
Guide for Compliance Audits of Programs Administered for the 2023-24 Academic Year Excluding Clock Hour Programs

Issued May 22, 2024

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The Minnesota Office of Higher Education (OHE) 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 \$224 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.

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Introduction

The Audit Unit of the Legal and Compliance 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. However, others may find this guide useful including CPA firms hired to perform Minnesota compliance audits, other OHE staff, and financial aid staff at postsecondary institutions subject to audits.

One of our primary goals 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, we not only perform compliance audits of the postsecondary institutions, but also act 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.

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, Auditor

Erin Poster, Auditor

Erin Wayne, Auditor

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 2023-24 Audits

Federal Title IV Changes and Related Impacts to Minnesota Programs

Initial phase of the Free Application for Federal Student Aid (FAFSA) Simplification implemented for 2023-24:

- Updated guidance related to professional judgments (PJ): Institutions may no longer have a policy of not performing professional judgments and must publicize the availability of the options on their website.
 - Special circumstances defined to refer specifically to adjusting the data elements of the Expected Family Contribution (EFC).
 - Unusual circumstances defined to refer specifically to dependency overrides including the ability to carry forward determinations from year-to-year.
 - For more information, see the [2023-24 Application and Verification Guide \(AVG\)](#)¹ and [Dear Colleague Letter GEN-22-15](#)².
 - OHE adopts Title IV regulations and requirements in this area.
- Changes made to determining cost of attendance (CA):
 - U.S. Department of Education (ED) now mandates how to calculate every COA component other than tuition and fees as well as which components have to be included. See [2023-24 Federal Student Aid \(FSA\) Handbook, Volume 3, Chapter 2](#)³.
 - ED required implementation of the COA changes beginning in 2023-24, but will not have power to regulate (via audits, program reviews, etc.) until 2024-25.
 - OHE adopts Title IV regulations and requirements in this area. OHE will only discuss COA issues with institutions audited for 2023-24 with no findings in its audit reports.

Special COVID Guidance for Programs during the 2023-24 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 Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This guidance was subsequently amended and expanded several times.

Many of the Title IV waivers and flexibilities were scheduled to end/sunset based on either the date that the COVID-19 national emergency ended (April 10, 2023) or the date that the COVID-19 public health emergency ended (May 11, 2023). Per ED's [Electronic Announcement General-23-26](#)⁴ issued on June 14, 2023, verification

¹ <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/pdf/2023-2024>

² <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-11-04/fafsa-simplification-act-changes-implementation-2023-24>

³ https://fsapartners.ed.gov/sites/default/files/2023-2024/2023-2024_Federal_Student_Aid_Handbook/_knowledge-center_fsa-handbook_2023-2024_vol3.pdf

⁴ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-06-14/sunset-covid-19-waivers-and-flexibilities#:~:text=This%20waiver%20will%20expire%20at,to%20the%20COVID%2D19%20pandemic.>

waivers “...will conclude at the end of the first payment period that begins after April 10, 2023.” Following that period, institutions must return to performing verification according to the guidance contained in the 2023-24 AVG. An institution may have different payment periods for different programs so auditors must evaluate this on a case-by-case basis.

MINNESOTA IMPACT: OHE’s statutes and policies refer to verification as subject to Title IV requirements so any Title IV change was also effective for Minnesota programs on the same date. **Exception:** The one exception was for Minnesota Dream Act applicants. OHE Financial Aid Division staff collects tax returns and other documents from each Dream Act applicant to verify the information provided on the Minnesota Dream Act application.

Fresh Start Initiative (ends on September 30, 2024)

See [DCL GEN-22-13⁵](#) for more information. In summary, ED is providing a chance for persons with defaulted student loans to bring those loans out of default and regain Title IV eligibility. This temporary program will end one year after the COVID-19 student loan repayment pause ends. Auditors may find students with Institutional Student Information Records (ISIRs) that show the students are in default on their federal loans but the same students received Title IV aid for the 2023-24 aid year. There is a time lag between a borrower requesting relief and the removal of default flags. If an auditor sees this combination, they need to confirm with the institution under audit that it was due to the Fresh Start Initiative. The institution may be able to provide a subsequent “pushed” ISIR to prove the default flag was changed.

Changes and Additions to Minnesota Programs

In addition to possible impacts from federal Title IV changes already noted, the usual annual parameter changes to existing programs and requirements were made for the 2023-24 aid year. These changes will impact how an auditor performs a Minnesota compliance audit for the 2023-24 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.

Minnesota State Grant (MSG) Changes

Calculation parameters changed.

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

NOTE: OHE requested and the legislature passed changes to the MSG statutes during the 2023 session. Even though the changes appear in the 2023 Minnesota Statutes, all parties understood that the changes would not take effect until 2024-25 so as to coordinate with the FAFSA Simplification changes. These changes included moving from terms of attendance to terms of MSG receipt, extending a student’s eligibility to the equivalent of

⁵ <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-08-17/federal-student-aid-eligibility-borrowers-defaulted-loans>

12 semesters of receipt, reducing the minimum credit load to qualify for MSG from three to one, etc. Therefore, references to Minnesota Statutes for MSG refer back to 2022 Statutes rather than 2023 Statutes.

Fostering Independence Higher Education Grant Program (FIG)

Calculation parameters changed.

For more details, see “Fostering Independence Higher Education Grant (FIG) later in this guide.

Student Educational Loan Fund (SELF)

The SELF program began offering loans under the SELF 6 program during spring of 2022 and all loans issued during the 2022-23 aid year were made from this phase. SELF 6 ended on January 31, 2024. The final SELF 6 loan was disbursed on April 30, 2024.

The SELF 7 phase began on February 1, 2024. This date coincided with the switch in third-party loan originators from Nelnet/Firstmark to Aspire. The majority of changes made related to SELF 7 will not impact an auditor’s work as they only impact loan repayment options and terms. However, OHE did increase the annual and cumulative SELF loan maximums. For specific information, see the section later in this guide named “Student Educational Loan Fund (SELF)”. An auditor must be aware of when a SELF Loan was originated as that will determine the borrowing limits for that student.

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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 \(a\)\(1\)](#)⁶. Postsecondary institutions (institutions) are allowed to use their external auditors to perform the Minnesota compliance audits under [MS 136A.1313](#)⁷. 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 Unit 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, 2024 if any changes are to occur for the audit of the 2023-24 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 Unit 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

⁶ <https://www.revisor.mn.gov/statutes/cite/136A.01>

⁷ <https://www.revisor.mn.gov/statutes/cite/136A.1313>

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 no later than 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 auditor performing a Minnesota compliance audit.

An Auditor's 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 Unit 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 Unit 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 and satisfactory academic progress (SAP) policies and procedures.

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 2023-24, the dates are July 1, 2023 through June 30, 2024. 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. 2023-24). OHE may expand the timeframe to the two prior completed aid years (e.g. 2022-23 and 2021-22).
- A planned audit or a closeout audit for an open aid year (e.g. 2024-25). OHE may expand the timeframe to the prior three completed aid years.
- An audit during which an auditor finds an institution may potentially or is intentionally mismanaging one or more Minnesota aid programs. The auditor must present both their concerns and recommendations to 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 an auditor to begin auditing a student's record from their first day of attendance through the current time if that student is still enrolled.

Programs to Be Audited

The following is a list of the active programs administered by OHE during the 2023-24 aid year. Most institutions do not participate in every program every year.

- Minnesota State Grant (MSG)
- Minnesota Dream Act (Dream Act)
- Postsecondary Child Care Grant (CCG)
- Student Teacher Grants (STG)
- Grants for Students with Intellectual and Developmental Disabilities (ID)
- Fostering Independence Grant (FIG)
- Public Safety Officer Survivor Grant (SOS)
- Minnesota Indian Scholarship Program (MISP)
- Minnesota Future Together Grants (FTG)
- State Work Study (SWS)
- Student Educational Loan Fund (SELF or SELF Loan)
- Tuition Reciprocity Programs

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.

An auditor must request from the institution each applicable item from the list below. An auditor may accept electronic links (preferred method) in lieu of paper/scanned documents. An auditor must obtain and review each policy prior to beginning the review of individual student files. An auditor 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 2023-24 aid year, an auditor must request and review the updated policy for compliance purposes.

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.
- Definition of full-time, part-time, three-quarter time, and half-time for each type of program (e.g. undergraduate, graduate, etc.)
- Definition of grade levels (e.g. the number of completed credits or other metric that moves a student's classification from a first year to second year, etc.).
- Aid recalculation/revision policies ("locking a student's schedule") including Pell Recalculation Date(s) (PRD), OHE programs' award adjustment end date, freeze dates for R2T4 module calculations, etc.
- SAP policy or policies if more than one.
- Remedial coursework, repeated coursework, limit on changing programs/majors (may be stand-alone policies to determine aid eligibility but must also be addressed in the SAP policy).
- 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.
- CCG application and awarding process (see "Postsecondary Child Care Grant (CCG)" later in this guide).
- 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).

OHE's Audit Process

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

- An auditor selects next institution to audit from previously identified list of priority institutions or an institution that has announced its closure.
- Assigned auditor(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 auditor selects a random sample to test using a statistical function to determine the proper sample size (see “Sampling Process” later in this guide).
- Auditor 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.
- Once the sample selections have been made, Auditor concurrently prepares Appendix A: Program Populations and Sample Sizes for the audit report.
- Auditor, if they have not already done so, contacts Anne Sheridan of MNIT to set-up the secure transfer process for the institution to be audited. Auditor follows up with their institutional contact to explain what message to watch for in their email and to take immediate action to finish setting up their account before the link expires.
- Auditor creates a sample letter including instructions to the institution explaining what documents OHE needs by what date, how to securely download and upload the secure documents, and how to use the Excel spreadsheet with OHE identity numbers, etc.
- Auditor contacts the institution to set up a time for an entrance interview either virtually or by phone.
- Auditor sends the sample letter and sample list to institution through the secure portal prior to the entrance interview. Auditor must, at a minimum, schedule adequate time for the entrance interview to:
 - Review the audit process;
 - Ask some initial questions;
 - Allow the institution to ask questions;
 - Emphasize the section of the sample letter requesting the institution to provide as quickly as possible a list of all students who received Minnesota aid (other than SWS) who fully withdrew (officially or unofficially) from the spring 2024 term to allow OHE to create the refund sample; and
 - An auditor should use this meeting to ask clarifying questions about certain practices at the institution. An example is to ask if the institution uses any third-party partners to perform required program functions (e.g. Higher One or similar organization to provide student refunds, etc.).
- Auditor 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 auditor would then set up a time with the institution to pick up the documents.
- Auditor creates the audit worksheets to be completed for each student selected by program.
- Auditor monitors for receipt of documents from institution and reminds the institution as the due date approaches.
- Auditor inspects documents and completes the audit worksheets. During this process, the auditor documents any follow-up questions and notes potential findings. The auditor may send follow-up questions in batches to the institution (e.g. by program) depending on the number of questions/issues to resolve.

- Auditor sends their potential findings, recommendations, etc. as an “FYI” to the Audit Manager before the auditor conducts an exit meeting via phone or virtually with any institution staff that want to be involved.
- Auditor writes the first draft of the audit report.
- Auditor notifies the other auditors that the draft is ready for their review, obtains feedback, and makes changes as necessary.
- Auditor 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.
- Auditor edits, if necessary, the draft report based on Audit Manager’s feedback.
- Auditor sends a copy to each OHE senior/division program manager in addition to the individual program managers whose programs have findings in the report.
- Auditor 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 along with an appeal form are sent electronically via email 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 auditor who completed the audit performs the initial review. If the auditor deems it necessary, the Audit Manager will perform a secondary review. Otherwise, the auditor will 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, the auditor must request an official invoice from the Financial Services Division. This invoice is then attached to the final audit report as an appendix. The final report, a corrective action plan (CAP) template (if applicable), and an audit disclosure notice is sent to all of the institutional staff who received the draft version as well as to the chief executive officer (president or equivalent). Chris Halling from MN State’s central office must also be copied on final reports for all MN State institutions. The audit disclosure notice provides documentation to the institution

concerning the release of students' personal information to OHE for the allowable purpose of a compliance audit.

