

## PART 5 - CLUSTERS OF PROGRAMS

### INTRODUCTION

Part 5 identifies those programs that are considered to be clusters of programs as defined by OMB Circular A-133 (§\_\_\_.105). A cluster of programs means Federal programs with different CFDA numbers that are defined as a cluster of programs because they are closely related programs that share common compliance requirements. This Part identifies research and development (R&D) and Student Financial Aid (SFA) as clusters, as well as certain other programs included in Part 4, Agency Program Requirements, that are deemed to be clusters. For R&D and SFA, the following sections of this Part are the equivalent of Part 4.

This Part also defines other clusters of programs that are **not** included in this Compliance Supplement. If a cluster is defined in this Part, but not included in Part 4, the auditor will have to determine the compliance requirements to test in accordance with Part 7, Guidance for Auditing Programs Not Included in This Compliance Supplement.

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 5 for the details of the requirements. The descriptions of the compliance requirements in Parts 3 and 5 are generally a summary of the actual compliance requirements. The auditor should refer to the referenced citations (e.g., laws and regulations) for the complete compliance requirements.

## RESEARCH AND DEVELOPMENT PROGRAMS

### I. PROGRAM OBJECTIVES

The Federal Government sponsors research and development activities to achieve objectives agreed upon between the sponsoring agency and the institution. The types of research and development conducted under these agreements vary widely. The objective of individual projects is explained in the Federal award document.

### II. PROGRAM PROCEDURES

Research is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

Research and development grants and contracts are awarded to non-Federal entities on the basis of research proposals submitted to Federal agencies or pass-through entities. These proposals are sometimes unsolicited. A grant or contract agreement is then negotiated in which the purpose of the project is specified, the amount of the award is indicated, and terms of administration are delineated.

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

**In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 5 for the details of the requirements.**

#### A. Activities Allowed or Unallowed

The objective(s) of individual research and development projects are explained in the applicable award documents. Testing of compliance with this requirement should ensure that funds were used only for activities for the furtherance of such objective(s).

#### B. Allowable Cost/Cost Principles

Individual employee compensation and related benefits generally comprise a significant portion of total costs charged to research and development projects. The auditor should give particular attention to the allocability of these costs. The distribution of individual employee compensation and related benefits to Federally sponsored research projects must follow the applicable Federal cost principles and the Federal award document. Therefore, the auditor's testing should include tests of the time and effort reporting system to support the distribution of salaries and wages.

Indirect costs is a second major category of cost charged to research and development projects. The third most prevalent type of cost charged is supplies and equipment.

The auditor should determine if journal entries, computer generated costs (e.g., payroll, benefits, supplies, computer usage), and transfers were made to the research and development projects. If so, a representative sample of these should be included as a part of allowable costs testing.

## **G. Matching, Level of Effort, Earmarking**

### **1. Matching**

Non-Federal entities may be required to share in the cost of research either on an overall entity or individual grant basis. The specific program regulations or individual Federal award will specify matching requirements if applicable.

### **2. Level of Effort - Not Applicable**

### **3. Earmarking - Not Applicable**

## **L. Reporting**

### **1. Financial Reporting**

The specific program regulations or the Federal award will specify the required financial reports. The auditor is responsible for testing the standard Federal financial reports or alternate forms that report the same or similar information.

### **2. Performance Reporting - Not Applicable**

### **3. Special Reporting - Not Applicable**

## **N. Special Tests and Provisions**

The larger R&D awards may contain special terms and conditions which could have a direct and material effect on the Research and Development Cluster. The auditor should make inquiries of the non-Federal entity's management and review a sample of the larger R&D awards to ascertain if such special terms and conditions exist. When special terms and conditions exist which could be material to this Cluster, the auditor should develop the audit objectives, audit procedures, and perform tests for compliance with the special terms and conditions.

## STUDENT FINANCIAL ASSISTANCE PROGRAMS

### Department of Education Department of Health and Human Services

<b>CFDA 84.007</b>	<b>FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (FSEOG)</b>
<b>CFDA 84.032</b>	<b>FEDERAL FAMILY EDUCATION LOANS (FFEL)</b>
<b>CFDA 84.033</b>	<b>FEDERAL WORK-STUDY PROGRAM (FWS)</b>
<b>CFDA 84.038</b>	<b>FEDERAL PERKINS LOANS (FPL)--FEDERAL CAPITAL CONTRIBUTIONS</b>
<b>CFDA 84.063</b>	<b>FEDERAL PELL GRANT PROGRAM (PELL)</b>
<b>CFDA 84.268</b>	<b>FEDERAL DIRECT LOAN PROGRAM (DIRECT LOAN) (FDL)</b>
<b>CFDA 93.108</b>	<b>HEALTH EDUCATION ASSISTANCE LOANS (HEAL)</b>
<b>CFDA 93.342</b>	<b>HEALTH PROFESSIONS STUDENT LOANS, INCLUDING PRIMARY CARE LOANS/LOANS FOR DISADVANTAGED STUDENTS (HPSL)</b>
<b>CFDA 93.364</b>	<b>NURSING STUDENT LOANS (NSL)</b>
<b>CFDA 93.820</b>	<b>SCHOLARSHIPS FOR STUDENTS OF EXCEPTIONAL FINANCIAL NEED (EFN)</b>
<b>CFDA 93.925</b>	<b>SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS (SDS)</b>

### I. PROGRAM OBJECTIVES

The objective of the student financial assistance programs is to provide financial assistance to eligible students attending institutions of postsecondary education.

### II. PROGRAM PROCEDURES

Institutions must apply to either the Secretary of Education or Secretary of Health and Human Services to participate in their particular SFA programs. Some applications must be filed annually, others upon initial entry and once approved, periodically thereafter. Institutions may be approved to participate in only one program or a combination of programs. Institutions are responsible for (1) determining student eligibility; (2) verifying student data (when required); (3) calculating, as required, the amount of financial aid a student can receive; (4) completing and/or certifying parts of various loan applications and/or promissory notes; (5) drawing funds from the Federal government and disbursing or delivering SFA funds to students directly or by crediting students' accounts; (6) making borrowers aware of loan repayment responsibilities; (7) submitting, as requested, data on borrowers listed on student status confirmation reports; (8) making refunds to students, lenders and programs, as appropriate, if students withdraw, drop out or are expelled from their course of study; (9) collecting SFA overpayments; (10) establishing, maintaining and managing (including collecting loan repayments) a revolving loan fund for applicable programs; and, (11) reporting the use of funds. Institutions may contract with third-party servicers to perform many of these functions.

## **Title IV Programs - General**

The programs cited in this cluster that are administered by the Department of Education (those with CFDA's beginning with 84) are authorized by Title IV of the Higher Education Act of 1965 (the Act), as amended, and collectively are referred to as the "Title IV programs." Because they are administered at the institutional level, the Federal Perkins Loan Program, Federal Work-Study Program and Federal Supplemental Education Opportunity Grant program are referred to collectively as the "campus-based programs."

For Title IV programs, students complete a paper or electronic application (Free Application for Federal Student Aid (FAFSA) (OMB No. 1845-0001) and send it to a central processor (a contractor of the Department of Education that administers the Central Processing System). The central processor provides Student Aid Reports (SARs) to applicants and provides Institutional Student Information Records (ISIRs) to institutions. Among other things, the SAR contains the applicant's Expected Family Contribution (EFC). Students take their SARs to the institution (or the institution uses the ISIR) to help determine student eligibility, award amounts and disbursements. (Note: The central processor is a service organization of the Department of Education, not of the schools. Therefore, Statement on Auditing Standards No. 70 does not apply when auditing the schools.)

### **Federal Pell Grant (Pell) (CFDA 84.063)**

The Federal Pell Grant program provides grants to students enrolled in eligible undergraduate programs, and certain eligible postbaccalaureate teacher certificate programs, and is intended to provide a foundation of financial aid. The program is administered by the Department of Education and postsecondary educational institutions. Maximum and minimum Pell grant awards are established by statute. The Department of Education provides funds to the institution based on actual and estimated Pell expenditures.

### **Federal Perkins Loan (FPL) (CFDA 84.038)**

### **Health Professions Student Loan (HPSL)/Primary Care Loans (PCL) (CFDA 93.342)**

### **Nursing Student Loan (NSL) (CFDA 93.364)**

The FPL, HPSL/PCL, and NSL programs provide long-term low-interest loans to students who demonstrate the need for financial aid to pursue their course of study at postsecondary educational institutions. Revolving loan funds are established and maintained at institutions through applications to participate in the programs. The funds are started with the Federal Capital Contribution (FCC) and a matching Institutional Capital Contribution (ICC). Repayments of principal and interest, new FCC, and new ICC are deposited in the revolving funds. The institution is fully responsible for administering the program (i.e., approving, disbursing and collecting the loans). Primary Care Loans are a segment of HPSL loan funds that impose certain restrictions on new borrowers as of July 1, 1993. First-time recipients of these funds after July 1, 1993 must agree to enter and complete a residency training program in primary health care, not later than four years after the date on which the student graduates from medical school, and must practice in such care through the date on which the loan is paid in full. Students who received their first HPSL before July 1, 1993 are exempt from this requirement, and may continue to borrow HPSL loans under their applicable health-related course of study.

