grant, MN State Grant, MN Indian Scholarship, MN SELF Loan, etc.).

Once a state credit balance is identified, an institution must pay the credit to the student no later than 14 days after certain benchmark dates. A student may allow an institution to retain the credit balance under certain circumstances but the student's instructions must be in writing. Reviewers should refer to the SFA-SWS pdf pages 17 to 18 for more information.

Unclaimed Property Requirements

SWS payments are wages and therefore subject to Minnesota's unclaimed property statutes. Reference: MS 345.39 Subd 3 and MS 345.41.

If a payroll check or EFT/ACH is returned or rejected, the institution must follow the requirements under the statutes listed above. The institution must follow the unclaimed property statutes including performing additional attempts to locate the payee if the property has a value of at least \$100. Reference: SFA-SWS pdf page 18. A reviewer may request from the institution documentation showing that it is following the unclaimed property statute.

End of Financial Aid Year Close-out Process

Reconciliation

Year-end reconciliation of SWS funds is not required by OHE. However, OHE strongly encourages each institution to perform and document reconciliations. Without a formal reconciliation, there are many possibilities for errors in both reporting and cash management.

SWS funds present unique reconciliation issues due to the possible reclassification between SWS and FWS at the student level.

Both SWS and FWS require that allocations be used only for hours worked during the aid year. For 2021-22, the dates were July 1, 2021 through June 30, 2022.

As soon as the final hours worked in June 2022 have been paid, an institution may begin the reconciliation process to balance out its annual SWS, FWS, and institutional work (if applicable) spending. The result will be a list of SWS recipients to use to prepare the OHE end-of-year report. This process should also assist with preparing the FISAP later in the year.

The movement of cash between OHE and an institution must also be reconciled. As previously stated, OHE strongly encourages each institution to use a separate general ledger account to document movements of SWS funds. This reconciliation must show that:

- Each allocation sent by OHE can be traced as a cash receipt at the institution.
- Each refund of cash sent by the institution to OHE can be traced in OHE's records.
- The net cash received by an institution equals the reconciled total amount of all individual student disbursements plus any allowable carry-forwards.

Reporting

OHE sends an end-of-year report with some values pre-filled to each institution. The institution must accurately complete the report and submit it to OHE by no later than the first working day after August 9th of the current year. An exception has been given to Minnesota State member institutions allowing for an additional two weeks for reporting submission.

Cash Management

If an institution has accurately monitored its SWS spending and managed its cash position throughout the year, then it should not have a material amount of excess cash on hand at year-end. Any remaining excess cash on hand must be returned to OHE by July 31.

After OHE accepts an institution's SWS end-of-year report and receives the institution's refund of excess cash (if applicable), OHE informs the institution that it is closed out for the prior aid year.

SWS Issues and Possible Audit Exceptions

- Awarded and paid SWS based on an invalid ISIR.
- Paying SWS to a non-resident of Minnesota.
- Institution paid SWS to a student enrolled less than half-time and did not obtain/retain documentation to authorize the exception.
- Institution did not report spending to OHE on a monthly basis.
- End-of-year report submitted to OHE contained inaccurate data (e.g. all earnings amounts rounded to nearest dollar, imputed information used to "back in" to hours worked based on earnings and wage rate, etc.) This could be due to failure to reconcile at year-end.
- Institution did not provide need calculation for a period ending on June 30; award year used crossed over July 1.
- Institution did not stop an SWS student from continuing to work even after earnings reached the student's award amount and/or did not reclassify excess earnings to FWS or institutional funds.
- Paid stipends using SWS funds that were not calculated as actual hours worked multiplied by an hourly wage rate.
- Paid SWS to a student who was not making SAP.
- Institutions did not reply to OHE's reallocation requests.
- Institution filed end-of-year report and/or returned year-end excess cash late, sometimes by a month or more.
- Institution does not have a policy and plan to deal with unclaimed property.
- Institution signed up to participate in SWS, received allocated funds, spent \$0, carried forward up to 10%, and then repeated process in subsequent years. Even the utilization rate control does not fully stop this from occurring.
- Institution did not perform a year-end reconciliation prior to submitting its end-of-year report to OHE. Discovered in next fiscal year that there was an error, but it was too late for the school to draw the funds from a closed fiscal year.