- The institution has approximately 30 days from the issuance date of the final report during which it must prepare a CAP in response to each finding and stand-alone recommendation in the final report. The CAP and the institution's payment (if applicable) are due on or before the date stated on the invoice and in the report.
- Auditor monitors for receipt of the CAP and works with OHE's Financial Services staff to track payments received. Once received, the auditor reviews the CAP. If the auditor accepts the CAP as is, they can proceed; otherwise, the auditor must return it to the institution for additional work.
- Auditor makes final decision to close the audit based on the reasonableness of the CAP and the receipt of any funds due.
- Auditor issues the close letter to the institution.
- Auditor reports the institution, students, programs, and associated terms of enrollment to the Financial Aid Division to inform them of what funds were required to be returned as a result of an audit. As of May 2024, an auditor must use the new reporting tool on OHE's public website. The primary audience for this tool was institutions, but the Audit Unit can use it, too. The OHE Refund Return Form is found on this webpage: <https://www.ohe.state.mn.us/dPg.cfm?pageID=2634>.
- Auditor 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 auditor should increase the sample size if they believe there is an increased possibility of financial aid disbursements to ineligible students or other issues. Note that sample instructions for tuition reciprocity programs and refund calculations appear at the end of this "Sampling Process" section.

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

OHE uses a statistical compliance sampling model. The Excel function HYPGEOM.DIST is the tool used to determine sample sizes. The function requires five arguments.

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 will provide a confidence level of approximately 75%.

OHE usually caps the confidence level used in sampling at 75%. However, an auditor has the discretion to increase or decrease the confidence level to determine the sample size on a program-by-program basis.

An auditor must use their judgment to determine an appropriate sample size for each program being audited. The auditor must consider factors such as:

- An institution's prior findings and/or other history of problems in a given program.
- The number of years an OHE program has been in existence.

- The number of years since any major changes were made to a program.
- The number of years the institution has participated in the program.
- A recent change in financial aid staff at the institution including the director.
- The confidence level used in prior sampling for a program at an institution. If an auditor notes that OHE has used confidence levels of less than 75% for two or more audit cycles, then they should increase the confidence level to 75% for the current cycle even if there has been no history of issues with a program.

If an auditor determines during their work that an institution had a systemic problem in calculating awards for a particular program, the auditor 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.

An auditor enters the appropriate values into the function to determine a sample size. 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 is the variable being solved for. An auditor must use trial and error entering various numbers for this argument until the function returns a result as close to 0.25 as possible if the desired confidence level is 75%. If the confidence level chosen is, for example, 65%, then the auditor's trial and error process will try to get the function's result to be as close as possible to 0.35.
- 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 Minnesota State Grant 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).

Tuition Reciprocity Programs Sample Sizes

Reciprocity sample size for each reciprocity program at the institution being audited is the lesser of the total population or two students.

This sample process will apply to each of the following:

- Iowa Reciprocity Program
- Manitoba Reciprocity Program
- Midwest Student Exchange Program (The)
- Minnesota-North Dakota Tuition Reciprocity
- Minnesota-South Dakota Tuition Reciprocity (2023-2024 was final year.)
- Minnesota-Wisconsin Tuition Reciprocity

Refund Sample Size

The refund population is the list of all students provided to OHE by the institution who received aid from one or more OHE programs (except SWS) that fully withdrew from the institution during the spring 2024 semester or quarter. This includes both official withdrawals and unofficial withdrawals that were not identified until after spring grades were available and a student was determined to have stopped attending all classes during the term.

The refund sample size is 5% of the total refund population capped at 20 students. If an auditor randomly selects a student from the refund population and that student was already selected as part of program sample, an auditor does not need to replace that student with another selection from the refund population. If a student selected from one or more of the program samples also happened to fully withdraw from the institution during any term of the 2023-24 aid year, an auditor must still verify the accuracy of that refund calculation in addition to the official refund sample.

The auditor 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.

Types of Testing

An auditor'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

An auditor must document and inform the Audit Manager of all exceptions identified as potential findings and stand-alone recommendations during the audit. 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.

An auditor 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.

An auditor 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.

An auditor 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 determines it does not have 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 attempted 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, that 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 the SELF servicer, and provide OHE with an email confirmation that it has been paid, so OHE can confirm it has been paid in the servicer's system.

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 two currently in use levels of exceptions are:

- **Recommendation:** This is a stand-alone item not affiliated with any finding. 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 (not the same as a stand-alone recommendation per above) 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.

Additional exception level previously used in audit reports prior to the 2021-22 aid year:

A third level of exceptions (comment) was used in prior years' audit reports. A "comment" notation was 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 was also used when a particular exception occurred for the first time at an institution and had limited impact to students. A comment may have contained a warning that future occurrences of the same exception would be considered a finding and required the institution to return funds to OHE. An institution did not have to reply to a comment in its CAP.

General Program Requirements for 2023-24 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.**

An auditor will find some situations that are not completely addressed in this guide and must always audit a program using a combination of this guide, the State Financial Aid Manual, the 2023-24 FSA Handbook, and other Minnesota and Title IV reference materials

Reference Materials for Both Institutions and Auditors

The following are reference and guidance materials that both institutions and auditors must use to determine compliance with the requirements of Minnesota aid programs. While auditors 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. Auditors 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.

- [2023-24 FSA Handbook including the Application and Verification Guide](#)⁸ - note that the official guidance is the federal regulations and other source materials from which ED prepares the Handbook.
- [Federal Program Integrity Information](#)⁹ - Questions and Answers as updated.
- [Minnesota State Financial Aid Manual](#)¹⁰ use the version of each chapter that was in effect for the aid year under audit which may be an older version that has not been updated. If an auditor knows that the most current version is out-of-date and is no longer accurate, then they must rely on other reference materials to fill in any gaps.
- Updates to Minnesota programs that occurred after the most recent version of the Minnesota State Financial Aid Manual was issued and sent by OHE program managers to institutions.
- [2023 Minnesota Statutes 136A. Higher Education](#)¹¹.

⁸ <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/pdf/2023-2024>

⁹ <https://www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity-qa.html>

¹⁰ <https://ohe.state.mn.us/mPg.cfm?pageID=891>

¹¹ <https://www.revisor.mn.gov/statutes/cite/136A>

- Minnesota Administrative Rules [Chapter 4830](#)¹² for most programs other than SELF and [Chapter 4850](#)¹³ for SELF Loans.
- [2023 Minnesota Statutes 299A.41 through 299A.47 Public Safety Officer and Survivor Benefits](#)¹⁴.

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 Unit 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 FSA 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 auditors find evidence of an institution administering State aid funds in a potentially fraudulent or grossly negligent manner.

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

¹² <https://www.revisor.mn.gov/rules/4830/>

¹³ <https://www.revisor.mn.gov/rules/4850/>

¹⁴ <https://www.revisor.mn.gov/statutes/cite/299A>

auditors 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, childcare provider, etc., 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. Many of the other OHE program manuals refer the reader back to information contained in the MSG chapter. An auditor needs to be aware of this so as to cite the appropriate references for findings and stand-alone recommendations.

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 (Reduced Emphasis for 2023-24)

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.

2023-24 Note: While an auditor must still be aware if this practice is being used by an institution under audit for 2023-24, they do not have to be hyper-vigilant about this issue. The 2023-24 aid year was the final year under the old MSG requirement that capped a student's eligibility based on semesters of attendance. This was changed during the 2023 legislative session to allow a student to be capped only on the basis of terms of receipt of MSG funds. This change will become effective for the 2024-25 aid year. Since OHE will be auditing the 2023-24 aid year after the 2024-25 aid year has already begun, it will not be looking as closely at a student's unit count during 2023-24. If there appears to be an egregious example of an institution awarding a student MSG after clearly exceeding the maximum units of attendance, an auditor must still cite this as a finding and require the return of MSG funds to OHE.

Minnesota Residency

Most of OHE's aid programs require a student applicant to be a Minnesota resident as defined for each program. For example, the definition is expanded for CCG compared with MSG. Minnesota residency is not simply based on a student's address or year of state residency from their 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.

Special Note about Graduate Students:

The following are points to consider about graduate students related to Minnesota resident status:

- Some institutions offer academic programs at both the undergraduate and graduate/professional level.
- Students who enroll for graduate/professional education at a Minnesota institution may not have attended the same institution for undergraduate work.
- Certain OHE programs (CCG, SWS, and MISP) may be awarded at both the undergraduate and graduate/professional level.

OHE previously identified one institution that awarded graduate students Minnesota aid without determining if the students were Minnesota residents. The institution relied on the student's address on the FAFSA to determine residency even though the student had not been enrolled for undergraduate work at the institution.

An auditor must pay special attention to graduate students within certain program samples in order to verify their Minnesota resident status.

A Valid ISIR

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 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.

The primary reference tool for institutions to use is the AVG. The AVG is a part of the FSA 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 Chapter Five-Special Cases of the 2023-24 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 impact 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.*
- IRS Publication 17 is also a useful resource.*

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. 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 Unit 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 parents' tax filing status versus their marital status. For the 2023-24 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 auditors will not automatically 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 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.

Refunds

The word “refund” can be used in several ways when discussing student accounts and financial aid. An auditor 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: 2023-24 FSA Handbook, Volume 4, Chapter 2, “Title IV Credit Balances” *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.

An auditor must keep this requirement in mind when reviewing a student's account during an audit. There are additional nuances that require an auditor 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.

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. In some cases, after all of the refund and return of aid calculations are completed, a student may still owe 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.

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 2023 MS 136A.827.

A registered institution is one that offers at least a two-year degree program. Each registered institution may establish its own refund policy/policies. OHE may not require any changes. However, an auditor must verify that the institution properly applied its own refund policy when applicable.

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

References

- 2023-24 FSA Handbook-Volume 5—for R2T4 information
- 2023 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**. An auditor 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. However, institutions are not required to use OHE’s forms and may use their own as long as the results are the same.

An auditor 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 an auditor 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.

Specific Program Requirements to Review for 2023-24 Compliance Audits of Minnesota Aid Programs

Minnesota State Grant (MSG)

Regulatory References

- 2023 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 must first take steps to ensure that it is a valid ISIR (see previous section). Then, using the valid ISIR 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 an auditor not to assume answers to eligibility questions based solely on the review of a student's ISIR. Each of the eligibility requirements has nuances and exceptions to consider and that is why an auditor 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 See: Transcripts and Waiver of Aid (Reduced Emphasis for 2023-24) earlier in this guide. | 2022 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 | 2022 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 an MSG 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 MSG

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 submit State Grant Files to OHE's MNAID system to calculate and verify MSG awards. This includes being able to accurately pro-rate 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 2023-24 aid were:

- Annual tuition and fees cap for two-year institutions: \$6,580
- Annual tuition and fees cap for four-year institutions: \$16,654
- Annual living and miscellaneous expense (LME) allowance: \$12,576
- 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 EFC: 35%
- For independent students with dependents, factor to multiply against the nine-month EFC: 71%
- The 2023-24 Federal Pell Grant tables

An auditor 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.

NOTE: The tuition and fees amount used is the lesser of the actual amounts reported by an individual institution to OHE or the cap for the type of school (2 or 4 year). There are several MN State institutions that have actual tuition and fees that are less than the cap. An auditor must be aware of this in order to avoid entering inaccurate tuition and fee amounts into MSG calculations.

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 |
| 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 |

Monitoring During an Academic Term/Payment Period

A student's enrollment level may change during an academic term even after an MSG award has been disbursed. This change can occur due to a combination of dropping, adding, or withdrawing (including retroactive withdrawals) from one or more courses. If the student withdraws from all courses, the student is considered to have withdrawn from the institution.

A student's ISIR information may change due to a correction or the application of professional judgment by an aid administrator. See SFA-MSG beginning on page 9.

There are many nuances and exceptions as to when an institution may or must recalculate an MSG award even after it has been disbursed. Detailed guidance covering many possible circumstances appears in the SFA-MSG on pages 58-68 and beginning on page 77. However, there is a guiding principle that appears on page 60 of the SFA-MSG:

In cases where the student has begun attendance in all classes, State Grant award recalculations and/or partial withdrawal refunds are not required unless the school adopts a written policy requiring award adjustments through a certain end date within the term. However, if a student withdraws from all classes, a total withdrawal refund will always be required (see 'Total Withdrawal' in the 'Calculating Refunds for Students Who Change Enrollment Level or Withdraw After State Grant Disbursement' section in this chapter).

The school may choose an award adjustment end date that coincides with the end of the drop/add period (the most commonly chosen) or any other date during the term, including the last day of the term if the school opts to perform award adjustments through the entire term. Whichever end date is selected for award adjustments, it must also be used for all applicable state financial aid programs. There is no requirement that the award adjustment end date used for state financial aid programs match the end date selected for adjusting Pell Grants. The school has the option of selecting different award adjustment end dates for different programs of study offered by the school.

The SFA-MSG goes on to discuss possible combinations of enrollment changes such as when a student has begun attendance in all classes but a change occurs before the institution's end date for award recalculations. Therefore, it is imperative that an auditor obtain the institution's policy on award recalculations for both federal and Minnesota aid programs.