**Federal Work Study (FWS) (CFDA 84.033)**

The Federal Work Study (FWS) program provides part-time employment to eligible undergraduate and graduate students who need the earnings to help meet costs of postsecondary education. This program also authorizes the establishment of the Job Location and Development (JLD) program, the purpose of which is to expand off-campus part-time or full-time employment opportunities for all students, regardless of their financial need, who are enrolled in eligible institutions and to encourage students to participate in community service activities.

Funds are provided to institutions upon submission of an annual application, *Fiscal Operations Report and Application to Participate* (FISAP) (this application covers all campus-based programs), and in accordance with statutory formulae. Institutions must provide matching funds unless they request in their FISAP and receive 100 percent Federal share. The institution determines the award amount, places the student in a job, and pays the student or arranges to have the student paid by an off-campus employer. The institution may use a portion of FWS funds for a JLD program.

**Federal Supplemental Education Opportunity Grants (FSEOG) (CFDA 84.007)**

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Federal Pell recipients who have the lowest expected family contributions. The institution determines the amount of the grant, which can be up to \$4,000 but not less than \$100, for an academic year. The maximum amount may be increased to \$4,400 for a student participating in a study abroad program that is approved for credit by the student's home institution. Federal funds are matched with institutional funds (34 CFR section 676.21).

**Federal Family Education Loans (FFEL) (CFDA 84.032)****William D. Ford Federal Direct Loan Program (Direct Loan) (CFDA 84.268)  
(Both programs include subsidized Stafford, unsubsidized Stafford, and PLUS loans)**

The FFEL and Direct Loan programs make interest subsidized or unsubsidized Stafford loans available to students or PLUS loans to parents of dependent students to pay for the cost of attending postsecondary educational institutions. FFEL loans are made by eligible lenders (e.g. banks, savings and loan institutions, etc.) and insured by State or not-for-profit guaranty agencies. In some cases, institutions of higher education are approved as eligible lenders. The Federal Government reinsures loans guaranteed by the guaranty agencies. Direct Loans are made by the Secretary of Education. The student's SAR or ISIR, along with other information, is used by the institution to certify (for FFEL) or originate (for Direct Loan) a student's loan. The student financial aid administrator is also required to provide and confirm certain information.

The Federal Direct Loan program is changing annually. Currently, institutions participate in loan origination Option 1, Option 2, or Standard origination. Functions performed by loan origination option vary and are described in the *Direct Loan School Guide*. Direct Loan is an electronic program, except that borrowers have the option of signing paper promissory notes or electronically signing the promissory note completed online. Except for electronically-signed promissory notes, electronic records are created, batched, transmitted (exported) to a loan origination center (LOC) and acknowledged by (imported from) the LOC, on a cycle approach. A cycle is not complete until the last activity in it is finished, i.e., an action has been accepted by the LOC and the school's system reflects the acceptance. Direct Loan has four types of cycles: Loan Origination Records (one for each loan), Promissory Notes, Disbursement Records, and Change Records. For a loan to be "booked" the institution must have electronically transmitted to the LOC, and the LOC must have accepted these records: (1) the loan origination record; (2) the Promissory Note; and, (3) the first disbursement of loan proceeds. The borrower's original accepted promissory note is maintained at the LOC; the institution is not required to keep a copy.

When auditing institutions of higher education, tests of the compliance requirements are not expected to be made at the FFEL lending institutions (e.g., banks, credit unions, etc.) or the Direct Loan LOC. However, if the institution is participating in FFEL as an eligible lender, and SFA is a major program, the auditor's compliance opinion on SFA includes compliance with requirements associated with its role as a lender. Therefore, if the lending activity under FFEL is material to SFA as a whole, the auditor would need to perform procedures to support his or her opinion with respect to the institution's role as a FFEL lender. Compliance requirements associated with lenders under the FFEL program are not included in this compliance supplement, but are identified in an audit guide available from the Department of Education: *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program*, dated December 1996.

The FFEL program at Guaranty Agencies (84.032) is not part of the Student Financial Assistance Cluster and is included in Part 4, Agency Program Requirements.

### **Health Education Assistance Loans (HEAL) (CFDA 93.108)**

The HEAL Program is now effectively phased out as a Federal program that originates loans. Borrowers who received a HEAL loan prior to October 1, 1995, continued to be eligible to borrow until the phase out period ended, on September 30, 1998, when the HEAL Program's insurance authority (for funding levels) ceased. Students who had not obtained a HEAL loan before October 1, 1995, were not eligible to participate in the program after that date. Provisions were also made under the Higher Education Act of 1965, as amended, to increase the annual limits on unsubsidized loans under the Title IV, HEA program funds, to accommodate borrowers who became ineligible for HEAL loan funds after October 1, 1995. (See *Annual Limits for Unsubsidized Loans* in this Supplement).

A sizeable HEAL loan portfolio still exists, and certain schools may have currently enrolled students with active HEAL loans. An institution's activity will not include loan certification or origination at this point, and should be generally limited to reporting student status changes, exit loan counseling and preclaim assistance to former HEAL loan lenders.

## **Scholarships For Health Professions Students From Disadvantaged Backgrounds (Scholarships for Disadvantaged Students) (CFDA 93.925)**

This program provides scholarships to schools of medicine, osteopathic medicine, dentistry, nursing, pharmacy, podiatric medicine, optometry, veterinary medicine, public health, chiropractic or allied health; a school offering a graduate program in behavioral and mental health practice; or an entity providing programs for the training of physician assistants.

### **Source of Governing Requirements**

The Department of Education programs are authorized by Title IV of the Higher Education Act (HEA) of 1965, as amended (20 USC 1001 et seq.). The regulations are found in 34 CFR parts 600 and 668-690.

The HHS programs in this cluster are authorized by the Public Health Service Act (PHSA). The PHSA was recently amended by the Health Professions Education Partnership Act of 1998, Pub. L. No. 105-392, effective November 13, 1998. The program authority for the Scholarship Program for Students of Exceptional Financial Need (CFDA 93.820) was repealed by the Act. EFN was replaced by Scholarships For Disadvantaged Students (Pub. L. No.105-392, Section 737).

### **Availability of Other Program Information**

The Department of Education annually publishes the *Federal Student Financial Aid Handbook*, which provides detailed guidance on administering the Title IV programs. This and other guidance material are available on the Internet (<http://ifap.ed.gov/>). Printed copies can also be ordered from the Department of Education by calling 1-877 4EDPUBS (1-877-433-7827) or by e-mailing a request to [edpuborders@edpubs.org](mailto:edpuborders@edpubs.org). The Department of Health and Human Services publishes the Student Financial Aid Guideline which provides detailed guidance on administering the Title VII and VIII programs. This and other materials are available on the internet (<http://BHPR.HRSA.GOV>).

## **III. COMPLIANCE REQUIREMENTS**

**In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 5 for the details of the requirements.**

**Note: While the programs included in this cluster are generally similar in their intent, administration and documentation, etc., there are differences among them. Because of space considerations, we could not list all of the differences, exceptions to general rules or nuances pertaining to specific programs. Auditors should utilize regulations and guidance applicable to the year(s) being audited when auditing the SFA programs.**



## A. Activities Allowed or Unallowed

Generally, SFA funds can be used only for making awards to students and for administration of the programs. Other allowable uses for specific programs are as follows:

### *Federal Perkins Loan (FPL)*

Certain billing, collection, and litigation costs must first be charged to the borrower and cannot be charged to the loan fund. If amounts recovered from the borrowers are not sufficient to pay these collection costs, program funds can be used to pay these costs with certain limits (34 CFR sections 674.8 and 674.47).

A school may transfer up to a total of 25 percent of its Federal Capital Contribution for an award year to either or both the Federal Supplemental Educational Opportunity Grant (FSEOG) or Federal Work Study programs. A school may transfer up to 100 percent of its initial and supplemental allocations to an approved Work Colleges program (34 CFR section 675.41). Transferred funds must be used according to the requirements of the program to which they are transferred. A school that transfers funds to the Federal Work Study, FSEOG or Work Colleges programs must transfer any unexpended funds back to the Federal Perkins Loan program at the end of the award year (34 CFR section 674.18).

### *Federal Work Study (FWS)*

The institution may use FWS funds only for awards to students, a Job Location and Development (JLD) Program, Work-Colleges Program, administrative costs, and transfers to FSEOG (34 CFR sections 675.18 and 675.33).

### *Health Professions Student Loan (HPSL)/Primary Care Loan (PCL), CFDA 93.342 Nursing Student Loan (NSL), CFDA 93.364*

Funds from both programs may also be used for capital distribution in Sections 728 and 839, or, as agreed to by the Secretary for costs of litigation; costs associated with membership in credit bureaus and, to the extent specifically approved by the Secretary, for other collection costs that exceed the usual expenses incurred in the collection of loan funds (HPSL, 42 CFR section 57.205(a); NSL, 42 CFR section 57.305(a)).