Student Educational Loan Fund (SELF)

Regulatory References

- 2021 MS 136A.15 through 136A.1701
- Rules Reference: 4850.0010 through 4850.0024.
- May 2019 State Financial Aid Manual-SELF Loan Program Manual (SFA-SELF) Note: Updated August 2020 to reflect loan limit increases for 1-3 year programs.

Eligible Institutions

Institutions Located in Minnesota

- Minnesota institutions that are eligible to participate in OHE-administered aid programs under MS 136A.103.
- Some institutions may qualify to participate in only SELF and no other Minnesota programs (e.g. due to length of program offered).

Institutions Located in States Other Than Minnesota

Public or private institutions approved by ED and determined by OHE to maintain academic standards substantially equal to Minnesota institutions. MS 136A.155

Eligible Programs and Related

Length of program: at least 12 quarter credits, 12 semester credits, or 300 clock hours. Clock-hour programs count only actual teaching hours, not homework, lunch breaks, holidays, or other closed days.

Credential being earned: in general, a degree or certificate. However, there are many exceptions covering pursuing a second major, repeating coursework, etc. Refer to SFA-SELF pages 6 to 7.

Program level: may be at either the undergraduate or graduate/professional level. Some variables like annual and lifetime loan limits vary depending on program level.

Student Eligibility Requirements

SELF Eligibility Requirement

Eligibility Requirement	State Financial Aid Manual Reference	Statutory/Rules Reference
Minnesota resident- more narrowly defined than for MSG-- reference this for next two rows	SFA-SELF pages 7 to 10	136A.15 Subd 9

Eligibility Requirement	State Financial Aid Manual Reference	Statutory/Rules Reference
Minnesota residents only—enrolled in an eligible MN institution or an eligible institution in another state	SFA-SELF pages 7 to 10	136A.15 Subd 8
Non-Minnesota residents only—includes international students—enrolled for at least one course of at least 30 days in length during an academic year at an eligible institution in Minnesota—see statute for study abroad exception	SFA-SELF pages 7 to 10	136A.15 Subd 8
Enrollment level—at least half time in courses applicable to the degree or certificate—requires institution to have a written policy defining full-time and half-time with federal standards as a minimum	SFA-SELF page 8	MR 4850.0011 Subp 15 (B)
Making SAP at time of loan certification and disbursement—based on most recent SAP review prior to beginning of term for which SELF disbursement was certified—see SELF manual for full description	SFA-SELF pages 8 to 9	MR 4850.0011 Subp 15 (C)
Not in default on any federal, state, institutional, or private education loan	SFA-SELF pages 10 to 11	MR 4850.0011 Subp 15 (D)
Not delinquent on current outstanding SELF Loans—interest and/or principal— reviewer does not need to audit —done by loan servicer or in conjunction with OHE SELF staff	SFA-SELF page 11	MR 4850.0011 Subp 15(E)
Credit-worthy co-signer-- reviewer does not need to audit —done by loan servicer or in conjunction with OHE SELF staff	SFA-SELF pages 11 to 12	MR 4850.0011 Subp 7b and 9

Student Application Process

- Submit FAFSA subject to exceptions below.