Disbursement Process

An institution may complete the awarding process months before it can disburse the MSG funds to a student. While a student may have been eligible to receive an MSG award at the time of award processing, a student's situation may have changed before an institution is permitted to disburse MSG funds. An institution must determine if a student has a valid ISIR and continues to meet the student eligibility requirements (see Student Eligibility Requirements) before a disbursement may occur. See the SFA-MSG beginning on page 70.

When an Institution may disburse MSG funds

An institution must establish academic terms or payment periods as part of its annual MSG set-up with OHE's Financial Aid Division. A term-based school must either use quarters with three terms or semesters with two terms covering a nine-month academic year. A student may be eligible for a fourth quarter or third semester disbursement if the student is enrolled year-round. Total annual awards are capped at 60 quarter credits or 45 semester credits.

- An institution may choose to disburse MSG funds even before an academic term begins. A student must be registered for classes before an MSG disbursement may be made for a term.
- An institution may disburse MSG funds during an academic term.
- An institution may, in some cases, be able to disburse MSG funds after the end of an academic term.

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 auditors use to determine a student's enrollment level to confirm accurate disbursement amounts.

Auditors must look for any pattern of disbursements within academic terms that suggests an institution is deliberately delaying MSG disbursements until after the date an institution "locks" awards for the term. While this would not constitute a finding, it would result in a recommendation in the report. Delaying all MSG disbursements to avoid re-calculating some awards 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 a web portal that interfaces with OHE's MNAID system.

Each institution must submit a State Grant File containing records for both State Grant recipients and no-need students on at least a monthly basis. The first State Grant File 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.

The disbursement date(s) reported to OHE must match the date(s) on a student's account.

Cash Management Requirements Prior to and during an Academic Term

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.

As noted in “Disbursement Process” above, an institution has flexibility as to when it disburses MSG funds to a student’s account. An institution assumes various levels of risk depending on when it chooses to disburse.

If an institution has submitted its initial State Grant File for the new school year, made a disbursement to a student’s account labeled as Minnesota State Grant before the first day of the term, and has refunded any excess aid funds to the student before the start of the term, then the institution is liable for returning the MSG funds to OHE if that student does not actually begin attending classes.

If an institution elects to use summer term as a header or leading term, the term may begin as early as May and end in July or August (a crossover term). Just like the example above, an institution may disburse MSG using institutional money to a student’s account and potentially refund excess funds to the student. The difference here is that the institution cannot reimburse itself by immediately drawing MSG funds from OHE. Since those MSG funds are coming from the next aid year, those funds are not available until at least July 1 (the first day of the State’s fiscal year). So, if a student has already received a refund, but they change their enrollment level, withdraw from school, etc. before July 1, the institution will only be able to draw the adjusted amount of MSG for that student. The institution will be liable to collect any remaining amount of its own money that it previously refunded to the student.

Institutions may request cash draws from OHE based on its most recently accepted State Grant File 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 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. Auditors 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 term 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.

All Non-passing Grades

OHE has adopted the federal Title IV process requiring institutions review federal and Minnesota aid recipients' grades after each academic term. If a student received all non-passing grades (e.g. W, I, etc.), then the institution must be able to document that the student actually began attending each class. If a student did not begin any of their classes, then the full amount of MSG disbursed for the term must be reversed. If a student began some but not all classes, then the institution must re-calculate the MSG award based on the student's actual enrollment level on the date of disbursement. **NOTE:** An auditor must distinguish between checking attendance in all classes for purposes of determining an unofficial withdrawal versus the need to recalculate an MSG award due to changes in enrollment.

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.

An auditor 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 auditors 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 State Grant File system
- MSG disbursements on the student's account at an institution
- MSG disbursements reported and accepted by OHE via the State Grant File system

The movement of cash between OHE and an institution must also be reconciled.

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 State Grant File for the ending aid year. An institution must continue to submit final Files until all exceptions are resolved and OHE accepts the final File.

The institution and OHE's State Grant File 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 State Grant File 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/disbursed MSG based on an invalid ISIR including improper tax filing status for parents/students.
- Institution disbursed 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 State Grant Files to OHE.
- Institution did not fully and/or accurately complete year-end reconciliation.
- Institution submitted incorrect disbursement dates in its State Grant Files.
- 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 auditor 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 MNAID system 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).

Postsecondary Child Care Grant (CCG)

The CCG program continues to have significant overlap with MSG policies and procedures. This guide provides references to the SFA-MSG and MSG statutes when appropriate.

The CCG program is considered a campus-based program as OHE sends funds to an institution and the institution chooses the award recipients based on the CCG parameters.

Regulatory References

- 2023 MS 136A.125
- MN Rules 4830.0100-4830.0700 and 4830.7000-4830.7900
- April 2022-State Financial Aid Manual-Common Definitions (SFA-CD)
- December 2021-State Financial Aid Manual-Minnesota State Grant Program (SFA-MSG)
- 2021-2022-State Financial Aid Manual-Postsecondary Child Care Grant Program (SFA-CCG)
- October 2023 CCG OHE-created training PowerPoint presentation (PP-2023)

Eligible Institutions

- Minnesota public postsecondary
- Minnesota private, baccalaureate degree-granting college or university
- Minnesota nonprofit two-year vocational technical school granting associate degrees
- Minnesota postsecondary offering only graduate or professional degrees

Institutional Application Process

An eligible institution must annually apply to OHE to participate in the CCG program. OHE's Financial Aid Division annually sets a deadline by which an institution must apply in order to be included in the following aid year's list of CCG institutions.

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.
- Submit completed CCG program application to the institution by the institution's published deadline. The institution may use a form created by OHE or a comparable institutional form that includes all of the required questions.

Student Eligibility Requirements

An institution that receives a student's ISIR must first take steps to ensure that it is a valid ISIR (see previous section). Then, using the valid ISIR and other application documents, it must determine if a student is eligible to

be considered for a CCG award. The following table shows the basic requirements and the additional references needed to determine student eligibility.

It is important for an auditor not to assume answers to eligibility questions based solely on the review of a student's ISIR. Each of the eligibility requirements has nuances and exceptions to consider and that is why an auditor 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.

CCG Eligibility Requirements

| Eligibility Requirements | State Financial Aid Manual Reference | Statutes and/or Rules Reference |
|--|--|---------------------------------|
| Minnesota resident—expanded definition for CCG only—can be a student who does not meet requirement but whose spouse does meet the requirement—spouse must be confirmed as a resident | SFA-CD beginning on page 6 AND SFA-CCG page 2 | MS 136A.125 Subd 2 (1) |
| Has at least one eligible child as of the first day of the academic term | SFA-CCG page 4 | MS 136A.125 Subd 2 (2) |
| Student is income eligible as determined by OHE's policies and rules | N/A | MS136A.125 Subd 2(3) |
| Has not received CCG for the equivalent of 10 semesters | SFA-CCG page 3 PP-2023 | MS 136A.125 Subd 2 (4) |
| Enrolled in nonsectarian program | SFA-CCG page 3 | MN Rules 4830.7100 Subp 6 |
| Enrolled in at least one credit (or clock hour equivalent) in a program of study that applies to undergraduate, graduate, or professional degree, diploma, or certificate | SFA-CCG page 2 | MS 136A.125 Subd 2 (6) |

| Eligibility Requirements | State Financial Aid Manual Reference | Statutes and/or Rules Reference |
|---|---|---------------------------------|
| Student may not be receiving MN Family Investment Program (MFIP) benefits— child may receive MFIP | SFA-CCG page 5 | 136A.125 Subd 2 (3) |
| Not in default on a student educational loan | SFA-CCG page 5 | MN Rules 4830.7100 Subp 5 J |
| Making SAP on date of disbursement | SFA-CD beginning on page 17 SFA-CCG page 2 | MS 136A.125 Subd 2 (7) |
| Not receiving tuition reciprocity benefits from another state while attending a MN institution | SFA-CCG page 3 | MN Rules 4830.7100 Subp 5 C |

Eligible Child Care Providers and Provider Verification

- The types of eligible and non-eligible childcare providers appear in the SFA-CCG chapter on pages 6 to 7 and in the PP-2023.
- The institution is required to verify information supplied by the childcare provider on a student's CCG application. The verification may be completed via paper documents to be signed by the provider or by phone. If the institution verifies by phone, it must document the date and details of the call. Any document serving as provider verification must be retained in a student's file.
- Provider verification must be completed at least once per academic year, but an institution may choose to verify more frequently.

Written Award Process Required

Each participating institution must have a written policy documenting deadlines, application prioritization, and other processes related to its CCG process. The policy must be updated for each aid year. The requirements for the written policy are in SFA-CCG on pages 8 to 11, MN Rules 4830.7000 to 4830.7900, and the PP-2023. The policy must include the appeals process for students whose CCG awards were terminated by the institution.

Institutions must document each student's application and award process. All paper documents must be date stamped on the day they arrive. The institution must have a way to document the date when an electronic document was submitted by a student or provider.

Awarding CCG

After an institution has validated a student's eligibility per the previous sections, it may then determine if it should award a CCG to a student. The institution is further constrained by the amount of CCG funding it has received for the aid year.

The maximum award for a nine-month academic year in 2023-24 was \$6,500. OHE's 2023-24 CCG documents and calculator are on OHE's website at <https://www.ohe.state.mn.us/mPg.cfm?pageID=348>. Institutions may use these forms or create their own as long as all of the required information is present.

Each participating institution must either use OHE's Excel spreadsheet calculator or program its computer system to perform the CCG calculations.

An auditor must use OHE's Excel calculator to check the accuracy of the amounts of CCG awards disbursed by the institution.

Once an award has been calculated, the institution must provide written notification to the student of the amount of the awards and the names of the covered children. The institution must retain a copy of this notice.

CCG Review Process

| Process or attribute to review | What to review | CCG Manual and/or Other Reference |
|---|---|------------------------------------|
| Hourly rate cap | Rate cap of \$5 or \$10 was used based on the type of provider | SFA-CCG page 14 PP-2023 |
| Correct EFC | Ensure that EFC from ISIR used to calculate CCG was accurate—EFC at or below Pell cut-off qualify for max CCG and proportional decline through 200% of Pell EFC per OHE | PP-2023 MS 136A.125 Subd 4(b) |
| Awards initially determined for a full-time nine-month academic year with some exceptions; calculated by term per child | Institution should retain copies of each calculation or otherwise be able to show how each award was calculated | SFA-CCG page 12 PP-2023 |
| 10% Infant care adjustment | Verify that the institution requested ability to use when applying to OHE. If so, verify calculation. | SFA-CCG page 16 PP-2023 |
| Awards calculated using the correct number of weeks in the term | Institution's academic calendar, written CCG policy, and CCG application | SFA-CCG page 14 CCG application |
| Paid for breaks between terms (optional) | If institution chooses to do this, breaks must be evenly divided between the two terms | SFA-CCG page 14 |

| Process or attribute to review | What to review | CCG Manual and/or Other Reference |
|---|---|--|
| Actual hours of child care | Verify hours used in calculation matches to CCG application and any additional documents—for 2023-24, OHE’s initial guidance was for institutions to enter actual hours into calculation even if more than 40 and let spreadsheet do the work, BUT, some schools may have simply entered 40 hours into the calculation even if the student indicated more than 40 hours per week for a weekly rate. Need to look at individual cases. | CCG application and any subsequent changes |
| Hourly rate of provider | Verify between CCG application and provider verification | CCG application and provider verification forms |
| Enrollment level | Verify actual enrollment level used to calculate CCG—new simplified enrollment factor per table on CCG application as well as in PP-2023 | Transcript (possible need to follow up with institution to determine class withdrawal dates) |
| Summer term and crossover term awards | Student may request CCG for either or both of a header or trailer summer term as long as each is a crossover term. Maximum annual award may not exceed 150% of the annual amount for semesters and 133% for quarters. | SFA-CCG pages 12-13 PP-2023 |
| Minimum award | \$50 per semester and \$33 per quarter | SFA-CCG page 14 PP-2023 |
| MFIP or other child care assistance funds | Check the CCG application and other documents to see if any indication of a student receiving MFIP or other external sources (including spouse receiving CCG) and if so, was the other assistance deducted from actual childcare costs before calculation | CCG application Letters from a county government office for MFIP |

Institution has Insufficient CCG Funds for All Eligible Applicants

If an institution follows its written CCG policy using accurate prioritization to award eligible applicants it may find that it has insufficient CCG funds to award all eligible applicants. An institution should establish a waiting list for these students using proper prioritization.