## C. Cash Management

ED provides funds to an institution either in advance, by reimbursement, or by the cash monitoring payment methods. ED is piloting the just-in-time (JIT) payment method at a few institutions. Under the reimbursement method, the institution must disburse funds to the students before requesting funds from ED. Under the cash monitoring method, the institution must disburse funds to students before requesting funds from ED under either the advance (limited to the actual disbursement amount) or the reimbursement method. Under the advance payment method, the institution's request must not exceed the amount immediately needed to disburse funds to students. The institution must make the

disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to ED. However, an excess cash balance tolerance is allowed if that balance: (1) during a peak period of enrollment, was less than three percent of its total prior-year drawdowns; (2) for any other period was less than one percent of its prior-year drawdowns; and, (3) is eliminated within the next seven calendar days. Except for the Federal Perkins Loan Program earnings, interest earnings greater than \$250 must be returned to the ED. Federal Perkins Loan earnings are reinvested in the Federal Perkins Loan revolving fund (34 CFR sections 668.162 and 166).

Grantees draw funds using the Grant Administration and Payment System (GAPS). Grantees request funds by: (1) creating a payment request using the GAPS External Access System through the Internet; (2) calling the GAPS Payee Hotline; or (3) if the grantee is placed on the reimbursement or cash monitoring payment method, submitting an SF-270, *Request for Advance or Reimbursement* to an ED program or regional office. When creating a payment request in GAPS, the grantee enters the drawdown amounts, by award, directly into GAPS. Direct Loan Option 2 schools and grantees can redistribute drawn amounts between grant awards by making adjustments in GAPS to reflect actual disbursements for each award as long as the net amount of the adjustments is zero. When requesting funds using the other two methods, grantees and other Direct Loan schools provide drawdown information to the hotline operator, or on the SF-270.

To assist grantees in reconciling their internal accounting records with GAPS, grantees can use the GAPS External Access System (<http://e-grants.ed.gov>) to obtain a GAPS Activity Report showing cumulative and detail information for each award. The GAPS Activity Report can be created and viewed on-line and a hard copy may be printed as well.

For the HHS programs, requests for new FCC must only be made when needed. Any idle cash including any interest earned must be deposited in an income-producing account and all excess cash must be returned to HHS. For HPSL and NSL, the school must maintain all monies relating to each individual fund in interest bearing accounts. If the school integrates the funds with other school resources for investment purpose, the school must maintain separate accountability and reimburse the funds for any losses that occur (HPSL, 42 CFR sections 57.203 and 57.205; NSL, 42 CFR sections 57.303 and 57.305).

## **E. Eligibility**

### **1. Eligibility for Individuals**

The requirements for student eligibility are contained in Appendix A.

The determination of SFA award amounts is based on financial need. Financial need is generally defined as the student's cost of attendance (COA) minus financial resources reasonably available. In determining the financial resources available for the HHS programs, the school must use one of the need analysis

systems or any other procedures approved by the Secretary of Education. The school must also take into account other information that it has regarding the student's financial status. For Title IV programs, the financial resources available is generally the Expected Family Contribution (EFC) that is computed by the central processor and included on the student's SAR and the ISIR provided to the institution.

For the HHS programs, the costs reasonably necessary for the student's attendance include any special needs and obligations which directly affect the student's ability to attend the school. The school must document the criteria used for determining these costs. For Title IV programs the COA is generally the sum of the following: tuition and fees; an allowance for books, supplies, transportation and miscellaneous personal expenses; an allowance for room and board; where applicable, allowances for costs for dependent care; costs associated with study abroad and cooperative education; costs related to disabilities; and fees charged for student loans. There are exceptions for students attending less than half time, correspondence students, and incarcerated students. The financial aid administrator also has authority to use professional judgement to adjust the COA on a case-by-case basis to allow for special circumstances (20 USC 1087I-1087mm; FPL, 34 CFR section 674.9; FWS, 34 CFR section 675.9; FSEOG, 34 CFR section 676.9; FFEL, 34 CFR section 682.603; Direct Loan 34 CFR sections 685.200 and 301; Pell 34 CFR section 690.75; HPSL, 42 CFR section 57.206(b); NSL, 42 CFR section 57.306(b).

In addition to the following described requirements and limits, awards must be coordinated among the various programs and with other Federal and non-Federal aid to assure that total aid is not awarded in excess of the student's financial need (FPL, FWS, and FSEOG, 34 CFR sections 673.5 and 673.6; FFEL, 34 CFR section 682.603; Direct Loan, 34 CFR section 685.301; HPSL, 42 CFR section 57.206; NSL, 42 CFR section 57.306(b).

*Health Professions Student Loan (HPSL)/Primary Care Loan (PCL), CFDA 93.342, Nursing Student Loan (NSL), CFDA 93.364*

For periods prior to November 13, 1998, the total amount of HPSL loans made to a student for a school year may not exceed \$2,500 plus the cost of tuition (42 CFR section 57.207). For students who are applying for a HPSL loan, the school must make its selection based on the order of greatest financial need, taking into consideration the other resources available to the student. The resources may include summer earnings, educational loans, veteran (G.I.) Benefits, and earnings during the school year (HPSL, 42 CFR section 57.206(c)). For periods after November 13, 1998, the total amounts of HPSL loans to a student for a school year may not exceed the cost of attendance (including tuition, other reasonable educational expenses, and reasonable living expenses). The amount of the loan may, in the case of the third or fourth year of a student at a school of medicine or osteopathic medicine, be increased to pay balances of loans that were made to the individual for attendance at the school (42 USC 722(a)(1), section 722(a)(1) of

PHSA, Pub. L. No. 105-392, sections 134 (1) and (2)). The total amount of NSL loans made to a student for an academic year may not exceed \$2,500 except that for each of the final two academic years of the program the total must not exceed \$4,000. The total of all NSL loans may not exceed \$13,000 (NSL, 42 CFR section 57.307).

*Scholarship Program for Students of Exceptional Financial Need (EFN), CFDA 93.820*

The authority for this program was repealed by the Health Professions Education Partnership Act of 1998 (Pub. L. No. 105-392). The EFN was replaced by Scholarships For Disadvantaged Students (Pub. L. No. 105-392, Section 101). Amendments made by the Act shall not terminate agreements that, on the day before the date of enactment of the Act, were in effect. Such agreements shall continue in effect in accordance with the terms of the agreements (42 USC 295n note).

*Scholarships For Health Professions Students From Disadvantaged Backgrounds (Scholarships for Disadvantaged Students) (CFDA 93.925)*

Scholarships will be awarded by schools to any full-time student who is from a disadvantaged background; has a financial need for a scholarship; and is enrolled (or accepted for enrollment) in a program leading to a degree in a health profession or nursing. Such scholarships may be expended only for tuition expenses, other reasonable educational expenses, and reasonable living expenses incurred in the attendance of such school (42 USC 293a; section 737 of PHSA).

*Federal Pell Grants (Pell)*

Each year, based on the maximum Pell grant established by Congress, ED provides to institutions Payment and Disbursement Schedules for determining Pell awards. The Payment or Disbursement Schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC and COA. The Payment Schedule is used to determine the annual award for a full-time student. There are separate Disbursement Schedules for three-quarter time, half-time and less than half-time students and students with low assessed tuition. All of the Schedules, however, are based on the COA of a full-time student for a full academic year (see the Pell Grant Reference in the *Federal SFA Handbook* for the year(s) being audited for guidance on selecting formulas for calculating cost of attendance, prorating costs for programs less or greater than an academic year, and determining payment periods). The steps to determine Pell awards are as follows:

- (1) Determine the student's enrollment status (full-time, three-quarter time, half-time or less than half-time).

- (2) Calculate the cost of attendance. This is always based on the cost for a full-time enrollment status for a full academic year. If the student is enrolled in a program or enrollment period that is longer or shorter than an academic year, the costs must be prorated so that they apply to one full academic year. There are two allowable proration methods. Costs can be on an actual cost-per-student basis or an average cost for groups of similar students. If the student is enrolled less than half-time, the only allowable cost components are tuition and fees, allowance for books and supplies, transportation allowance, and allowance for dependent care.
- (3) Determine the annual award, based on the cost of attendance calculated above and the EFC, from the Payment or Disbursement Schedule for the student's enrollment status (i.e., full-time, three quarter-time, half-time, or less than half-time).
- (4) Determine the payment period. For term programs (semester, trimester, quarter), the payment period is the term.
- (5) Calculate the payment for the payment periods. The calculation of the payment for the payment period may vary depending on the formula used, the length of the program compared to the academic year, and whether the institution uses an alternative calculation for students who attend summer terms (See the Pell Grant Reference in the *Federal SFA Handbook*).
- (6) Disburse funds at prescribed times (This is tested under section N, Special Tests and Provisions) (34 CFR sections 690.61 through 690.67, and 690.75 through 690.78; Pell Grant Payment Schedules; and *Federal SFA Handbook*).