- **Maximum Effort Test:** Requires student applicant to submit FAFSA each year for the purpose of allowing institutions to award any need-based grant/scholarship aid prior to certifying a SELF Loan. However, if a student's FAFSA filed during year one demonstrates that the EFC and other factors preclude the student from receiving more than immaterial amounts of need-based grant/scholarship aid AND the student's financial situation in subsequent years has not materially changed, then the student may sign a form Waiver of SELF Maximum Effort Test. This signed form must be retained in the student's financial aid file. **NOTE: A student's and/or parent's refusal to submit a FAFSA does not meet this exception. See SFA-SELF Manual page 10 and AR 4850.0011.**
- Dream Act students must file the Dream Act application (MN version of FAFSA).
- International students are not eligible to file a FAFSA.
- Graduate and/or professional level students that would not be eligible for any need-based grants/scholarships requiring the filing of a FAFSA.
- Submit student section of SELF Loan application online (may still be a handful of paper applications). Co-signer completes their section of the SELF Loan application online. If credit approved, student needs to complete loan entrance counseling online. **NOTE: Reviewer does not have to audit this step.**

Institution Certification and Award Processes

In addition to verifying the items in the "Student Eligibility Requirements" and "Student Application Process" sections, an institution must also review additional items needed for it to certify a SELF Loan.

Determining Amount of Loan to Certify

- Must ensure three items are synchronized prior to certification in order to properly calculate SELF Loan eligibility: the loan period, the COA for only the loan period, and EFA for the loan period.
- Verify the type of program the student is enrolled in: certificate, associate degree, bachelor degree, graduate degree, graduate certificate, professional program.
- Check prior SELF borrowing at all institutions including itself (online tool available to institutions) to calculate remaining SELF eligibility based on annual, grade level, and cumulative maximums.
- Compare calculated SELF eligibility with maximum annual limits as well as minimum loan limit of \$500.

Annual, Grade Level, and Cumulative Loan Maximums

Reviewer must read, familiarize themselves with, and refer to the guidance in the SFA-SELF on pages 21 to 25. While many of the issues discussed seem straight forward, there are a number of unique requirements that must be audited (e.g. grade level three sometimes allowed for associate's or certificate program, number of years a student is permitted to borrow for vocational programs, lower annual limit for short programs (clock-hour programs included), etc.).

Scheduling SELF Disbursements

- Institution may not request a SELF disbursement more than 10 calendar days before the start of the loan period. For clock-hour institutions, may schedule the first disbursement of the first academic

year of a student's program up to 10 days prior to the student's first date of attendance. Subsequent disbursements may not be scheduled to anticipate a 10 day lead time as a student is not eligible for subsequent disbursements until after they have completed the hours in the prior payment period.

- Institution should schedule one disbursement per pay period within the certified loan period. An institution that certifies a loan for an entire aid year but not until after the beginning of, for example, a second semester, may request a single disbursement for the loan.
- Disbursement amounts should be equally divided by number of payment periods in certified loan period. OHE SELF program manager may grant exceptions if COA for one term is materially more than other terms (e.g. study abroad). See SFA-SELF page 26 for more information.
- Clock-hour institutions must schedule disbursements based on payment periods defined using Title IV standards. For example, an institution that defines its academic year as 900 hours and 26 weeks of instructional time must generally schedule two equal disbursements with the second disbursement to occur after the student has completed the first payment period of 450 hours.

Disbursement

From OHE to an Institution

Most institutions receive SELF funds via EFT with an associated roster of student names and related amounts. Some institutions may still receive paper checks made payable jointly to the institution and the student. Reviewer does not audit this specifically, but it could eventually be related to a finding about no or improper reconciliation and cash management.

From an Institution to a Student

For paper checks, both student and institution must sign the check and credit to student's account (OHE preferred method) within 30 days of the date of the check. For EFT transfers to an institution, it must credit the SELF amount to the student's account (OHE preferred method) within 30 days of the EFT transfer date.

Many of the disbursement requirements mirror those in the MSG program including, but not limited to:

- Determination of disbursement date.
- Acceptable methods of disbursement (OHE preference is directly to a student's account).
- Student authorization for EFT transactions.

SELF does have some additional and unique disbursement requirements:

- Institution must check SAP and verify at least half-time enrollment on the date of disbursement. Refer to the row about SAP in the table in the "Student Eligibility Requirements" section above.