Even if an institution has a waiting list, it should still encourage students to continue to apply for CCG funding as more funds may become available during the aid year. An institution may choose to pay retroactive awards for prior terms and OHE encourages this practice. See the SFA-CCG page 12, 19, and MN Rules 4830.7710.

Monitoring During an Academic Term/Payment Period

The amount of the student's CCG may change due to changes in or corrections to the student's EFC, actual childcare costs, MFIP status, enrollment status, provider information or other factors affecting the award.

A CCG recipient is required to inform the institution's financial aid office within 10 days of any changes to their originally submitted information. See the SFA-CCG pages 6 and 9 for more information.

An institution may terminate a CCG award, cancel a subsequent term's CCG award, or take other action as it decides if it determines that a student intentionally failed to report changes within the 10-day window. However, a student has the right to appeal the decision first within the institution's normal procedures. If the appeal is denied, the student may appeal to OHE's Commissioner whose decision will be final. This information should be included within an institution's written CCG policy.

A student may change their enrollment level during an academic term even after a CCG award has been disbursed. This change can occur due to a combination of dropping, adding, or withdrawing (including retroactive withdrawals) from one or more courses. If the student withdraws from all courses, the student is considered to have withdrawn from the institution.

A student's ISIR information may change due to a correction or the application of professional judgment by an aid administrator.

There are nuances and exceptions as to when an institution may or must recalculate a CCG award after it has been disbursed. Detailed guidance may be found beginning on page 19 in the SFA-CCG. Unlike MSG, calculated increases to CCG during a term may only be made if funds are available.

The same general principle that appears on page 60 of the SFA-MSG also applies to CCG:

In cases where the student has begun attendance in all classes, State Grant award recalculations and/or partial withdrawal refunds are not required unless the school adopts a written policy requiring award adjustments through a certain end date within the term. However, if a student withdraws from all classes, a total withdrawal refund will always be required (see 'Total Withdrawal' in the 'Calculating Refunds for Students Who Change Enrollment Level or Withdraw After State Grant Disbursement' section in this chapter).

The school may choose an award adjustment end date that coincides with the end of the drop/add period (the most commonly chosen) or any other date during the term, including the last day of the term if the school opts to perform award adjustments through the entire term. Whichever end date is selected for award adjustments, it must also be used for all applicable state financial aid programs. There is no requirement that the award adjustment end date used for state financial aid programs match the end date selected for adjusting Pell Grants. The school has the option of selecting different award adjustment end dates for different programs of study offered by the school.

As a campus-based program, there are some allowable tolerances for “unintentional overawards”. See the CCG manual page 19 for more information. OHE’s position is that any overaward should be carefully reviewed using a very high standard for considering it “unintentional”.

A student who received MFIP or other childcare benefits for only **part of a term** may be eligible for a prorated CCG. This can occur if the other benefits end during a term or the benefits begin after the term has already begun. See SFA-CCG pages 22 and PP-2023.

Disbursement Process

An institution may complete the awarding process months before it can disburse the CCG funds to a student. While a student may have been eligible to receive a CCG award at the time of award processing, a student’s situation may have changed before an institution is permitted to disburse CCG funds.

An institution must determine if a student has a valid ISIR and continues to meet the student eligibility requirements (see Student Eligibility Requirements) before a disbursement may occur. See the SFA-CCG beginning on page 23.

When an Institution may disburse CCG funds

An institution must disburse by academic terms or payment periods. These terms should be the same as those established during the institution’s annual MSG set-up with OHE’s Financial Aid Division. A term-based school must use either quarters with three terms or semesters with two terms covering a nine-month academic year. A student may be eligible for a fourth quarter or third semester disbursement if the student is enrolled year-round. Total annual awards are capped at 133% of the maximum annual award for quarter-based institutions and 150% for semester-based institutions.

An institution may choose to disburse CCG funds even before an academic term begins. A student must be registered for classes before a CCG disbursement may be made for a term.

An institution may disburse CCG funds during an academic term including retroactive disbursements for prior terms within the aid year if all other eligibility requirements were met. An institution may be able to disburse CCG funds after the end of an academic term in some cases.

Date of disbursement

An institution must be able to record the date on which it disbursed CCG funds to a student. This date is used by an auditor to determine a student's enrollment level to confirm accurate disbursement amounts.

Auditors must look for any pattern of disbursements within academic terms that suggests an institution is deliberately delaying CCG disbursements until after the date an institution "locks" awards for the term. While this would not constitute a finding, it would result in a recommendation in the report. Delaying all CCG disbursements to avoid re-calculating some awards is not a student-friendly practice.

Methods of disbursement

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

Other acceptable methods and related requirements are described in the SFA-CCG beginning on page 24.

Special Case: Some institutions credit CCG funds directly to a student's account. Then they immediately process a refund check to the student in the amount of the CCG funds even if the student still owes a balance to the institution. This is done so that students can use the CCG funds to pay for childcare as that is the sole purpose of the CCG program.

Interim Reporting and Cash Management Requirements

OHE determines the annual allocation of CCG funds for each institution that timely completes the annual request for participation. In general, OHE sends the annual allocation in two equal disbursements in August (with any remaining portion of the first 50% in October) and December.

OHE sends refund requests/requests for reallocation to participating institutions in November, January, March, May, and June. 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 CCG fund activity. If CCG funds are co-mingled with other OHE program funds (e.g. MISP, SWS, etc.), the institution must be able to identify the entries by program and explain the activity to auditors if requested.

The institution must have an internal process by which the business office and financial aid office regularly monitor the amount of CCG funds available to award. OHE recommends this process be performed at least monthly.

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

- If all eligible CCG applicants have been awarded or are projected and the institution does not expect to spend its full annual CCG 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 CCG allocation.
- If all eligible CCG applicants including waitlist students have been awarded or are projected and the institution's annual CCG allocation is insufficient, 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 CCG funds to a different aid year. An institution may also retain an administrative expense allowance of up to five percent (5%) of the CCG awards disbursed during an aid year. These items must also be factored in to the CCG projections to estimate an institution's CCG cash position. For more information, see the SFA-CCG beginning on page 33.

Each participating institution must report its CCG spending once per month to OHE using an online portal. See SFA-CCG page 36. 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. Auditors should refer to the SFA-CCG pdf pages 34 to 35 for more information.

End of Term Monitoring for Enrollment Changes

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

Late disbursement

An institution may not be able to award and/or disburse CCG funds to a student during a term because the student has not provided required information so the institution can complete verification or resolve conflicting information. The following is from the SFA-CCG page 26:

A retroactive payment can be processed for a term within the same aid year from which funds are drawn. A retroactive payment may be made even if the student is not currently enrolled in a subsequent term provided the student currently meets all of the other program eligibility requirements. A retroactive payment is made after the term has been completed and must be based on the student's enrollment status as of the end of that term.

An auditor should also review this topic in the PP-2023.

All Non-passing Grades

OHE has adopted the federal Title IV process requiring institutions review federal and Minnesota aid recipients' grades after each academic term. If a student received all non-passing grades (e.g. W, I, etc.), then the institution must be able to document that the student actually began attending each class. If a student did not begin any of their classes, then the full amount of CCG disbursed for the term must be reversed. If a student began some but not all classes, then the institution must re-calculate the CCG award based on the student's actual enrollment level on the date of disbursement. **NOTE:** An auditor must distinguish between checking attendance in all classes for purposes of determining an unofficial withdrawal versus the need to recalculate an MSG award due to changes in enrollment.

Backdated or Retroactive Withdrawal Date

The following is from the SFA-MSG page 99 but also applies to CCG awards:

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.

An auditor 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

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

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

- CCG award in the institution's financial aid system.
- CCG disbursements on the student's account (or as otherwise disbursed).

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 plus any allowable carry-forwards plus any allowable administrative expense allowance.

The results of these reconciliations will ease the institution's burden in preparing the required end-of-year reporting to OHE.

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 9. 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 CCG awards 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 CCG 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.

CCG Issues and Possible Audit Exceptions

- Institution awarded/disbursed CCG based on an invalid ISIR including improper tax filing status for parents/students.
- Institution disbursed CCG at an incorrect enrollment level.
- Institution did not award students for the entire nine-month academic year up front in order to have funds available for the subsequent term.
- Institution used incorrect parameters to calculate CCG awards (e.g. hourly rates, number of hours, etc.)
- Institution did not perform or properly document a childcare provider verification, either via phone or email.
- Institution did not follow up on information suggesting an applicant was or would be receiving MFIP or other childcare benefits. Institution must obtain documentation from the county that is paying the MFIP benefits to determine when the student actually received benefits and the amount.
- MN State's ISRS system's CCG calculations may not match OHE's calculations. Issue first raised in November 2016. Could be due to how weeks in a term were calculated (e.g. 16.9 versus 17).
- Institution incorrectly identified student as a Minnesota resident.
- Institution did not submit monthly spending amounts to OHE.

- Institution did not return year-end excess cash by July 31.
- Institution failed to close out the prior aid year by August 10, 2023 (first working day after August 9) subject to MN State extended deadline.
- Institution's year-end report student data does not match to actual data in the CCG sample.
- Institution unable to provide an auditor with all requested documentation to support the awarding of CCG to one or more students.
- Institution did not increase a student's COA for childcare costs to accommodate the full CCG award (recommendation, not a finding).
- Student changes childcare provider during a term. Institution must re-do its CCG calculations. There will be two separate calculations using the number of weeks within the term at a specific provider as well as hourly rate, maximum rate cap, etc. The two individual calculations are then added together but the total award **may not exceed the maximum table award**.
- Refund issues (see "Refunds" earlier in this guide).

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.

Auditor'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, an auditor 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. OHE generates a certification roster for each institution with eligible students, institutions are then required to verify enrollment level and eligibility before funds can be sent. 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 State Grant Files for Dream Act students. An institution must still complete a reconciliation of awards and cash for Dream Act MSG students.

An auditor 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/dispursed.

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

CCG

Dream Act students attending institutions participating in CCG must follow the same application process for CCG as any other student. The institution's end-of-year report must list Dream Act students just like any other student. An auditor must use the guidance in the CCG 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. An auditor 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.

STG

A Dream Act student may be eligible for these grants. The student must complete the Dream Act application and then follow all of requirements under the STG program.

ID

A Dream Act student may be eligible for this grant. The student must complete the Dream Act application and then follow all of requirements under the ID program.

FIG

A Dream Act student may be eligible for this grant. The student must complete the Dream Act application and then follow all of the requirements under the FIG program.

Fostering Independence Higher Education Grant (FIG)

Regulatory References

- 2023 MS 136A.1241
- 2023-24 State Financial Aid Manual-Fostering Independence Grant (SFA-FIG)

Eligible Institutions

All public institutions (U of MN and MN State System) must participate in FIG. Private institutions (both non-profits and for profits) that meet the definition of an eligible institution under MS 136A.103 (a)(2) may opt out of FIG by providing notice to OHE for the next academic year by March 1. A private institution that does not opt out and accepts a student's application to attend must provide FIG awards to that student.

Student Application Process

- Submit FAFSA or MN Dream Act Application.

- Institution must obtain additional information from a student to verify Minnesota residency and prior postsecondary attendance via a State Grant Eligibility Questionnaire or by other acceptable methods.

Student Eligibility Requirements

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

FIG Eligibility Requirements

| Eligibility Requirement | State Financial Aid Manual or Other Reference | Statutes and/or Rules Reference |
|---|--|---------------------------------|
| <p>If a student is eligible for the Education and Training Program (ETV)—automatically eligible for FIG consideration</p> <p>If student is not eligible for ETV, then must meet the eligibility requirements listed below</p> | SFA-FIG, page 4 | MS 136A.1241, Subd 3 (a) |
| Minnesota resident | <p>SFA-CD beginning on page 9</p> <p>SFA-FIG, page 4</p> | MS 136A.101, Subd 8 |
| At least age 13 but less than 27 years of age | SFA-FIG, page 4 | MS 136A.1241, Subd 3 (b)(2) |
| After student's 13 th birthday, be in or have been in foster care in MN before, on, or after June 27, 2021 (with additional explanation in the statute) | SFA-FIG, page 4 | MS 136A.1241, Subd 3 (b)(3) |
| Graduated from high school or completed equivalent as approved by the Department of Education | SFA-FIG, page 4 | MS 136A.1241, Subd 3 (b)(4) |
| Have been accepted for admission to, or be currently attending an eligible institution at the undergraduate level | SFA-FIG, page 4 | MS 136A.1241, Subd 3 (b)(5) |

| Eligibility Requirement | State Financial Aid Manual or Other Reference | Statutes and/or Rules Reference |
|---|---|---------------------------------|
| Meeting SAP standards | SFA-FIG, page 4 | MS 136A.1241, Subd 3 (b)(7) |
| Has not obtained a baccalaureate degree OR received foster grant funds for a period of ten full-time semesters or the equivalent for a four-year undergraduate degree | SFA-FIG, page 11 Note: for 2023-24, rely on the 2023 statutory cite and language as it is more specific than the manual. | MS 136A.1241, Subd 5 (e) |
| If in two-year degree, certificate, or diploma program and has not received a baccalaureate degree, may receive FIG for no more than a period of six full-time semesters or the equivalent. | SFA-FIG, page 11 Note: for 2023-24, rely on the 2023 statutory cite and language as it is more specific than the manual. | MS 136A.1241, Subd 5 (e) |

Awarding FIG

The processes of identifying potential FIG-eligible students and confirming their eligibility are performed by a combination of the OHE Financial Aid Division and the Minnesota Department of Human Services (DHS).