#### *Campus-Based Programs (FPL, FWS, FSEOG)*

The maximum amount that can be awarded under the campus-based programs is equal to the student's financial need (COA minus EFC) minus aid from other SFA programs and other resources. For programs of study or enrollment periods less than or greater than an academic year, the COA for loans and campus-based aid is based on the student's actual costs for the period for which need is being analyzed, rather than being prorated to the costs for a full-time student for a full academic year. The financial aid administrator has discretion in awarding amounts from each program, subject to certain limitations.

#### *FSEOG*

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Federal Pell recipients who have the lowest expected family contributions. The institution decides the amount of the grant, which can be up to \$4,000 but not less than \$100, for an academic year. The maximum amount may be increased to \$4,400 for a student participating in a study abroad program that is

approved for credit by the student's home institution (34 CFR sections 676.10 and 676.20).

### *FPL*

Annual loan maximums for the FPL Program are: \$4,000 for a student who has not successfully completed a program of undergraduate education; and \$6,000 for a graduate or professional student. The aggregate loan maximums for the FPL Program are: \$8,000 cumulative for a student who has not successfully completed two years of a program leading to a bachelor's degree, \$20,000 cumulative for a student who has successfully completed 2 years of a program leading to a bachelor's degree but who has not completed the work necessary for the degree, or \$6,000, \$40,000 cumulative for a graduate or professional student, including loans borrowed as an undergraduate student (34 CFR section 674.12 and the *Federal SFA Handbook*).

*Federal Family Education Loans (FFEL, CFDA 84.032)*

*Federal Direct Loan Program (Direct Loan, CFDA 84.268)*

In determining loan amounts for subsidized Stafford loans, the financial aid administrator subtracts from the COA, the EFC and the estimated financial assistance for the period of enrollment that the student (or parent on behalf of the student) will receive from Federal, State, institutional or other sources.

Unsubsidized Stafford loans, PLUS loans, loans made by a school to assist the student, and state-sponsored loans may be used to substitute for EFC (34 CFR sections 682.200, 682.603, 685.102, and 685.200(d)).

The annual loan limits apply to the length of the school's academic year. Except for PLUS loans and for graduate or professional students, proration of a loan is required when a program is less than an academic year as measured in either clock hours or credit hours or number of weeks; or when a program exceeds an academic year but the remaining portion of the program is less than an academic year in length. For the purpose of determining loan limits for a borrower who received an Associate or Bachelor degree and has re-enrolled in another eligible program for which the prior degree is a prerequisite, the number of years that a student has completed in a program of undergraduate study includes any prior enrollment. The loan limits described below apply to both the FFEL and Direct Loan programs and are cumulative. For example, a dependent undergraduate student who has borrowed \$10,000 in subsidized FFEL and \$13,000 in subsidized direct loans has reached the aggregate undergraduate limit of \$23,000 for both programs (34 CFR sections 682.204 and 685.203).

### *Annual Limits for Subsidized Loans*

For an undergraduate student who has not yet successfully completed the first year of study the annual loan limit is \$2,625 for a program of study at least an academic year in length. For a program less than an academic year, the loan must

be prorated. Programs less than one-third of an academic year are not eligible for these loans.

For an undergraduate student who has successfully completed the first year but has not successfully completed the second year of an undergraduate program: (1) up to \$3,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated. Programs less than one-third of an academic year are not eligible for these loans.

For an undergraduate student who has successfully completed the first and second year of study but has not successfully completed the remainder of the program or for a student in a program who has an associate or baccalaureate degree which is required for admission into the program: (1) up to \$5,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated.

Graduate or professional students may borrow up to \$8,500 per academic year.

#### *Annual Limits for Unsubsidized Loans*

A student may receive an unsubsidized loan for the amount that is the difference between the subsidized amount for which he or she was eligible and the subsidized amount that he or she received. For dependent undergraduate students, the unsubsidized loan is the difference between the student's cost of attendance and the student's estimated financial assistance (including a subsidized loan if the student qualifies for one).

Additional eligibility for unsubsidized loans, beyond the base subsidized/unsubsidized amount, is available to all independent students and to dependent students whose parents are likely to be precluded by exceptional circumstances from receiving a PLUS loan, as determined by the SFA administrator.

For a student who has not successfully completed the first two years of undergraduate study: (1) up to \$4,000 for a program of study at least an academic year in length; and (2) for programs with less than a full academic year remaining, the loan must be prorated.

For a student who has successfully completed the first and second years of an undergraduate program but who has not successfully completed the remainder of the program: (1) up to \$5,000 for a program of study at least an academic year in length; and, (2) for programs with less than a full academic year remaining, the loan must be prorated.

Graduate or professional students may borrow up to \$10,000 per academic year.

Exceptions: Annual increased unsubsidized loan limits for certain health professions students who previously borrowed under the HEAL program are authorized. See Dear Colleague Letters GEN-96-14, GEN-97-4, GEN-97-14, GEN-98-18, GEN-98-23, GEN-99-21 and subsequent Dear Partner Colleague Letters for detailed information. Dear Partner Colleague Letters are available on the Internet (<http://ifap.ed.gov>).

*Aggregate Loan Limits for Subsidized and Unsubsidized Loans*

Aggregate loan limits for subsidized and unsubsidized loans is \$23,000 for a dependent undergraduate student; \$46,000 for an independent student (subsidized loan portion may not exceed \$23,000 of the aggregate limit amount); and \$138,500 for a graduate or professional student subsidized portion limited to \$65,500. This \$138,500 limit includes loans for undergraduate study.

*Federal PLUS (PLUS)*

PLUS loans are limited to parent borrowers of dependent undergraduate students. A PLUS loan may not exceed the student's estimated cost of attendance minus other financial aid awarded during the period of enrollment for that student (FFEL, 34 CFR sections 682.201 and 682.204; Direct Loan, 34 CFR sections 685.200 and 685.203).

2. **Eligibility for Group of Individuals or Area of Service Delivery** - Not Applicable
3. **Eligibility for Subrecipients** - Not Applicable

**G. Matching, Level of Effort, Earmarking**

**1. Matching**

*Federal Perkins Loan (CFDA 84.038)*

The institution's matching share (Institutional Capital Contribution (ICC)) is one third of the Federal Capital Contribution (FCC) (or 25 percent of the combined FCC and ICC) (34 CFR section 674.8).

*Federal Supplemental Educational Opportunity Grants (CFDA 84.007)*

The Federal share of awards may not exceed 75 percent of the total FSEOG awards made by the school. The Secretary may authorize 100 percent Federal funding if certain conditions are met (34 CFR section 676.21).



*Federal Work Study (CFDA 84.033)*

Generally, the Federal share of Federal Work Study (FWS) compensation paid a student employed other than by a private for-profit organization may not exceed 75 percent of the total FWS awards made by the school. However, the Federal share may exceed 75 percent, but not exceed 90 percent, for up to ten percent of the students compensated by FWS during the academic year, if, consistent with regulations of the Secretary, the student is employed at a nonprofit private organization or a government agency that (1) is not a part of, and is not owned, operated, or controlled by, or under common ownership, operation, or control with, the institution, (2) is selected by the institution on an individual case-by-case basis for such student; and (3) would otherwise be unable to afford the costs of such employment (42 USC 2753(b)(5)).

The Federal share of FWS for work at private-for-profit organizations is limited to 50 percent. A Federal share of 100 percent is allowable in two situations: (1) (a) the institution is designated an eligible institution under the HEA Title III Strengthening Institutions Program, the Strengthening Historically Black Colleges and Universities Program, or the Historically Black Graduate Institutions Program, (b) the work is performed by the student for the institution, a public agency, or a private nonprofit organization, and (c) the increased Federal share was requested by the institution as part of its FWS application for that year; or (2) (a) the student is employed as a reading tutor for children who are in preschool through elementary school or the student is employed as a tutor in a family literacy program that provides services to families with preschool age or elementary school children, and (b) the work is performed by the student for the institution, a public agency, or a private nonprofit organization (34 CFR section 675.26).

*Health Professions Student Loan (HPSL)/Primary Care Loan (PCL), CFDA 93.342, Nursing Student Loan (NSL), CFDA 93.364*

The institution's matching share (ICC) is one ninth of the FCC and must be deposited in a health professions student loan fund (42 CFR sections 57.202 and 57.302).

2. **Level of Effort** - Not Applicable
3. **Earmarking**

*Federal Work Study (CFDA 84.033)*

An institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities unless waived by the Secretary. The institution can only use up to 10 percent of its FWS or \$50,000 whichever is less for a JLD program (34 CFR sections 675.18 and 675.32).

**J. Program Income***Federal Perkins Loan Program (CFDA 84.038)*

Principal and interest repayments made by students and reimbursements for canceled loans are reinvested in the Federal Perkins Loan revolving fund (34 CFR section 674.8).

**L. Reporting****1. Financial Reporting**

- a. SF-269, *Financial Status Report* - Not Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Program* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Not Applicable
- e. *Pell Payment Data (OMB No.1845-0039)* - Schools submit Pell origination records and disbursement records to the Department through the Recipient Financial Management Service (RFMS). Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid (5 days in the case of a school participating in the Just-in-Time pilot). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgements to the school. The acknowledgements identify the processing status of each record: Rejected, Accepted with Corrections, and Accepted. In testing the Pell Payment origination and disbursement data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student payment data within 30 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 30 calendar days, bi-weekly, weekly or may set up their own system to ensure that changes are reported in a timely manner.