Reviewer needs to check the specific guidance in the SELF Manual on the pages listed for each of the following situations:

- Student on LOA when SELF funds arrive. (page 19)
- Student withdrew or dropped to less than half time enrollment during a payment period prior to an institution crediting SELF to student's account. (page 20)
- Student completed a loan period and a SELF disbursement arrives after the last date of the period. (page 17)
- Use of power of attorney to endorse a SELF check in the absence of the student (study abroad, internship, etc.). (page 17)

State Credit Balances and Required Refunds to Students

Whenever an institution credits funds from **any** Minnesota financial aid program to a student's account, it must make a determination if a state credit balance has been created.

A state credit balance occurs when the total of all Minnesota financial aid disbursements made during an academic term exceeds the amount of a student's direct charges on their account for that term. Direct charges are tuition and required fees plus any charges for room and meals. This is true even if an institution uses its own funds to disburse State aid in anticipation of drawing State funds to reimburse itself. State aid is identified by the label used in a student's account (e.g. MN State Grant, MN Indian Scholarship, MN SELF Loan, etc.).

Once a state credit balance is identified, an institution must pay the credit to the student no later than 14 days after certain benchmark dates. A student may allow an institution to retain the credit balance under certain circumstances but the student's instructions must be in writing. Reviewers should refer to the SFA-SELF on page 18 and pages 31 to 33 for more information.

Reconciliation and Cash Management

Institution is strongly encouraged to have a systematic way of reconciling EFT disbursement rosters to actual disbursements made to student accounts. Institution must be aware of each roster's 30-day deadline for disbursement or return to the loan servicer.

Required return of cash to SELF loan servicer:

- Institution is not able to credit a SELF disbursement (check or EFT) to student's account within the 30-day deadline.
- Student does not enroll for the term and SELF funds have already arrived before determination is made.
- Certain of the special disbursement requirements listed previously have required cash returns associated with them.
- Student requests an institution to return some or all of a disbursement for one of several possible reasons.

Enrollment Reporting

A small number of institutions in the SELF program do not participate in reporting their students' enrollment status to the Clearinghouse. The loan servicer periodically sends Enrollment Verification Reports to those institutions. The institutions must review, correct, and return each completed Report to the loan servicer within two weeks of receipt.

NOTE: Reviewer should request a sample of copies of completed enrollment verification requests from an institution during an audit. Reviewer may need to work with SELF program manager or research within the servicer's system to determine if completed enrollment verification requests were returned on time.

SELF Issues and Possible Audit Exceptions

- Student whose EFC seemed to make them eligible for MSG, did not receive MSG.
- Institution certified a SELF at grade level five even though the student was in a four-year program. Grade level five to be used only if the program itself is a five-year program.
- Institution unilaterally did not release a SELF disbursement to a student because the student did not need the loan to cover costs. Institution cancelled the disbursement. Institution must have written permission from the student to change a SELF unless total aid exceeds COA.
- Refund calculation errors resulting in either a return of too much or too little to the SELF servicer.
- The loan period, COA, and EFA do not match to the numbers in effect at the time the institution certified a SELF Loan. This resulted in overawards, underawards, and/or other issues.
- Institution certified a SELF Loan for a student without an ISIR and who had never filed a FAFSA while enrolled at that institution. Violation of Maximum Effort Test.
- Institution did not properly identify the type/length of a student's academic program and certified a SELF Loan for more than the annual maximum amount associated with the academic program. Occurs primarily at institutions that offer multiple types of programs: certificates, associate degree, bachelor degree, graduate degree, etc. At clock-hour institutions, the issue is the length of the program versus the maximum SELF amount. Programs of less than 900 hours and that are scheduled to be completed in less than eight to nine months may only receive a maximum SELF of \$3,500 with a \$7,500 aggregate maximum to allow for taking multiple short-term programs. Clock-hour programs of at least 900 hours that are scheduled to take more than eight to nine months of full-time attendance may receive an annual SELF amount up to \$10,000 based on COA, etc.
- Institution certified a SELF Loan for a student using a lower grade level than actual resulting in a student not being advised of the correct maximum eligibility.
- Institution disbursed subsequent loan disbursement prior to student completing the clock hours of their previous payment period.