OHE electronically sends to DHS certain personal information about a potentially FIG-eligible student identified via their answers to certain questions on either the FAFSA or the Dream Act application.

DHS performs checks to determine if the student:

- Was in foster care placement after age 13
- Is receiving Extended Foster Care benefits
- Has potential eligibility for ETV

DHS electronically sends its information back to OHE where it is loaded into the MNAid system.

A student with a foster care flag from DHS is added to the MNAid roster of the **first FIG-eligible institution listed on the student's FAFSA**.

Each eligible institution reviews its FIG roster (keeping in mind that a student may only be attached to one eligible institution at a time).

After an institution performs aid packaging for a student, it transmits via MNAid enrollment and financial information including all gift aid (excluding Federal VA benefits), COA adjustments except for study abroad, and the student's MSG units (unit report only required through the 2023-24 aid year)

OHE (with DHS assistance to calculate a student's ETV, if appropriate) via MNAid will calculate the amount of the FIG award and then move the student to the institution's certification roster.

An institution must review actual data (enrollment level, amount of other awards, etc.) before certifying a student's FIG in MNAid. The act of certification triggers the release of FIG funds to the institution.

NOTE: A student is eligible for FIG awards for four quarters, three semesters, or the equivalent during a single fiscal year.

Calculation Formulas for Eligible Institutions

Public Institutions

When "COA" is used, it does mean the full COA and not just tuition and fees. However, since a student enrolled for as few as one credit can potentially receive FIG awards, the COA may need to be adjusted. In general, an institution must remove the housing, meals, and miscellaneous expense amounts from a student's COA if they are enrolled less than half-time. There is an exception. An institution may include the housing and meals components in COA for a student enrolled less than half-time for up to three semesters with no more than two of those semesters being consecutive at any one school.

Student's actual COA (see above) LESS the EFC LESS all grants and scholarships from federal, State of Minnesota, Tribal, institutional, and private sources (except for Federal VA benefits) LESS the amounts, if any, of the student's ETV and/or Extended Foster Care Benefits. If after this calculation a positive amount remains, that amount is the FIG award. The amounts of ETV and/or Extended Foster Care Benefits are determined by DHS and transmitted to OHE.

NOTE: While MS 136A.1241 specifically requires the subtraction of ETV and Extended Foster Care Benefits, this does not match to the Title IV definition of EFA. An ETV award IS considered EFA, but Extended Foster Care Benefits IS NOT considered EFA. Because of this distinction, a student may have remaining eligibility for loans or work study even after the FIG award.

Private Institutions

Unlike public institutions, private institutions have the ability to opt out of the FIG program. OHE's Financial Aid Division tracks the list of private institutions that are eligible institutions for a given aid year. A private institution that does not opt out of FIG, but accepts a FIG-eligible student's application to attend the institution MUST provide the student with an amount as calculated below.

"COA" for private institutions is defined differently than for public institutions. The COA to be used is the lesser of the institution's actual COA or the COA cap based on the highest two or four-year public institutions. Note that the information presented under "Public Institutions" about COA relative to less than half-time students also applies here. The following table provides the COA caps for private institutions during 2023-24.

COA Caps for Private Institutions for 2023-24

| Applicable to Which Term of Enrollment | Private Four-Year Institutions | Private Two-Year Institutions |
|--|--------------------------------|-------------------------------|
| Semester institution—Single Term | \$18,104 | \$13,049 |
| Semester institution—Summer Term | \$15,767 | \$7,780 |
| Quarter institution-Single Term | \$12,069 | \$8,699 |

Depending on whether or not a private institution's actual COA is above or below the public caps, there may be either one or two calculations to perform.

If the institution's actual COA is less than the appropriate public cap, then there will be one calculation as follows:

Student's actual COA (subject to the previously discussed conditions) LESS the EFC LESS all grants and scholarships as defined for public institutions EXCEPT DO NOT include institutional grants/scholarships LESS any ETV and/or Extended Foster Care Benefits. Any positive amount remaining is the FIG award amount and the institution is not required to provide any institutional grant/scholarship aid.

If the institution's actual COA is more than the appropriate public cap, then the same calculation as above is performed but it begins with the public cap COA. Any positive amount remaining is the FIG award. However, a private institution in this case must provide institutional grants/scholarships equal to the difference between the public cap COA and the student's actual COA.

Monitoring During an Academic Term/Payment Period

If a student's information changes after OHE sends FIG funds to an institution, the institution must complete the FIG Adjustment Request via a webform. The updated information will be run through DHS if necessary and then MNAid to calculate the adjusted FIG award.

Auditor's Requirements

The bulk of the processing for the FIG program is being done by OHE and DHS staff. However, the following list contains the requirements that an auditor must verify during a compliance audit.

- Valid ISIR
- Review ISIR to verify the foster care answer(s)
- Verify student's age per birthdate on ISIR
- Review ISIR to verify high school graduation or GED, etc.

- Verify Minnesota residency unless the student was made eligible because they receive ETV.
- Match disbursement dates in MNAID and on student accounts for reasonableness
- Verify student making SAP at time of each disbursement
- Verify that students who appear to be eligible for summer awards received them
- Verify the calculations of the FIG amounts
- Verify the elements of a student's COA to ensure no study abroad amounts were included and that the less than half-time requirements were followed
- Check ISIR and other documents to see if a student has previously completed a baccalaureate degree
- Check reported units match to transcripts and any prior attendance at other institutions
- Keep in mind during the audit that requirements related to state credit balances, required refunds to students, all non-passing grades, etc. apply to FIG. Refer to the MSG section of the audit guide for more information.

Public Safety Officer Survivor Grant (SOS)

Regulatory References

- 2023 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)
- 2023-24 Public Safety Officer's Survival Grant Program Instructions

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 |
| 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 2023-24 were:

- \$6,580 for two-year institutions
- \$16,654 for four-year institutions (this is also used for graduate level SOS awards)

The award must be pro-rated based on term (semester or quarter).

The term award must be pro-rated 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).

Student Teacher Grants (STG)—Student Teacher in Shortage Areas Grants (STSA) and Underrepresented Student Teacher Grants (USTG)

Regulatory References

- 2023 MS 136A.1274-USTG
- 2023 MS 136A.1275-STSA
- June 2023 State Financial Aid Manual-Student Teacher Grants (SFA-STG)

Eligible Institutions

Minnesota institutions that offer an eligible Minnesota Professional Educator Licensing and Standards Board (PELSB)-approved teacher preparation program.

Student Application Process

- Submit FAFSA or Dream Act application.
- Complete the student portion of OHE’s STG application form.

Additional Institutional Application Requirement

After an eligible institution receives a STG application with the student section totally completed, then the institution must fully complete its portion of the STG application. Institutions are instructed to submit the completed STG applications to OHE only after they have a valid ISIR that has been verified, etc. if applicable.

Student Eligibility Requirements

NOTE: STG applicants and recipients do not have to be Minnesota residents.

- Be enrolled in a PELSB-approved teacher preparation program that requires at least 12 weeks of student teaching.
- Perform the student teaching in the academic term for which the grant is requested.
- Demonstrate financial need as defined by OHE.
- Not in default on federal or state student loan.
- Meeting SAP.
- Have not received a grant from this program in a previous term.
- Meet one or more of the following:
 - Intent to teach in a designated Rural School District in Minnesota.
 - Intent to teach in an identified license shortage area.
 - Belong to a racial/ethnic group underrepresented in the Minnesota teacher workforce.

OHE Internal Application Processes *Not* Subject to Review under this Guide

OHE’s Financial Aid Division is responsible for:

- Annually setting priority application deadlines for each academic term.
- Divide complete applications from eligible students by term and by program.
- Administer separate appropriations for each of the two programs.
- Determining the annual maximum grant amount capped at \$7,500.
- Prioritizing and awarding STG grants and creating waitlists if necessary.

Attributes and Processes Subject to Review Under this Guide

Auditors need to check and verify the items in the following table:

STG Eligibility Requirements

| Process or attribute to review | What to review |
|--|--|
| Valid ISIR | Was the applicant's ISIR valid before the institution sent the STG application to OHE |
| Enrollment | Verify enrollment in the student teacher program, enrollment level on the later of date disbursement or add/drop deadline, and changes to enrollment during the award term. |
| Financial need—COA for term less EFC for term less all gift aid for term | Did institution update OHE for any changes in gift aid received during the STG award term? If any changes were not reported, did the changes reduce the student's need for STG that should have resulted in a refund to OHE? |
| SAP | Making SAP |
| Loan defaults (in OHE SFA-STG) but not statutes | Verify no federal or state student loan default |
| Disbursement—follows requirements for MSG including when funds may be disbursed, how funds may be disbursed, state credit balances, etc. | Amount sent to institution and STG award was properly disbursed. |

Reconciliation

Reconciliation of STG awards and funds is not required. However, OHE strongly recommends reconciling STG awards and related cash transactions at the end of each academic term.

Grants for Students with Intellectual and Developmental Disabilities (ID)

Regulatory References

2023 M.S. 136A.1215

December 2019 State Financial Aid Manual-Grants for Students with Intellectual and Developmental Disabilities (SFA-ID)

Eligible Institutions

Institutions that are eligible to participate in MSG that also offer a comprehensive transition and postsecondary (CTP) program as defined in CFR, title 34, section 668.231.

In 2023-24, the following institutions offered eligible CTP programs:

- Bethel University
- Central Lakes College
- Ridgewater Community College

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 Eligibility Requirements

ID Eligibility Requirements

| Eligibility Requirement | State Financial Aid Manual Reference | Statutes, Rules, or other References |
|--|--------------------------------------|--|
| Minnesota resident | SFA-CD beginning on page 9 | MS 136A.101 Subd 8 |
| Graduate of a secondary school OR received GED OR at least 17 years of age at time of disbursement of ID Grant | SFA-ID, page 3 | MS 136A. 121 Subd 2 (MSG) |
| Not in default on a student educational loan | SFA-ID, page 3 | MS 136A. 121 Subd 2 (MSG) |
| Not more than 30 days in arrears for child support payments (unless complying with a written payment plan) | SFA-ID, page 3 | MS 136A. 121 Subd 2 (MSG) |
| Enrolled in and attending a CTP program at an eligible MN institution | SFA-ID page 2 | MS 136A.1215 Subd 2 (MSG) |
| Have an intellectual disability as defined in federal regulations as certified by the institution | SFA-ID-pages 2 to 3 | MS 136A.1215 Subd 2 CFR, title 34, section 668.231 (see appendix) |

Awarding ID Grants

- Priority given to students who complete their FAFSAs or Dream Act applications prior to July 1 of the upcoming aid year.
- Awards calculated by academic term.
- Tuition and fees less any Pell, MSG, and/or institutional gift aid **actually received** capped at the maximum grant award as determined by OHE.
- Minimum term grant is \$50.

Special Institutional Reporting Requirement Related to Awards

Institution must submit to OHE by July 1 a roster of estimated grant awards including specific amounts used to calculate the student's ID award. OHE uses these rosters and available allocations to determine and communicate back the maximum grant amount

Special Calculation Requirements Unique to ID

- Course specific fees may be included in the tuition and fees base amount.

- Student may elect to enroll in courses outside of the CTP program. Institution may choose whether to include all tuition and fees charged or only the amounts charged for the CTP courses.
- Tuition waivers received from the institution or a third party reduce the tuition and fees amount used to calculate the ID award.

Disbursement Process

In general, the ID disbursement process mirrors the MSG disbursement process. The following items are to be reviewed in the same manner as for MSG:

- Actual disbursement based on a student's status as of the date of disbursement, the add/drop date as stated in the institution's catalog, or the award adjustment end date whichever is later.
- Determination of date of disbursement.
- Acceptable methods of disbursement (OHE-preferred method is direct credit to a student's account).
- Student authorization for electronic funds transfer (EFT) disbursement.
- Student account requirement.