Key items to test on origination records are: Social Security Number, award amount, enrollment date, verification status code, transaction number, expected family contribution, cost of attendance, academic calendar and payment methodology, weeks, and clock/credit hours. Key items to test on disbursement records are disbursement date and amount.

The information may be accessed by the institution for the auditor at [www.pellgrantsonline.ed.gov](http://www.pellgrantsonline.ed.gov) (34 CFR section 690.83; *Federal SFA Handbook*).

**2. Performance Reporting - Not Applicable**

**3. Special Reporting**

- a. *Fiscal Operations Report and Application to Participate (FISAP) (ED Form 646-1) (OMB No. 1845-0030)* - This electronic report is submitted annually to receive funds for the campus-based programs. The school uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 1999, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 1999, and the *Application to Participate* for the 2000-2001 award year (FPL, FWS, FSEOG 34 CFR section 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate*).

*Key Line Items* - The following line items contain critical information.

Part I, Identifying Information

Part II, Application

- Information on enrollment
- Assessments and expenditures
- Information on eligible aid applicants

Part III, Federal Perkins Loan Program

- Fiscal Report (Trace material line items)
- Fund Activity (Annual) During the XXXX-XX Award Year
- Cumulative Repayment Information
- Cohort Default Rate

Part IV, Federal Supplemental Educational Opportunity Grant Program

- All sections

Part V, Federal Work-Study (FWS) Program

- All sections

Part VI, Program Summary for Award Year

- Distribution of Program Recipients and Expenditures by Type of Student (Trace a sample of line items)
- b. *FPL and Grant Overpayment Reporting to the National Student Loan Data System (NSLDS) (OMB No. 1845-0035)* - The NSLDS is a national database of information about loans and other financial aid awarded to students under Title IV. Educational and financial institutions, as well as other lending entities may enter data in NSLDS pertaining to FPL, FFEL, and William D. Ford Direct loans and Title IV grant program overpayments. Individual loan histories (loan history) and grant overpayment summaries (overpayment history) are accessible from the NSLDS Financial Aid Professional's web site within the "AID" Tab. The individual student identifier is the social security number (20 USC 1092b).

## N. Special Tests and Provisions

### 1. Separate Funds (HPSL, NSL, FPL)

**Compliance Requirement** - The institution must maintain a separate fund account for each program (HPSL, 42 CFR section 57.205; NSL, 42 CFR section 57.305; and FPL, 34 CFR sections 674.8 and 674.19).

**Audit Objective** - Determine whether separate fund account(s) were established.

#### Suggested Audit Procedures

Review accounting records to verify that a separate fund was established for each program.

### 2. Verification

**Compliance Requirement** - An institution shall require each applicant whose application is selected by the central processor, based on edits specified by ED, to verify the information specified in 34 CFR section 668.56. The institution is not required to verify the applications of more than 30 percent of its total number of applicants. The institution shall also require applicants to verify any information used to calculate EFC it has reason to believe is inaccurate. The institution is required to establish written policies and procedures that incorporate provisions of 34 CFR section 668.53 for verifying this information. Acceptable documentation for the verification is listed in 34 CFR section 668.57.

**Audit Objective** - Determine whether the institution established policies and procedures to verify information in student aid applications, and verified all required information of selected applications in accordance with the requirements.

### **Suggested Audit Procedures**

- a. Review the institution's policies and procedures for verifying student applications and verify that they meet the requirements of 34 CFR section 668.53.
- b. Select a sample of applications that were selected for verification and review student aid files to ascertain whether the institution obtained acceptable documentation to verify the information required.

### **3. Disbursements To Or On Behalf of Students**

#### **Compliance Requirement**

##### *Title IV Programs - General*

The institution may not make a disbursement to a student for a payment period until the student is enrolled in classes for that payment period. The earliest an institution may disburse SFA funds (other than FWS) (either by paying the student directly or crediting the student's account) is 10 days before the first day of classes of the payment period for which the disbursement is intended. There are two exceptions to this rule. First, institutions may not disburse or deliver the first installment of FFEL or Direct Loans to first year undergraduates who are first time borrowers until 30 days after the student's first day of classes unless the institution has a cohort default rate of less than 10 percent for the three most recent fiscal years. The second exception applies to a student who is enrolled in a clock hour educational program or a credit hour program that is not offered in standard academic terms. The earliest the institution may disburse funds is the later of ten days before the first day of classes for the payment period or, except for the certain circumstances under the FFEL and Direct Loan Programs, the day the student completed the previous payment period. The exceptions for the FFEL and Direct Loan Programs are described in 34 CFR sections 682.604(c)(6)(ii), (c)(7) and (c)(8); and 685.301(b)(3)(ii), (b)(5) and (b)(6), respectively (34 CFR section 668.164).

If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System (NSLDS) Student Transfer Monitoring Process. (See Dear Colleague Letter GEN-01-09). Under this process, a school informs NSLDS about its transfer students. NSLDS will "monitor" those students on the school's "inform" list and "alert" the school of any relevant financial aid history changes. A school must wait seven days after it "informs" NSLDS about a transfer student before disbursing Title IV aid to that student. However, a school does not have to wait if it receives an "alert" from NSLDS during the seven-day period or if it obtains the student's financial aid history by accessing the NSLDS Financial Aid Professional web site. When a school receives an "alert" from NSLDS, before making a disbursement of Title IV aid, it must determine if the change to the student's financial aid history affects the student's eligibility. (34 CFR section 668.19;65 FR 65675).

For students whose applications were selected for verification, if the institution has reason to believe that information included in the application is inaccurate, the institution may not: (1) disburse any Pell or campus-based aid; (2) employ the applicant in its FWS program; or (3) certify FFEL loans or originate Direct Loans (or process proceeds of previously certified or originated loans) until the applicant verifies or corrects the information. If the institution doesn't have any reason to believe that the information is inaccurate, the institution may withhold payment of Pell or Campus-based aid and loan certification, or may make one disbursement of Pell or Campus-based aid, employ or allow an employer to employ an eligible student under FWS for the first 60 consecutive days after the student's enrollment and may certify the FFEL loan or originate the Direct Loan, but can't process the proceeds. If the verification process is not complete after 45 days, the institution shall return the proceeds to the lender (34 CFR section 668.58).

### *Pell*

To disburse Pell funds, the institution must have received a valid ISIR from the central processor or a valid SAR from the student by the earlier of the deadline date established by the Secretary in a notice published in the *Federal Register* (normally the last work day in August following the end of the award year) or the last date that the student is still enrolled and eligible for payment at that institution. The institution has discretion in disbursing funds within a payment period, but must disburse the full amount before the end of the payment period. The institution must review and document the student's eligibility before it disburses funds each payment period (34 CFR sections 690.61, and 690.75 through 690.78).

### *FPL*

If the institution is making a loan for a full academic year and uses standard academic terms, the institution must advance a portion of the loan during each payment period. If standard academic terms are not used, it must advance funds at least twice during the academic year - once at the beginning and once at the midpoint. Loan payments must be supported by a signed promissory note (34 CFR section 674.16).

### *FFEL*

The institution must determine that the student has maintained eligibility for the FFEL loan before each disbursement of loan proceeds. Disbursements are required on a payment period basis, and the institution is required to provide the lender with a disbursement schedule. In addition, an institution under the reimbursement payment method must receive the Department's approval prior to disbursing loan funds. Loan funds provided by electronic fund transfer or master check may not be requested earlier than: 27 days after the first day of classes of the first payment period for a first-year, first-time Stafford Loan borrower; or 13 days before the first day of classes for any subsequent payment period for a first-year, first-time Stafford Loan borrower or for any payment period for all other FFEL borrowers. Loan funds must be disbursed within 10 business days of receipt if the lender provided the funds by EFT or master check after July 1, 1997, but before July 1, 1999; 3 business days if the lender provided the funds by EFT or master

check on or after July 1, 1999; or 30 days if the lender provided the funds by check payable to the borrower or copayable to the borrower and the institution (34 CFR sections 668.162, 668.164, 668.167(b), 682.603, and 682.604(d)).

If (1) a student does not register for the period of enrollment for which the loan was made, (2) a registered student withdraws or is expelled *prior to the first day of classes*; or (3) if the institution does not disburse FFEL loan proceeds to a student or parent in accordance with the time frames required in 34 CFR section 668.167(b), the institution must return the funds to the lender within 10 business days after the date the funds were required to be disbursed. Exceptions to (3) above are described in 34 CFR section 668.167(b)(3) and (c) (34 CFR section 668.167(b)(2)).

### *Direct Loan*

Except in the case of an allowable late disbursement (34 CFR Section 685.303(d)), before disbursing the loan proceeds, the institution must determine that the student maintained continuous eligibility from the beginning of the loan period. Option 1 and Option 2 institutions may not disburse loan proceeds until they have obtained a legally enforceable promissory note. Option 1 and standard origination institutions may only disburse funds for students listed on the Actual Disbursement Roster (34 CFR sections 685.301 and 685.303).

