

Federal review found Paine student aid violations

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A U.S. Department of Education review last year at Paine College – prompted by allegations of financial mismanagement – found the school had violated a dozen areas of federal student financial aid regulations ranging from withholding refund checks from students to inadequate bookkeeping, documents obtained by *The Augusta Chronicle* show.



FILE/STAFF

As of mid-March, Paine College was still in noncompliance in three areas identified in a review last year by the U.S. Department of Education, a department letter states.

The department submitted these findings regarding the 2011-12 and 2012-13 years to Paine in June after an on-site visit in November 2012 and required corrective actions to be taken by the college.

Over the past year, Paine officials have had to submit to the department evidence that they have revised policies and corrected financial errors affecting student accounts. As of March 14, Paine is still in noncompliance in three of the 12 initial areas, according to a letter from the Department of Education:

- Inaccurate records: Paine officials were not keeping adequate internal records on Pell Grant and Federal Direct Loan payments they were posting to student accounts. The total amount of funds the school drew from the government in 2011 and 2012 exceeded the amount posted to students' accounts in samples reviewed by the department. Paine was required to provide evidence of the disbursements posted to student accounts. Monthly reconciliations were also not being completed for federal funds between the school's internal ledgers and federal reporting systems. The school was also found to have used federal funds for payroll expenses before posting the money to student accounts.
- Student credit balance deficiencies: Of 30 student

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files randomly selected by the department for review, Paine was found to have withheld refunds or paid refunds late for seven students. According to the department's review, it is possible the delay was caused by the diversion of Title IV funds to make payroll instead of using the funds for program purposes such as paying balances to students.

- Current year funding used for prior year charges: For one student of the 30 randomly sampled, Paine never awarded his \$1,443 refund but instead posted it to his account for the next term. According to federal regulations, an institution can only use Title IV funds to satisfy a student's current year charges, tuition and fees, room and board and certain prior year charges.

Brandon Brown, Paine's vice president for institutional advancement, said the problems identified by the Education Department had to do with faulty processes and procedures that have since been revamped.

Declining to provide names, Brown said the college has restructured its business and fiscal affairs departments with competent people after years of instability and has implemented better safeguards to prevent mismanagement.

"There is a new set of internal controls that we've put in place. Certainly the review process is very important that we engage in now, and there are checks and balances," Brown said. "We have conversations weekly about our processes and how we make sure we follow the guidelines. There's a lot more scrutiny now than we've ever had in place, and we visualize continuing that."

Brown credited the new vice president of fiscal affairs, Debra Latimore, formerly of Shaw University, for enforcing checks and balances for fiscal issues.

The need for Paine to correct financial mismanagement has grown more urgent over the past several years. In June 2013, Paine was placed on its second year of warning status by its accrediting body, the Southern Association of Colleges and Schools Commission on Colleges, for various financial violations.

The regional body gave Paine 12 months to come into compliance or risk facing further sanction. SACS is due to release sanction disclosures for 2014 this summer.

The other nine violations identified by the Education Department in June that Paine has since corrected or created policies to prevent were found by reviewing a random sample of 30 student files. They included:

- Overawarding Pell: One student received \$200 extra.

- Not verifying enrollment: One student was awarded \$1,025 in a Pell Grant when he was not enrolled.
- Underawarding direct loans: Two students were given less loan disbursements than they were entitled to receive.
- Incorrect tax verification: One student's tax information was not verified before she was given federal aid.
- Conflicting information: Two students showed conflicting tax information on financial aid documents.
- Academic progress not met: One student did not make the satisfactory academic progress required for federal aid, and his college-level appeal wasn't completed before receiving the funds.
- Title IV return errors: Of two students randomly selected for review from a list of all withdrawn students, both had calculation errors. Paine overreported the amount of direct loans dispersed to one student on a federal worksheet. Paine overreported tuition costs for the second student.
- Failure to reconcile student accounts: The amount and dates of direct loans and Pell Grants actually credited to student accounts did not match what was reported in federal databases.
- Financial aid packaged incorrectly: For five of the 30 sampled students, Paine did not award the full cost of attendance or make them aware of their full direct-loan eligibility. In all cases, students received less money than they were entitled.

Brown said along with strengthening internal controls to address these issues, students are given more guidance on how to fill out financial forms and enroll for aid. He said the school is focused on continuing to recruit high-achieving students and "doing what we do best, which is educating students."

"We still have a ways to go, but we believe through our new processes and internal controls and leadership we have in place we are going to get there," he said. "Certainly this has been in many ways a tough time, but that's what makes institutions better."