ID Grants and SAP

The ID Grant manual states that an institution must provide auditors with their SAP policy. However, there is no requirement for students to meet SAP in order to continue receiving ID Grants. If SAP is checked, the auditor must use the alternative SAP standards for students with intellectual disabilities referenced under MS 136A.101 Subd 10.

Interim Adjustments to Amount of ID Grant

The current guidance from the ID Program Manager is based on the policies at the three institutions currently in the ID Grant program. Therefore, there should be no need for any interim adjustments to ID Grant amounts, but an auditor should review SFA-ID pages 5-6 and then investigate if they see a change in amount on a student's account.

Interim Reporting

Institution must provide a detailed account of ID Grants for each term. OHE may elect to use the estimated award roster rather than another form. Institutions are required to update the estimated award roster(s) using the designated OHE process.

Cash Management and Reconciliation

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 ID fund activity. If ID funds are co-mingled with other OHE program funds (e.g. MISP, SWS, etc.), the institution must be able to identify the entries by program and explain the activity to auditors if requested.

OHE uses the fall estimated awards to determine an annual cash disbursement to the institution. This disbursement is done via EFT.

OHE will request updates about cash on hand during the year in case an institution will not disburse its full annual allocation. The excess funds must be returned to OHE to be reallocated to other institutions.

The institution's financial aid office and business office must reconcile ID awards to disbursements on a student record level. In addition, cash flows from and to OHE must be reconciled with actual ID disbursements. This reconciliation must be completed at a minimum at the end of each academic term including at the end of the aid-year.

Any remaining excess cash must be returned to OHE by August 31 following the aid year or within 10 business days after receipt of a written request from OHE.

Minnesota Indian Scholarship Program (MISP)

Regulatory References

- 2023 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. *See: Transcripts and Waiver of Aid (Reduced Emphasis for 2023-24) earlier in this guide.*

- 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 |
| 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 and Waiver of Aid (Reduced Emphasis for 2023-24) 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 | 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. An auditor must be aware of an on-going issue that was not yet resolved at the date of issuance of this version of the audit guide. While the instructions above state that calculations are performed "...by term...", this language is not in the relevant statute. Auditors have relied on guidance from program managers to allow for uneven disbursements of MISP such that, for example, one semester might receive \$1,500 while the second semester receives \$2,500. While the total MISP does not exceed the maximum annual undergraduate award, equal disbursements were not made as required in most of OHE's programs. This situation arises when a student receives an unbalanced amount of other aid (e.g. a tribal scholarship applied to only one term, etc.). This practical application is to the benefit of the student, but it should be codified in the MISP manual. **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. An auditor 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. An auditor 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.

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

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 auditors 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 MISP 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 MISP 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).

Minnesota Future Together Grants (FTG)

The FTG program is a new program that began in spring 2022. The program is designed to assist with providing eligible students with a “tuition-free” term or terms. “Tuition-free” is defined as tuition and fees only and excludes books and all other expenses. See the FTG manual beginning on page 2 for more details.

FTG is currently expected to be a limited time program funded by federal American Rescue Plan (ARP) funds received by the State of Minnesota and then assigned by Governor Walz to be administered by OHE. The program will run from spring 2022 through December 31, 2024 OR until all FTG funds are expended, whichever comes first. It is possible that this program could be continued in the future with State appropriations if passed and signed into law.

Regulatory References

There are no specific statutes or rules associated with FTG. The ARP funds were provided to the University of Minnesota and the MN State System under contractual grant agreements between each of them and OHE.

September 2022 State Financial Aid Manual-Future Together Grant (SFA-FTG)

OHE’s Financial Aid Division did eventually post the September 2022 SFA-FTG to the OHE public website. However, FTG’s primary contact reminded the audit staff that there had been various versions of the manual and guidance to schools had morphed over time. Therefore, while an auditor must still document any findings and concerns, they will also need to work closely with the FTG staff member to determine which items should be retained in an audit report.

Eligible Institutions

- Minnesota public higher education institutions
- Tribal Colleges

Student Application Process

- Submit FAFSA or Minnesota 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.

- School must resolve conflicting information, C codes, and verification prior to awarding FTG. The verification requirement applies even if the length of the program is too short to meet program length requirements for Pell and MSG.

FTG Eligibility Requirements

| Eligibility Requirement | State Financial Aid Manual Reference | Statutory Reference |
|---|---|--|
| Minnesota resident | SFA-FTG page 4 SFA-CD beginning on page 9 | MS 136A.126 Subd 1 MS 136A.101 Subd 8 |
| Attending any campus of the U of M or the MN State System or a Tribal College | SFA-FTG page 4 | N/A |
| Graduate of a high school or has equivalent including GED. | SFA-FTG page 4 | N/A |
| Not receiving tuition reciprocity | SFA-FTG page 4 | N/A |
| Completed a FAFSA or State Aid Application and applied for other federal and state grants and scholarships. Must have submitted same by June 30 FAFSA deadline for aid year. | SFA-FTG page 4 | N/A |
| Undergraduate student who is unwilling or unable to provide transcripts or other documentation needed to calculate MSG eligibility is NOT eligible UNLESS the student would not qualify for MSG with their EFC at ANY enrollment level. | SFA-FTG-pages 4-5 | N/A |
| First enrolled during the 2021-22 school year OR returning to college and have not been enrolled at any college in the last three semesters (not eligible if enrolled during the 2020-21 year) | SFA-FTG page 4 | N/A |
| Making SAP on date of disbursement per MSG program | SFA-FTG page 4 SFA-CD beginning on page 17 | MS 136A.126 Subd 1(3) |
| Not in default on a federal or state student educational loan or has regained eligibility for federal or state student aid | SFA-FTG page 4 | MS 136A.121 Subd 2 (4) |
| Has not already earned a baccalaureate degree | SFA-FTG page 4 | N/A |
| Enrolled in a certificate, diploma, associate's degree, or bachelor's degree program that leads to a career in one of a list of high-need areas (see below for more information) | SFA-FTG page 4 | N/A |

| Eligibility Requirement | State Financial Aid Manual Reference | Statutory Reference |
|---|--------------------------------------|---------------------|
| Enrolled in at least one credit | SFA-FTG page 4 | N/A |
| Meet income requirements (see below for more information) | SFA-FTG page 4 | N/A |

Enrolled in a Program that Leads to a Career in High-Need Areas

Specific programs will vary by campus location based on that campus' offerings.

An auditor must refer to the SFA-FTG including its appendices to review a list of high-need areas. If after an auditor looks at a student's transcript and other information but is unable to definitively confirm the student's program meets the requirements of leading to a career in one of the specified high-need areas, then the auditor will need to discuss the situation with the OHE FTG financial aid staff member. We know that the FTG staff made individual decisions and sent them to the institutions that requested "rulings" about this qualification.

Income Eligibility Requirements

A student must meet one of the following income eligibility requirements in order to receive an FTG. Note that the reference year for determining this requirement does not adjust over time. The 2022-23 requirements were those listed below. NOTE: These requirements remained the same during the entirety of the FTG program.

- Family adjusted gross income (AGI) reported on the FAFSA or Dream Act Application of less than \$100,000 AND have worked in a critical industry listed in Executive Order 20-74 at least one hour between March 1, 2020 and December 31, 2020 **OR** received unemployment benefits between March 1, 2020 and December 31, 2021.
- Family AGI reported on the FAFSA or Dream Act Application less than \$50,000.

Awarding FTG

The postsecondary institution awards FTG funds to students who meet the eligibility requirements subject to available funding.

FTG is considered a last-dollar program. The institution deducts all other gift aid from a student's term tuition and fees to determine if there is a remaining amount to be covered with FTG funds. The awards will range from \$50 to \$7,700.

A student may receive FTG funds more than once subject to meeting all eligibility requirements.

State Work Study (SWS)

Regulatory References and Overview

- 2023 MS 136A.231 through 136A.233
- MN Rules 4830.2000 through 4830.2600

- 2023-2024-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.

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) |
| Undergraduate minimum enrollment status of half-time (six credits or equivalent)—exception discussed under “Awarding SWS” below | SFA-SWS 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 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 page 7 | MS 136A.233 Subd 2 (a) |

| Eligibility Requirement | State Financial Aid Manual | Statutes and/or Rules Reference |
|--|----------------------------|---------------------------------|
| Making SAP during the time while receiving SWS funds | SFA-SWS page 8 | MN Rule 4830.2300 |
| Authorized work permit—DACA students only | N/A | DREAM Act |
| Not receiving tuition reciprocity benefits from another state while attending a MN institution | SFA-SWS page 9 | MN Rule 4830.2300 |

Awarding SWS

- Need-based award that follows the same packaging model as FWS.
- SWS 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 page 12 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 page 13 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 is 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: 2023-24 AVG Chapter 4 "Interim Disbursements" and SFA-SWS Appendix 6.

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: 2023 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 pages 10. 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 pages 9-10.

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 auditors for audit purposes. Reference: SFA-SWS page 12.

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 pages 9 to 11 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 page 11 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 page 11

Eligible SWS Employment Positions

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

References:

- 2023-24 FSA Handbook, Vol 6, Chapter 2
- Proprietary Schools
- Off-campus at non-profit or governmental
- Off-campus at private for-profit companies
- SFA-SWS Appendix 6
- Internships-SFA-SWS page 9
- Tutoring with local K-12 schools—SFA-SWS page 10

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 pages 10 to 11

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.

An auditor 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. An auditor 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 13:

- 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 page 19

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 auditors 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 page 19.

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 page 19.
- 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 an auditor that this was done and that year-end reports to both OHE and ED are accurate. Reference: SFA-SWS page 19.

Each participating institution must report its SWS spending once per month to OHE using an online portal. SFA-SWS page 20.

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. Auditors should refer to the SFA-SWS pages 13 to 14 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 page 14. An auditor 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 2023-24, the dates were July 1, 2023 through June 30, 2024.

As soon as the final hours worked in June 2024 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.
- Institution did not award SWS up front nor pay from SWS funds during the aid year. All funds assigned to students after the end of the aid year.

Student Educational Loan Fund (SELF)

Regulatory References

- 2023 MS 136A.15 through 136A.1701
- Rules Reference: 4850.0010 through 4850.0024
- March 2023 State Financial Aid Manual-SELF Loan Program Manual (SFA-SELF)

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, 8 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 3 to 4.

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 page 4 | 136A.15 Subd 9 |
| Minnesota residents only—enrolled in an eligible MN institution or an eligible institution in another state | SFA-SELF pages 4 to 6 | 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 4 to 6 | 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 pages 4 to 5 | 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 page 5 | MR 4850.0011 Subp 15 (C) |
| Not in default on any federal, state, institutional, or private education loan | SFA-SELF page 7 | MR 4850.0011 Subp 15 (D) |
| Not delinquent on current outstanding SELF Loans—interest and/or principal— auditor does not need to audit —done by loan servicer or in conjunction with OHE SELF staff | SFA-SELF page 7 | MR 4850.0011 Subp 15(E) |
| Credit-worthy co-signer-- auditor does not need to audit —done by loan servicer or in conjunction with OHE SELF staff | SFA-SELF pages 7 to 8 | 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 6 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: Auditor 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 to calculate remaining SELF eligibility based on annual, grade level, and cumulative maximums. See description of this issue below.
- Compare calculated SELF eligibility with maximum annual limits as well as minimum loan limit of \$500.

Annual, Grade Level, and Cumulative Loan Maximums

As noted earlier in this guide, OHE began the new SELF 7 phase on February 1, 2024. OHE, at the same time, increased some of the annual and cumulative loan maximums (see table below). An auditor must read, familiarize themselves with, and refer to the guidance in the SFA-SELF on pages 16 to 20. While many of the issues discussed seem straight forward, there 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, etc.). The information on the referenced pages remains in effect, but the stated loan maximums were only in effect through loans originated by January 31, 2024.

In general, this table provides the loan maximums that were in effect during the 2023-24 aid year:

| Program Type | Annual Limit Ending on January, 31, 2024 | Annual Limit Beginning on February 1 2024 | Cumulative Limit Ending on January 31, 2024 | Cumulative Limit Beginning on February 1, 2024 |
|----------------------------------|--|---|---|--|
| Bachelor* | \$20,000 | \$40,000 | \$100,000 | \$140,000 |
| Graduate** | \$20,000 | \$40,000 | \$140,000 | \$140,000 |
| 1-3 Year Programs*** | \$10,000 | \$20,000 | \$30,000 | \$60,000 |
| Programs Shorter than 1 Year**** | \$3,500 | \$3,500 | \$7,500 | \$7,500 |

*These limits apply to programs designed to be completed in four years; not when a student takes more than four years to complete a program. A program designed to be a five-year program does allow a borrower to borrow in a fifth year subject to the cumulative limit.