### *HPSL/PCL and NSL*

Student loans may be paid to or on behalf of student borrowers in installments considered appropriate by the school, except that a school may not pay to or on behalf of any borrowers more than the school determines the student needs for any given installment period (e.g., semester, term, or quarter). However, effective November 13, 1998, the amount of the loan may be increased, in the case of the third or fourth year of a student at a school of medicine or osteopathic medicine, to pay balances of loans that were made to the individual for attendance at the school (42 USC 292r(a)(2); section 722r(a)(2) of PHSA; Pub. L. No. 105-392, section 134(a)(2)). At the time of payment a HPSL borrower must be a full time student, a NSL borrower must be at least a half time student (HPSL, 42 CFR section 57.209; NSL, 42 CFR section 57.309). Each student loan must be evidenced by a properly executed promissory note (HPSL, 42 CFR section 57.208; NSL, 42 CFR section 57.308).

### *FWS*

The student's wages are earned when the work is performed. The institution shall pay the student at least once per month. The Federal share must be paid by check or similar instrument the student can cash on his or her endorsement, or as authorized by the student, by crediting FWS funds to a student's account. The institution may only credit the account for tuition, fees, institutional room and board, and other school-provided goods and services (34 CFR section 675.16).

**Audit Objective** - Determine whether disbursements to students were made or returned to lenders in accordance with required time frames; and, whether required reviews were made and required documents and approvals were obtained before disbursing SFA funds.

### **Suggested Audit Procedures**

- a. Review a sample of disbursements to students and verify that they were made or returned in accordance with required time frames and for Direct Loan Option 1 and standard origination institutions, only to the students listed on the Actual Disbursement Roster.
- b. Review loan or other files to verify that the institution performed required procedures and obtained required documents prior to disbursing funds. For institutions under the reimbursement method of payment, verify that FFEL proceeds were not disbursed until approval from the Department was obtained.

### **4. Return of Title IV Funds Compliance Requirements**

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR sections 668.22(a)(1)-(3)).

#### *Post-withdrawal Disbursements*

Post-withdrawal disbursements must be made from available grant funds before available loan funds. Post-withdrawal disbursements may be credited to the student's account if outstanding charges exist on the student's account, up to the amount of the outstanding charges. For outstanding charges other than tuition, fees, and room and board, (if contracted with the institution), the institution must have the student's (or parent's for PLUS loans) authorization to credit the student's account. If loan funds are used to credit the student's account, the institution must notify the student, or parent in the case of a PLUS loan, and provide the borrower with the opportunity to cancel all or a portion of the loan. An institution may credit a student's account for minor prior award year charges, if less than \$100 or the payment of prior year charges will not prevent the payment of current year charges.

Any amount of a post-withdrawal disbursement in excess of the amount that may be credited to the account must be provided to the student. Institutions must offer, by written notification, post-withdrawal disbursements not credited to a student's account to



the student or borrower within 30 days of the date of the institution's determination that the student withdrew. Based on the student or borrower's response or lack of response, the institution may or may not make the post-withdrawal disbursement. If a student or parent accepts a post-withdrawal disbursement, the institution must make the disbursement within 90 days of the date of the institution's determination that the student withdrew and in accordance with the request of the recipient (34 CFR sections 668.22(a)(4) and 668.164(d)(1), (d)(2) and (g)(2)).

### *Withdrawal Date*

If an institution is required to take attendance the withdrawal date is the last date of academic attendance, as determined by the institution from its attendance records. An institution is required to take attendance if the institution is required to take attendance for some or all of its students by an entity outside of the institution (such as institution's accredited agency or State agency) (34 CFR section 668.22(b)(3)).

If an institution is not required to take attendance, the withdrawal date is: (1) the date that the student began the withdrawal process prescribed by the school; (2) the date that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence. Notwithstanding the above, an institution that is not required to take attendance may use as the withdrawal date, the last date of attendance at an academically-related activity as documented by the institution (34 CFR sections 668.22(c) and (d)).

### *Calculation of the Amount of Title IV Assistance Earned*

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of: (1) the payment period or period of enrollment for a program measured in credit hours; or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours. Otherwise, the percentage earned by the student is equal to the percentage of the payment period or period of enrollment that was completed as of the student's withdrawal date. The percentage of Title IV grant or loan assistance that has not been earned by the student is the complement of one of these calculations. Standard term-based institutions must always use the payment period as the basis for the determination.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew (34 CFR section 668.22(e)).

#### *Use of Payment Period or Period of Enrollment*

The treatment of Title IV grant or loan funds if a student withdraws must be determined on a payment period basis for a student who attended a standard term-based (semester, trimester or quarter) educational program. The treatment of Title IV grant or loan funds if a student withdraws may be determined on either a payment period basis or a period of enrollment basis for a student who attended a non-term based or a nonstandard term-based educational program. The institution must use the chosen period consistently for all students in the program, except that an institution may make a separate selection of payment period or period of enrollment for students that transfer to the institution or reenter the institution for students who attend a nonterm-based or nonstandard term-based program (34 CFR section 668.22(e)(5)).

#### *Percentage of Payment Period or Period of Enrollment Completed*

The percentage of the payment period completed or period of enrollment completed is determined in the case of a program that is measured in: (1) credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date; (2) clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours: (a) completed by the student in that period as of the student's withdrawal date; or (b) scheduled to be completed as of the student's withdrawal date, if the clock hours completed in the period are not less than 70 percent of the hours that were scheduled to be completed by the student as of the student's withdrawal date. The total number of calendar days in a payment or enrollment period includes all days within the period, except that institutionally scheduled breaks of at least five consecutive days and days in which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period. Excused absences do not count as completed hours for purpose of this calculation (34 CFR section 668.22(f)).

#### *Institution's Return of Unearned Aid*

The Institution must return the lesser of: (1) the total amount of unearned Title IV assistance to be returned as described above; or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. If, for a non-term program an institution chooses to calculate the treatment of Title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, "total institutional charges incurred by

the student for the payment period" is the greater of: (1) the prorated amount of institutional charges for the longer period, or (2) the amount of Title IV assistance retained for institutional charges as of the student's withdrawal date (34 CFR section 668.22(g)).

#### *Student's Return of Unearned Aid*

The amount a student is responsible for returning is calculated by subtracting the amount of unearned aid that the institution is required to return from the total amount of unearned Title IV assistance to be returned. However, the student need only return 50 percent of the unearned grant assistance received by the student that is the student's responsibility to repay (34 CFR sections 668.22(g) and 668.22 (h)(3) and (4)).

#### *Allocation of Return of Title IV Funds*

Returns of Title IV funds must be distributed in the order prescribed below. The prescribed order must be followed regardless of the school's agreements with other State agencies or private agencies (34 CFR section 668.22(i)).

1. Unsubsidized Federal Stafford Loan
2. Subsidized Federal Stafford Loan
3. Unsubsidized Federal Direct Stafford Loan
4. Subsidized Federal Direct Stafford Loan
5. Federal Perkins Loan
6. Federal PLUS
7. Federal Direct PLUS
8. Federal Pell Grant
9. Federal Supplemental Educational Opportunity Grant
10. Other SFA Programs

#### *Timing of Return of Title IV Funds*

Returns of Title IV funds are required to be deposited to the SFA accounts or returned to the appropriate FFEL lender within 30 days after the date the institution determines that the student withdrew.

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the: (1) payment period or period of enrollment, (2) academic year in which the student withdrew; or (3) educational program from which the student withdrew (34 CFR section 668.22(j)).

**Audit Objective** - Determine whether the institution is making returns of Title IV funds in the proper amount and in a timely manner and is applying the return of Title IV funds to Federal programs as required.

### **Suggested Audit Procedures**

- a. Identify a sample of students who withdrew or dropped out during the audit period. Review return of Title IV funds determinations/calculations for conformity with requirements.
- b. Trace the return of Title IV funds to disbursement and accounting records (including canceled checks to lenders and students) to verify that returned Title IV funds were applied to programs in the required order, that disbursements to lenders and students were made when applicable, and that credits and payments were made within required time frames.
- c. For a sample of students for which no return of Title IV funds were made, review academic records to ascertain whether the students completed the payment or enrollment period. For students who received all failing and/or incomplete grades, review attendance records to ascertain whether the students had dropped out.

### **5. Student Status Changes (HEAL, FFEL and William D. Ford Direct Loan)**

**Compliance Requirement** - Each school must notify the holder of the HEAL loan of any change in the student's enrollment status within 30 days following the change in status. The school must also notify the lender of any change in the student's name. Under the FFEL and Direct Loan programs, schools must complete and return within 30 days of receipt Student Status Confirmation Reports (SSCR) sent by the National Student Loan Data System (NSLDS). SSCR data is transmitted electronically. The institution determines how often it receives the SSCR but the minimum is twice a year. Once received, the institution must correct and submit any changes electronically. Unless the school expects to complete its next student status confirmation report within 60 days, the school must notify NSLDS within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis ( HEAL, 42 CFR section 60.53; FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309). (Note: The automated process is described in the *Student Status Confirmation Report User's Guide*. Auditors may request copies of schools' SSCR history reports by contacting the NSLDS Customer Service Center at 1-800-999-8219).