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Appendix A: Abbreviations, Acronyms, and Terms Used in This Guide and Other Related Documents

Abbreviations, Acronyms, and other Terms

Abbreviation/Acronym for a Term	Full Term	Additional Definition or Website
AICPA	American Institute of Certified Public Accountants	https://www.aicpa.org/
AVG	Application and Verification Guide	https://fsapartners.ed.gov/knowledge-center/fsa-handbook/pdf/2021-2022
AR	Minnesota Administrative Rules	Minnesota statutes and laws take precedence over rules.
CAP	Corrective Action Plan	
CARES Act	Coronavirus Aid, Relief, and Economic Security Act	
COA	Cost of Attendance	
COVID (COVID-19)	Coronavirus Pandemic 2019	Covers the periods of the separate federal and Minnesota peacetime states of emergency and related financial aid program flexibilities.
CPS	Central Processing System	
DACA	Deferred Action for Childhood Arrivals	
DCL	Dear Colleague Letter	One in a series of official guidance issued by ED to financial aid and other related professionals.
DDS	Decentralized Delivery System	
DREAM ACT	Minnesota Dream Act	Also referred to as MN Prosperity Act; http://www.ohe.state.mn.us/mPg.cfm?pageID=2056
EAPS	Emergency Assistance for Postsecondary Students	Competitive grant program awarded to certain institutions by OHE's Grants and Government Relations Division; funds to be used for emergency grants to students as determined by the institution.
ED	U. S. Department of Education	https://www.ed.gov/

Abbreviation/Acronym for a Term	Full Term	Additional Definition or Website
EFA	Estimated Financial Assistance	
EFC	Expected Family Contribution	
EFT	Electronic Funds Transfer	
FAFSA	Free Application for Federal Student Aid	
FSA	Federal Student Aid	Usually used in context of referencing the FSA Handbook.
FWS	Federal Work Study Program	
HOH	Head of Household	A filing status that may be used by a taxpayer when filing federal income tax return.
Institutions	Postsecondary Institutions	
ISIR	Institutional Student Information Record	
LDA	Last Date of Attendance	Follows Title IV unless otherwise specified in MN programs
LME	Annual Living and Miscellaneous Expense	
LOA	Leave of Absence	
LPAR	Limit on Postsecondary Attendance Review	
MDE	Minnesota Department of Education	
MISP	Minnesota Indian Scholarship Program	https://www.ohe.state.mn.us/mPg.cfm?pagelD=1821
MS	Minnesota Statute	https://www.revisor.mn.gov/statutes/info
MSG	Minnesota State Grant Program	https://www.ohe.state.mn.us/mPg.cfm?pagelD=346
OHE	Minnesota Office of Higher Education	https://www.ohe.state.mn.us/
PC	Parent Contribution	
R2T4	Federal Return of Title IV Aid Funds	
Reviewer	Program Reviewer	

Abbreviation/Acronym for a Term	Full Term	Additional Definition or Website
SAP	Satisfactory Academic Progress	
SAR	Student Aid Report	
SELF	Student Educational Loan Fund (or SELF Loan)	http://www.ohe.state.mn.us/mPg.cfm?pageID=353
SFA	State Financial Aid Manual	SFA-where the letters after the dash designate which chapter of the SFA is being referenced (e.g. MSG, CD, etc.)
SOS	Public Safety Officer Survivor Grant	http://www.ohe.state.mn.us/mPg.cfm?pageID=350
SWS	Minnesota State Work Study Program	http://www.ohe.state.mn.us/mPg.cfm?pageID=347