**The cumulative limits for graduate programs also include any SELF amounts borrowed as an undergraduate student.

*** Programs of at least eight to nine months or 900 clock-hours in length.

****Programs of less than eight to nine months or 900 clock-hours have limits of \$3,500 per program up to a cumulative maximum of \$7,500 for multiple short-term programs.

OHE has identified two issues related to the SELF processing flow that may arise during an audit.

- The SELF Program Manager confirmed that some institutions may need to certify SELF loans without having any access to see prior years' SELF borrowing for a student. However, institutions did have some access to see a student's current principal balance (CPB) at the time of certification. This access did not allow institutions to see application or delinquency. The SELF Division also implemented plans to catch this issue at the approval stage. Alternatively, if an institution is concerned about this, they can contact the SELF staff. This above was true through January 31, 2024. Institutions will begin to have similar access at Aspire sometime later in the summer of 2024.
- Audit determined that institutions that do not participate in Title IV aid programs do not have a way to check for federal student loan defaults because they do not receive ISIRs. While these institutions must collect SARs from students, a SAR does not contain the federal loan history. The SELF Program Manager stated that asking the student to confirm that they are not in default will be sufficient evidence.

Scheduling SELF Disbursements

- May not request a SELF disbursement more than 10 calendar days before the start of the loan 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 20 for more information.

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. Auditor 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.

Auditor 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 14)
- 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 15)
- Student completed a loan period and a SELF disbursement arrives after the last date of the period. (page 15)
- Use of power of attorney to endorse a SELF check in the absence of the student (study abroad, internship, etc.). (page 12)

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. Auditors should refer to the SFA-SELF on pages 13 to 14 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: Auditor should request a sample of copies of completed enrollment verification requests from an institution during an audit. Auditor 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.
- 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.

Tuition Reciprocity Programs

Regulatory References

2023 MS 136A.08

Most public institutions in Minnesota participate in one or more tuition reciprocity programs. Public institutions are part of either the University of Minnesota or the Minnesota State System. Some Minnesota State institutions only have resident tuition so both Minnesota and non-Minnesota residents pay the same tuition and fees.

OHE auditors verify that out-of-state students attending Minnesota public institutions were charged the correct tuition and fees according to the appropriate reciprocity program policy and that those same students did not also receive disbursements from OHE aid programs (**excluding SOS, STG, and SELF**).

Obtaining Population Lists

The reciprocity programs discussed in this section have varying ways of determining student eligibility and notifying the Minnesota institution and/or OHE of the count of students. In some cases, OHE only receives summary data such as total students, total credits taken, etc.

An auditor must obtain a list of students enrolled under each reciprocity program at each institution under audit.

The auditor will need to use one or more of the following resources based on the descriptions of the reciprocity programs later in this section.

- Request information from the OHE Financial Aid Division.

- Request information from the OHE Research Division.
- Request information from the school under audit.

OHE's Research Division will likely have summary data, but if an auditor must rely on the institution under audit to supply lists of student names, at least the auditor can reconcile the total number of students using the two data sources.

The following presents the 2023-24 reciprocity policies for each of the University of Minnesota and Minnesota State systems.

University of Minnesota

Students from North Dakota

Process: All North Dakota students interested in reciprocity apply via an on-line process with North Dakota. North Dakota approves students and the approvals flow into OHE's database. OHE informs the University of Minnesota of students approved for reciprocity. At the end of each term, the University of Minnesota provides an enrollment report to OHE.

General Rate Policy: All University of Minnesota campuses should charge Minnesota resident tuition and fee rates to all undergraduate and graduate North Dakota tuition reciprocity recipients.

Exceptions to General Rate Policy:

- Professional Programs: Charge North Dakota students the resident rates except for veterinary medicine, dentistry, medicine, law and pharmacy.
- Medicine, Law, Pharmacy: Charge the program specific rate set by the institution.
- Veterinary Medicine and Dentistry: The University of Minnesota will offer up to five new slots per year in veterinary medicine.

Under the Professional Student Exchange Program, the state of North Dakota will pay no more than the difference between the MN resident rate and the North Dakota non-resident rate. The North Dakota non-resident rate will be equal to 75% of the non-resident tuition rate, except for terms already discounted. In those cases, the North Dakota non-resident rate will be equal to the discounted non-resident rate. The student will be responsible for all additional tuition costs not covered by the State of North Dakota.

The University of MN will offer up to 10 slots per year in dentistry. Under the Professional Student Exchange Program, the state of North Dakota will pay no more than 25% of the non-resident rate. The North Dakota non-resident rate will be equal to 100% of the non-resident tuition rate. The student will be responsible for all additional tuition costs not covered by the State of North Dakota. The state of North Dakota, under the Professional Student Exchange Program, will pay for slots only if appropriated funds are available.

Students from South Dakota

South Dakota students apply to the SD Board of Regents. The applications are forwarded to OHE and entered into OHE's database. OHE generates an eligibility report for the U of M. The U of M provides OHE with an enrollment report at the end of each term.

All University of Minnesota campuses should charge Minnesota resident tuition and fee rates to all South Dakota undergraduate, graduate and professional program tuition reciprocity recipients.

Students from Manitoba

Students from Manitoba apply directly to the institution for reciprocity. OHE receives only summary data.

All University of Minnesota campuses should charge Minnesota resident tuition and fee rates to all Manitoba undergraduate and graduate tuition reciprocity recipients.

Students from Midwest Student Exchange Program (MSEP)

This exchange program operates under the Midwestern Higher Education Compact (MHEC). MHEC is made up of the following states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. However, not all states participate in MSEP.

During 2023-24, at least one institution from the following states participated in MSEP: Indiana, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, and Wisconsin. Michigan had participated in the past, but it went inactive. Michigan residents will no longer be able to participate in MSEP after the 2020-21 academic year. Illinois is transitioning to inactive status; new students were eligible to receive MSEP benefits during fall 2021 and spring 2022. After that, existing Illinois students will be grandfathered in but no new students may use MSEP.

Students planning to attend a public institution in a state that has its own specific tuition reciprocity program (e.g. Minnesota-Wisconsin, Minnesota-North Dakota) should use the specific program rather than MSEP. However, some private institutions also participate under MSEP. Students from participating MSEP states apply to participating institutions in Minnesota. OHE does not receive individual student data. Minnesota institutions determine whether they participate, the tuition rates, and a cap on the number of MSEP students. Each institution may set the MSEP tuition rate up to 150% of the Minnesota resident tuition and may also charge any additional institutional fees.

Students from MSEP states do not need to apply to Minnesota institutions that no longer charge non-resident tuition rates and these students should not be reported on any MSEP enrollment reports.

The University of Minnesota (main campus) suspended MSEP rates for new students effective the 2008-2009 academic year; current students were grandfathered out of the MSEP program. However, during 2023-24, the Duluth campus did participate in MSEP and an auditor must verify that the campus properly charged and reported their MSEP students.

Students from Wisconsin

Wisconsin students must apply to the Wisconsin Higher Education Aids Board (HEAB). HEAB directly informs Minnesota institutions of approved students. OHE only receives summary data including student counts, etc.

All University of Minnesota campuses should charge the Minnesota resident tuition and fee rates to all Wisconsin undergraduate, graduate and professional program tuition reciprocity recipients, as shown in the following tables.

Wisconsin Reciprocity Rates at U of M Twin Cities Campus

| Program | Term Reciprocity Rate (minimum credits) | Reciprocity Rate Per Credit |
|--|--|------------------------------------|
| Undergrad-General | \$7,248 (13 credits) | \$557.55 |
| Undergrad-Business Admin and Engineering | \$8,548 (13 credits) | \$687.55 |
| Graduate (not professional programs) | \$9,558 (6 credits) | \$1,593 |
| Law (same rates for 1L, 2L, and 3L) | \$23,328 (12 credits) | \$1,944 |
| Pharmacy-Doctor | \$13,932 (12 credits) | \$1,161 |
| Business Masters-Entering Students | \$21,840 (12 credits) | \$1,820 |
| Business Masters-Continuing Students | \$21,120 (12 credits) | \$1,760 |
| Business Masters-Evening | N/A | \$1,568 |
| Doctor of Nursing Practice (DNP) | \$9,477 (9 credits) | \$1,053 |

Wisconsin Reciprocity Rates at U of M Duluth Campus

| Program | Term Reciprocity Rate (minimum credits) | Reciprocity Rate Per Credit |
|---|--|------------------------------------|
| Undergrad-General, Business, and Fine Arts | \$6,383 (13 credits) | \$491.00 |
| Undergrad-Engineering | \$6,633 (13 credits) | \$552.75 |
| Graduate (except Business Masters) | \$9,558 (6 credits) | \$1,593 |
| Business Masters-taught at Duluth Campus | N/A | \$1,001.25 |
| Business Masters—taught at Rochester Campus | N/A | \$1,001.25 |
| Pharmacy-Doctor | \$13,932 (12 credits) | \$1,161 |

Wisconsin Reciprocity Rates at U of M Campuses in Morris, Crookston, and Rochester

| Campus-All Programs | Term Reciprocity Rate (minimum credits) | Reciprocity Rate Per Credit |
|--|--|-----------------------------|
| Morris | \$6,466 (13 credits) | \$497.40 |
| Crookston | \$5,739 (13 credits) | \$441.50 |
| Rochester—other than Business Masters taught through the Duluth campus | \$6,628 (13 credits) | \$509.90 |

Minnesota State System

Students from North Dakota

Process: All North Dakota students interested in reciprocity apply via an on-line process with North Dakota. North Dakota approves students and the approvals flow into OHE's database. At the end of each term, MN State provides an enrollment report to OHE.

Some Minnesota State campuses no longer have non-resident tuition rates. However, students from North Dakota applying to attend one of those campuses must still apply for tuition reciprocity in order to receive official approval from North Dakota and to be included in the calculation of the interstate payment at year-end.

All Minnesota State two-year campuses shall charge North Dakota residents the Minnesota resident rate based on the program of instruction.

Minnesota State universities shall charge North Dakota residents according to the following table.

North Dakota Reciprocity Rates for MN State Universities

| University | Program | Term Rate for 12 to 18 Credits | Per Credit Rate |
|--------------------|----------------------|-----------------------------------|---|
| Bemidji State | Undergraduate | \$4,636.50 | \$313.55 |
| Bemidji State | Graduate | N/A | \$512.27 |
| Bemidji State | MBA | N/A | \$648.27 |
| Metropolitan State | Undergraduate | N/A | \$309.10 |
| Metropolitan State | Graduate | N/A | \$508.59 |
| Metropolitan State | MBA | N/A | \$572.86 |
| MN State Mankato | Undergraduate | \$4,636.50 | \$326.70 |
| MN State Mankato | Graduate | N/A | \$510.10 |
| MN State Mankato | Graduate-Twin Cities | N/A | \$568.65 OR \$823.70 depending on term of entry |
| MN State Mankato | MBA-Only On-Line | N/A | \$806.60 |
| MN State Moorhead | Undergraduate | \$4,636.50 | \$309.10 |

| University | Program | Term Rate for 12 to 18 Credits | Per Credit Rate |
|--------------------|-----------------------------|--------------------------------|-----------------|
| MN State Moorhead | Graduate | N/A | \$513.19 |
| MN State Moorhead | MBA | N/A | \$728.35 |
| Saint Cloud State | Undergraduate | \$4,636.50 | \$341.22 |
| Saint Cloud State | Graduate | N/A | \$516.67 |
| Saint Cloud State | MBA-On Campus | N/A | \$750.75 |
| Saint Cloud State | MBA-Twin Cities Grad Center | N/A | \$1,019.25 |
| Southwest MN State | Undergraduate | \$4,636.50 | \$309.10 |
| Southwest MN State | Graduate | N/A | \$503.00 |
| Southwest MN State | MBA | N/A | \$572.86 |
| Winona State | Undergraduate | \$4,636.50 | \$309.10 |
| Winona State | Graduate | N/A | \$480.59 |

Students from South Dakota

South Dakota students apply directly to the institution for reciprocity. MN State sends report to OHE listing the names of students who received the benefit excluding those that were enrolled in a MN State technical college.

Minnesota State two-year community colleges shall charge South Dakota residents the Minnesota resident tuition and fees rates.