**Audit Objective** - Determine whether the institution is promptly notifying lenders or NSLDS of changes in student status in a timely and accurate manner.

### **Suggested Audit Procedures**

- a. Select a sample of HEAL borrowers that graduated, withdrew or dropped out during the period. Review loan or correspondence files to verify that the institution notified the lender of the change in student status within the required time frame.

- b. Select a sample of FFEL/Direct Loan borrowers that graduated, withdrew or dropped out during the period. Verify that the change in student status was reported to the lender or other appropriate party within 30 days, or was included in a student status confirmation report within 60 days.

## 6. Student Loan Repayments (FPL, HPSL/PCL and NSL)

**Compliance Requirement** - FPL loans, and HPSL and NSL loans made prior to November 13, 1998, including accrued interest, are repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10 year repayment period. For HPSL loans the repayment period is not less than 10 and not more than 25 years, at the discretion of the institution. For NSL loans after November 13, 1998, the 10 year repayment period may be extended for 10 years for any student borrower who, during the repayment period failed to make consecutive payments and who, during the last 12 months of the repayment period, has made at least 12 consecutive payments (42 USC 292r(c) and 297b(b)(8); sections 722(c) and 836(b)(8) of PHSA; Pub. L. No. 105-392, sections 133(a)(2) and 134(a)(3)). Except as required in 42 CFR section 57.210(a), a repayment of a HPSL loan must begin one year after the student ceases to be a full time student. For a NSL loan, repayment must begin nine months after the student ceases to be a full time or half time student, except as required in 42 CFR section 57.310(a). For a FPL loan, the institution must establish a repayment plan. The repayment period begins after an initial grace period of either six months or nine months after the student ceases to be at least a half-time student at an institution of higher education, depending on when the loan was made (34 CFR section 674.31(b)(2)).

Borrowers may be eligible for loan deferments or cancellations under certain circumstances. Examples of when loan payments may be deferred are when the borrower is in certain student statuses at other eligible institutions, employed as a full-time teacher at certain schools, employed full-time in other specified occupations, or serving in the military or as a volunteer in the Peace Corps, ACTION programs or other programs deemed to be comparable. Loans may be canceled based on full-time employment as a teacher at certain schools or specified fields, other qualifying employment, military or other volunteer service, and death or disability. Cancellation rates (amount of loan that is canceled for each year of qualifying service) vary, depending on the criteria. Specific requirements for deferment and cancellation vary, depending on when the loan was made. To qualify for a deferment or cancellation, the borrower is required to submit to the institution to which the loan is owed a written request for the deferment or cancellation, with documentation required by the institution, by the date established by the institution (FPL, 34 CFR sections 674.33 through 674.40, and 674.51 through 674.62; HPSL, 42 CFR sections 57.201, 57.211 and 212; NSL, 42 CFR sections 57.311 through 313a).

Institutions must exercise due care and diligence in the collection of loans (HPSL and NSL, 42 CFR section 57.210(b) and 42 CFR section 57.310(b), respectively). For the FPL, such due diligence procedures include the following:

- (1) A requirement to conduct an exit interview with the borrower before he or she leaves the institution and to contact the borrower a minimum of three times during

the initial grace period for loans with nine month grace periods or two times for loans with six month grace periods (34 CFR section 674.42).

- (2) Specific billing procedures to notify borrowers of overdue payments and to demand overdue amounts (34 CFR section 674.43).
- (3) Specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the institution's billing procedures, including litigation procedures (34 CFR section 674.45).

**Audit Objective** - Determine whether institutions are processing deferment and cancellation requests and servicing loans as required.

### **Suggested Audit Procedures**

- a. Select a sample of loans that entered repayment during the audit period and review loan records to verify that the conversion to repayment was timely, and that a repayment plan was established.
- b. Review the institution's requirements for applying for and documenting eligibility for loan deferments and cancellations. Select a sample of loan deferments and loan cancellations and review documentation to ascertain whether the deferments or cancellations were adequately supported.
- c. Select a sample of defaulted loans and review loan records to ascertain if the required interviews, contacts, billing procedures and collection procedures were carried out.

## **7. Federal Work Study Agreements**

**Compliance Requirement** - FWS students may be employed by the institution, a Federal, State or local agency, a private not-for-profit organization or a private for-profit organization but the employment must not: (1) impair existing service contracts; (2) displace employees; (3) fill jobs that are vacant because the employer's regular employees are on strike; or (4) involve the construction, operation, or maintenance of any part of a facility used or to be used for religious worship or sectarian instruction. The institution must enter into a written agreement with any agency or organization providing employment under the FWS program (34 CFR sections 675.20 through 675.23).

**Audit Objective** - Determine whether written agreements with employers are made as required.

### **Suggested Audit Procedure**

- a. Select a sample of participating students and ascertain if written agreements with the employers were executed.

## 8. Borrower Data Transmission and Reconciliation (FDL)

**Compliance Requirement** - Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Loan Origination Center (LOC) within 30 days of disbursement (*OMB 1845-0021*). Each month, the LOC provides institutions with a Direct Loan School Account Statement (DLSAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three DLSAS data files each month (34 CFR sections 685.102(b), 685.301, and 303). (Note: The Direct Loan School Guide and yearly training documents describe the reconciliation process. For 2001/2002, schools have the option of using the DLSAS or 732-LOS to reconcile against. If they choose the 732-LOS, the DLSAS summary is inserted into the detail of the 732-LOS. Beginning with 2002/2003, they will only have the School Account Statement (SAS) report with options on which detail reports they wish to receive. The SAS summary is required.)

**Audit Objectives** - Determine whether institutions are reconciling DLSAS data files to institution records each month. Determine whether dates and amounts of disbursements to borrowers recorded in the DLSS are supported by the institution's records on individual borrowers.

### Suggested Audit Procedures

- a. Test a sample of the DLSAS and ascertain that reconciliations are being performed. Instructions for obtaining specific borrower information are available on the Internet at address [www.ed.gov/offices/OIG/nonfed/sfa.htm](http://www.ed.gov/offices/OIG/nonfed/sfa.htm).
- b. Test a sample of borrowers to verify that disbursement dates and amounts in the DLSS are supported by the institution's records.

## 9. Institutional Eligibility

### Compliance Requirements

- a. An institution is not eligible to participate in Title IV programs if for the *award year* (year ending June 30) that ended during the institution's fiscal year (34 CFR 600.7):
  - (1) More than 50% of its courses were correspondence or telecommunications courses;
  - (2) 50% or more of its regular students (i.e., students enrolled for the purpose of obtaining a degree, certificate or diploma) were enrolled in correspondence courses;
  - (3) 25% or more of its regular students were incarcerated;

- (4) 50% or more of its regular students were enrolled as "ability-to benefit students," i.e., without a high school diploma or the recognized equivalent *and* the institution did not provide a four or two year program for which it awards a bachelor's or associate degree, respectively.
- b. The institution is prohibited from paying to any persons or entities any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to students, or student retention (34 CFR 668.14(b)(22)).
- c. Institutions not meeting ED's financial responsibility regulations may participate in student financial assistance programs under the "Zone Alternative". If the institution is participating under the "Zone Alternative", the institution must notify the Secretary of Education by certified mail or electronic or facsimile transmission within 10 days of any of the following events (34 CFR 668.175):
  - (1) Any adverse action, including a probation or similar action, taken against the institution by its accrediting agency;
  - (2) Any event that causes the institution, or related entity as defined in the Statement of Financial Accounting Standards (SFAS) 57, to realize any liability that was noted as a contingent liability in the institution's or related entity's most recent audited financial statement;
  - (3) Any violation by the institution of any loan agreement;
  - (4) Any failure of the institution to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligation; or
  - (5) Any withdrawal of net assets from the institution by any means, or any extraordinary losses, as defined in accordance with Accounting Principles Board (APB) Opinion No.30.

**Audit Objective** - Determine whether the institution meets the above institutional eligibility requirements as applicable.

**Suggested Audit Procedures:**

- a. For the award year that ended during the fiscal year, obtain from the institution its calculation of its award year institutional eligibility ratios of correspondence and telecommunications courses, students enrolled in correspondence courses, and incarcerated and "ability-to-benefit students". Ascertain the proper classification and completeness of data and accuracy of the calculations.
- b. Ascertain from review of employment agreements and contracts and from inquiry of management and recruiters that bonuses, commissions, or other incentive



payments were not made to individuals or organizations based directly or indirectly on success in securing enrollments, financial aid to students, or student retention.

- c. When the "Zone Alternative" is applicable:
1. Review correspondence from accrediting agencies for evidence of any adverse actions against the institution.
  2. Inquire of management whether there are any violations of loan agreements or failure to pay creditors.
  3. Corroborate management's response by either reviewing or obtaining a legal representation letter to assure there have not been any legal proceedings against the institution for any violation of loan agreements or failure to pay creditors.
  4. Ascertain whether any contingent liabilities for the prior fiscal year have been realized.
  5. Review accounting records for evidence of withdrawals of net assets or extraordinary losses.

#### IV. OTHER INFORMATION

**Pell Adjustments - The following is intended to alert auditors that their clients may request them to perform additional audit work in conjunction with the single audit, in order to claim Pell adjustments. It is not intended that this be covered otherwise.**

All Pell Payment Data for an award year must be submitted by September 30 after the award year. Adjustments for Pell grants not claimed by September 30 can be made if the first audit report for the period in which the unclaimed Pell grants were made contains a finding that the institution made proper Pell awards for which it has not received either reimbursement or credit. Dear Colleague Letter (P-97-2) provides instructions to institutions for reporting the Pell adjustments and describes the auditor's responsibilities.

**APPENDIX A**

**FEDERAL STUDENT FINANCIAL ASSISTANCE PROGRAMS**

**STUDENT ELIGIBILITY COMPLIANCE REQUIREMENTS**

<b>Requirements</b>	<b>P E L L</b>	<b>F W S</b>	<b>F S E O G</b>	<b>F P L</b>	<b>F F E L</b>	<b>F D L</b>	<b>H P S L</b>	<b>N S L</b>	<b>S D S</b>
1. A regular student enrolled or accepted for enrollment in an eligible program (34 CFR 600.2, 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200, 42 CFR 60.5, 57.206(a), 57.306(a), 57.2804) . . . . .	X	X	X	X	X	X	X	X	X
2. U.S. Citizen or National (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.5, 57.206(a), 57.306(a), 57.2804) . . . . .	X	X	X	X	X	X	X	X	X
3. Has Financial Need (34 CFR 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.51(f), 57.206, 57.306 (b), 57.2804(b)(1)) . . . . .	X	X	X	X	X <sup>1</sup>	X <sup>1</sup>	X	X	X
4. Does not owe a refund on a grant awarded under the Pell Grant, or FSEOG programs (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.51(d), 57.206, 57.306) . . . . .	X	X	X	X	X	X	X	X	
5. Not in default on any student loans (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.51(d), 57.206, 57.306) . . . . .	X	X	X	X	X	X	X	X	
6. Must maintain good standing, or satisfactory progress (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.5(d), 57.306) . . . . .	X	X	X	X	X	X	X	X	X
7. Has registered under Section 3 of the Military Selective Service Act (34 CFR 668.32, 668.37, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.5, 57.206) . . . . .	X	X	X	X	X	X	X		
8. Has a correct social security number (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200) . . .	X	X	X	X	X	X			
9. High School Diploma or GED (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200) . . .	X	X	X	X	X	X			
10. Above the age of compulsory school attendance in the State in which the institution he or she is attending is located (34 CFR 600.2, 600.4, 600.6, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200) . . . . .	X	X	X	X	X	X			
11. Ability to Benefit (34 CFR 668.32, 668 Subpart J, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200) . . .	X	X	X	X	X	X			
12. In need of a loan (scholarship) to pursue a course of study at the school (42 CFR 60.5(h), 57.206(a), 57.306(a), 57.2804) . . . . .							X	X	X

<sup>1</sup> Does not always apply to unsubsidized loans.

<b>Requirements</b>	<b>P E L L</b>	<b>F W S</b>	<b>F S E O G</b>	<b>F P L</b>	<b>F F E L</b>	<b>F D L</b>	<b>H P S L</b>	<b>N S L</b>	<b>S D S</b>
13. An undergraduate student has received for award year, a SAR or determination of eligibility or ineligibility for a Pell Grant (34 CFR 674.9, 682.201, 690.75) . . .	X			X	X				
14. Is not incarcerated (34 CFR 668.32) . . . . .				X	X	X			
15. Enrolled, as at least a half-time student, in a course of study necessary for enrollment in an eligible program for not longer than one 12-month period (34 CFR 668.32) . . . . .					X	X			
16. Parents can receive a PLUS loan if conditions are met (34 CFR 682.201, 685.200) . . . . .					X	X			
17. Is not incarcerated in a Federal or State penal institution (34 CFR 668.32) . . . . .	X								
18. Student is willing to repay the loan (34 CFR 674.9)				X					
19. Students with the lowest expected family contributions who will also receive Pell Grants in award year (34 CFR 676.10) . . . . .			X						

## OTHER CLUSTERS

### Programs Included in this Supplement Deemed to Be Other Clusters

<u>Agency</u>	<u>CFDA No.</u>	<u>Name of Other Cluster/Program</u>
		<b>Foreign Food Aid Donation Cluster</b>
USDA	None	Food for Progress Program
	None	Section 416(b) Program
		<b>Food Stamp Cluster</b>
USDA	10.551	Food Stamps
	10.561	State Administrative Matching Grants for Food Stamp Program
		<b>Child Nutrition Cluster</b>
USDA	10.553	School Breakfast Program (SBP)
	10.555	National School Lunch Program (NSLP)
	10.556	Special Milk Program for Children (SMP)
	10.559	Summer Food Service Program for Children (SFSPC)
		<b>Emergency Food Assistance Cluster</b>
USDA	10.568	Emergency Food Assistance Program (Administrative Costs)
	10.569	Emergency Food Assistance Program (Food Commodities)
		<b>Schools and Roads Cluster</b>
USDA	10.665	Schools and Roads--Grants to States
	10.666	Schools and Roads--Grants to Counties
		<b>Public Works and Economic Development Cluster</b>
DOC	11.300	Grants for Public Works and Economic Development
	11.307	Economic Adjustment Assistance
		<b>Section 8 Project-Based Cluster</b>
HUD	14.182	Section 8 New Construction and Substantial Rehabilitation
	14.195	Section 8 Housing Assistance Payments Program--Special Allocations
	14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation
		<b>CDBG - Entitlement and (HUD-Administered) Small Cities Cluster</b>
HUD	14.218	Community Development Block Grants/Entitlement Grants
	14.219	Community Development Block Grants/Small Cities Program
		<b>Fish and Wildlife Cluster</b>
DOI	15.605	Sport Fish Restoration
	15.611	Wildlife Restoration
		<b>Employment Services Cluster</b>
DOL	17.207	Employment Service
	17.801	Disabled Veterans' Outreach Program (DVOP)
	17.804	Local Veterans' Employment Representative Program (LVER)

		<b>WIA Cluster</b>
DOL	17.258	WIA Adult Program
	17.259	WIA Youth Activities
	17.260	WIA Dislocated Workers
		<b>Highway Planning and Construction Cluster</b>
DOT	20.205	Highway Planning and Construction
	23.003	Appalachian Development Highway System
		<b>Federal Transit Cluster</b>
DOT	20.500	Federal Transit--Capital Investment
	20.507	Federal Transit--Formula Grants
		<b>Highway Safety Cluster</b>
DOT	20.600	State and Community Highway Safety
	20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants
	20.602	Occupant Protection
	20.603	Federal Highway Safety Data Improvements Incentive Grants
	20.604	Safety Incentive Grants for Use of Seatbelts
	20.605	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons
		<b>Special Education Cluster</b>
ED	84.027	Special Education--Grants to States (IDEA, Part B)
	84.173	Special Education--Preschool Grants (IDEA Preschool)
		<b>TRIO Cluster</b>
ED	84.042	TRIO--Student Support Services
	84.044	TRIO--Talent Search
	84.047	TRIO--Upward Bound
	84.066	TRIO--Educational Opportunity Centers
	84.217	McNair Post-Baccalaureate Achievement
		<b>Bilingual Education Cluster</b>
ED	84.288	Bilingual Education--Program Development and Implementation Grants
	84.290	Bilingual Education--Comprehensive School Grants
	84.291	Bilingual Education--Systemwide Improvement Grants
		<b>Aging Cluster</b>
HHS	93.044	Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers
	93.045	Special Programs for the Aging--Title III, Part C--Nutrition Services
		<b>Consolidated Health Centers Cluster</b>
HHS	93.151	Health Centers Grants for Homeless Populations (HCH)
	93.224	Community Health Centers (CHC)
	93.246	Health Centers Grants for Migratory and Seasonal Farm Workers (MHC)

---

		<b>Child Care Cluster</b>
HHS	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
		<b>Medicaid Cluster</b>
HHS	93.778	Medical Assistance Program (Medicaid)
	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers
		<b>HIV Cluster</b>
HHS	93.914	HIV Emergency Relief Project Grants
	93.915	HIV Emergency Relief Project Grants
		(See explanation under "IV. Other Information" on page 4-93.914-7)
		<b>Foster Grandparent/Senior Companion Cluster</b>
CNS	94.011	Foster Grandparent Program
	94.016	Senior Companion Program
		<b>Disability Insurance/SSI Cluster</b>
SSA	96.001	Social Security--Disability Insurance (DI)
	96.006	Supplemental Security Income (SSI)

**Programs Not Included in this Supplement Deemed to Be Other Clusters**

<u>Agency</u>	<u>CFDA No.</u>	<u>Name of Other Cluster/Program</u>
USDA	10.415 10.427	<b>Rural Rental Housing Cluster</b> Rural Rental Housing Loans Rural Rental Assistance Payments