Minnesota State two-year technical colleges shall charge South Dakota residents the Minnesota resident tuition and fees rates. **NOTE:** South Dakota residents apply directly to Minnesota technical colleges and are not reported on reciprocity enrollment files sent to OHE.

Minnesota State two-year consolidated technical and community colleges shall treat a South Dakota resident based on the student's program (technical or other). If the institution cannot make a distinction, then treat the student as a technical college student.

Minnesota State universities shall charge South Dakota residents enrolled in a graduate program the Minnesota resident tuition and fee rates.

Minnesota State universities shall charge South Dakota residents enrolled in an undergraduate program according to the following table for tuition and general fees.

South Dakota Reciprocity Rates for MN State Universities

| University | Term Reciprocity Rate-Minimum of 12 Credits | Reciprocity Rate Per Credit |
|--------------------|---|-----------------------------|
| Bemidji State | \$5,082.00 | \$324.90 |
| Metropolitan State | N/A | \$310.70 |

| University | Term Reciprocity Rate-Minimum of 12 Credits | Reciprocity Rate Per Credit |
|--------------------|---|-----------------------------|
| MN State Mankato | \$4,745.00 | \$364.45 |
| MN State Moorhead | \$5,118.00 | \$310.70 |
| Southwest MN State | \$5,152.50 | \$321.55 |
| Saint Cloud State | \$5,077.00 | \$360.90 |
| Winona State | \$5,246.00 | \$310.70 |

Students from Iowa

Minnesota West Community and Technical College is the only Minnesota institution in this agreement. Only Iowa residents from the Merged Area III in northwestern Iowa may receive reciprocity benefits at Minnesota West. Eligible Iowa residents apply directly to Minnesota West for reciprocity. Minnesota West shall charge eligible Iowa residents the Minnesota resident tuition and fee rate.

Students from Manitoba

Students from Manitoba apply directly to the institution for reciprocity. OHE receives only summary data. All Minnesota State campuses should charge participants from Manitoba the Minnesota resident tuition and fees rates.

Students from Midwest Student Exchange Program (MSEP)

This exchange program operates under the Midwestern Higher Education Compact (MHEC). MHEC is made up of the following states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. However, not all states participate in MSEP.

During 2023-24, at least one institution from the following states participated in MSEP: Indiana, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, and Wisconsin. Michigan had participated in the past, but it went inactive. Michigan residents are no longer able to participate in MSEP after the 2020-21 academic year. Illinois is transitioning to inactive status; new students were eligible to receive MSEP benefits during fall 2021 and spring 2022. After that, existing Illinois students will be grandfathered in but no new students may use MSEP.

Students planning to attend a public institution in a state that has its own specific tuition reciprocity program (e.g. Minnesota-Wisconsin, Minnesota-North Dakota) should use the specific program rather than MSEP. However, some private institutions also participate under MSEP. Students from participating MSEP states apply to participating institutions in Minnesota. OHE does not receive individual student data. Minnesota institutions determine whether they participate, the tuition rates, and a cap on the number of MSEP students. Each institution may set the MSEP tuition rate up to 150% of the Minnesota resident tuition and may also charge any additional institutional fees.

Students from MSEP states do not need to apply to Minnesota institutions that no longer charge non-resident tuition rates and these students should not be reported on any MSEP enrollment reports.

The following Minnesota State institutions participated in MSEP during 2023-24:

- Minnesota State University-Mankato
- Minnesota State University-Moorhead
- St. Cloud State University

An auditor must verify that these institutions properly charged and reported their MSEP students if they had any during 2023-24.

Students from Wisconsin

Wisconsin students must apply to HEAB. HEAB directly informs Minnesota institutions of approved students. OHE only receives summary data including student counts, etc.

Some Minnesota State campuses no longer have non-resident tuition rates. That is why 10 two-year campuses do not appear in the reciprocity rate tables below. However, students from Wisconsin applying to attend one of those 10 campuses must still apply for tuition reciprocity in order to receive official approval from Wisconsin and to be included in the calculation of the interstate payment at year-end.

Wisconsin Reciprocity Rates for MN State Universities

| University | Program | Term Rate for 12 to 18 Credits | Per Credit Rate |
|--------------------|----------------------|---------------------------------------|---|
| Bemidji State | Undergraduate | \$4,497.00 | \$313.55 |
| Bemidji State | Graduate | N/A | \$512.27 |
| Bemidji State | MBA | N/A | \$648.27 |
| Metropolitan State | Undergraduate | N/A | \$285.70 |
| Metropolitan State | Graduate | N/A | \$508.59 |
| Metropolitan State | MBA | N/A | \$508.59 |
| MN State Mankato | Undergraduate | \$4,177.50 | \$326.70 |
| MN State Mankato | Graduate | N/A | \$510.10 |
| MN State Mankato | Graduate-Twin Cities | N/A | \$568.65 OR \$823.70 depending on term of entry |
| MN State Mankato | MBA-only on-line | N/A | \$806.60 |
| MN State Moorhead | Undergraduate | \$4,418.81 | \$294.59 |
| MN State Moorhead | Graduate | N/A | \$513.19 |
| MN State Moorhead | MBA | N/A | \$728.35 |
| Saint Cloud State | Undergraduate | \$4,406.13 | \$341.22 |
| Saint Cloud State | Graduate | N/A | \$516.67 |
| Saint Cloud State | MBA-On Campus | N/A | \$750.75 |

| University | Program | Term Rate for 12 to 18 Credits | Per Credit Rate |
|--------------------|-----------------------------|--------------------------------|-----------------|
| Saint Cloud State | MBA-Twin Cities Grad Center | N/A | \$1,019.25 |
| Southwest MN State | Undergraduate | \$4,420.00 | \$305.00 |
| Southwest MN State | Graduate | N/A | \$503.00 |
| Southwest MN State | MBA | N/A | \$503.00 |
| Winona State | Undergraduate | \$4,193.75 | \$296.09 |
| Winona State | Graduate | N/A | \$480.59 |

**Wisconsin Reciprocity Rates for MN State Two-Year Institutions
with Non-Resident Tuition Rates**

| College | Fall Per Credit Rate-Only Undergraduate Offered |
|--|---|
| Anoka Ramsey CC | \$164.72 |
| Central Lakes College | \$180.79 |
| Century College | \$182.49 |
| Fond du Lac Tribal & CC | \$180.59 |
| Inver Hills CC | \$180.66 |
| Lake Superior College | \$166.52 |
| Minneapolis College | \$175.45 |
| MN State Community & Tech | \$180.80 |
| MN West Community & Tech | \$194.94 |
| Normandale CC | \$178.23 |
| North Hennepin CC | \$187.58 |
| Minnesota North College (Hibbing CC, Itasca CC, Mesabi Range Coll, Rainy River CC, Vermilion CC) | \$206.84 |
| Northland Community & Tech | \$187.53 |
| Ridgewater College | \$182.42 |
| Riverland CC | \$186.17 |
| Rochester Community & Tech | \$185.49 |

Tuition Reciprocity Issues and Possible Audit Exceptions

The financial aid office usually has little to no input regarding whether a student receives reciprocity benefits. However, the financial aid office is required to coordinate with other offices (registrar, etc.) to ensure that students receiving reciprocity are only considered for certain types of MN aid.

A student receiving reciprocity may apply and be eligible for ONLY the following MN programs:

- SOS
- STG
- SELF

A former student who attended an institution under tuition reciprocity withdrew from school for a number of years before returning. In the interim, the student had established Minnesota residency for aid purposes. The institution still had the reciprocity flag in its administrative computing system set to “Y”. The student should not have received reciprocity and should have been considered for MN aid programs.

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/2023-2024 |
| AAED | Award Adjustment End Date | Similar to PRD, but this applies specifically to recalculation dates for MN aid programs. |
| AR | Minnesota Administrative Rules | Minnesota statutes and laws take precedence over rules. |
| ARP | American Rescue Plan | Third phase of federal COVID relief and other programs. |
| Auditor | | Usually refers to an OHE employee within the Audit Unit. In some cases, may refer to an external CPA/auditor hired by an institution to perform its Minnesota compliance audit. |
| CAP | Corrective Action Plan | Audited entity must submit a CAP to OHE to explain how, when, and who will address the findings in an OHE audit report. |
| CARES Act | Coronavirus Aid, Relief, and Economic Security Act | |
| CCG | Child Care Grant | https://www.ohe.state.mn.us/mPg.cfm?pageID=348 |
| COA | Cost of Attendance | May refer to different amounts depending on which Title IV or MN aid program one is reviewing. |
| 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 | |
| CTP | Comprehensive Transition and Postsecondary Program | Federally defined program that an institution must offer in order to participate in the ID program. |

| Abbreviation/Acronym for a Term | Full Term | Additional Definition or Website |
|--|---|---|
| DACA | Deferred Action for Childhood Arrivals | Relates to SWS and ability of some undocumented Minnesota students to be able to work for a period of time. |
| DCL | Dear Colleague Letter | One in a series of official guidance issued by ED to financial aid and other related professionals. |
| DHS | Minnesota Department of Human Services | Assists OHE to administer the FIG program. |
| DREAM ACT | Minnesota Dream Act | Also referred to as MN Prosperity Act; http://www.ohe.state.mn.us/mPg.cfm?pageID=2056 |
| ED | U. S. Department of Education | https://www.ed.gov/ |
| EFA | Estimated Financial Assistance | |
| EFC | Expected Family Contribution | |
| EFT | Electronic Funds Transfer | |
| ETV | Education and Training Voucher | Additional federal funds administered by DHS for the benefit of former foster care youth. DHS confirms these amounts as part of administering the FIG program. |
| EXTENDED FOSTER CARE BENEFITS | Extended Foster Care Benefits | Additional benefits for former foster care youth who have aged out of the system. DHS confirms these amounts as part of administering the FIG program |
| FAFSA | Free Application for Federal Student Aid | |
| FIG | Fostering Independence Higher Education Grant | Last dollar-in cost of attendance program funded by State appropriations to assist students who were or are in foster care. |
| FSA | Federal Student Aid | Usually used in context of referencing the FSA Handbook. |
| FTG | Minnesota Future Together Grants | Temporary last dollar-in program funded through ARP funds to provide students who meet certain qualifications to attend certain workforce programs tuition and fee free. First awarded in spring 2022 and will end no later than December 31, 2024. |

| Abbreviation/Acronym for a Term | Full Term | Additional Definition or Website |
|--|--|---|
| FWS | Federal Work Study Program | |
| HEAB | Wisconsin Higher Educational Aids Board | https://heab.state.wi.us/ |
| HOH | Head of Household | A filing status that may be used by a taxpayer when filing federal income tax return. |
| ID | Grants for Students with Intellectual and Developmental Disabilities | http://www.ohe.state.mn.us/pdf/FAMannual/2020_ID_Grant_Manual.pdf |
| 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 | One of the two components of the COA for the MSG program. |
| LOA | Leave of Absence | |
| LPAR | Limit on Postsecondary Attendance Review | |
| MDE | Minnesota Department of Education | |
| MFIP | Minnesota Family Investment Program | https://mn.gov/dhs/people-we-serve/children-and-families/economic-assistance/income/programs-and-services/mfip.jsp |
| MHEC | Midwestern Higher Education Compact | https://www.mhec.org/ |
| 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 |
| MSEP | Midwest Student Exchange Program | https://msep.mhec.org/ |
| 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/ |

| Abbreviation/Acronym for a Term | Full Term | Additional Definition or Website |
|--|---|---|
| PC | Parent Contribution | |
| PELSB | Minnesota Professional Educator Licensing and Standards Board | |
| PRD | Pell Recalculation Date | Date after which an institution will not adjust Pell grants based on changes in enrollment with certain exceptions. |
| R2T4 | Federal Return of Title IV Aid Funds | |
| Freeze Date | R2T4 Freeze Date | One or more dates voluntarily established by an institution related to whether and how an R2T4 calculation for a student attending a modular program. |
| SAP | Satisfactory Academic Progress | MN follows the Title IV definition with minor differences for SELF. |
| 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 |
| STG | Student Teacher Grants | Replaced the former Teacher Candidate Grant (TCG) in 2021-22. STG is umbrella term covering both USTG and STSA. |
| STSA | Student Teacher Grants in Shortage Areas | One of the two newly renamed programs that fall under the STG umbrella beginning in 2021-22. |
| SWS | Minnesota State Work Study Program | http://www.ohe.state.mn.us/mPg.cfm?pageID=347 |
| USTG | Underrepresented Student Teacher Grants | One of the two newly renamed programs that fall under the STG umbrella beginning in 2021-22. |