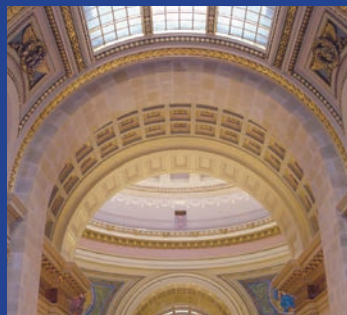


**Report 18-16
November 2018**

UW-Extension Student Financial Aid Attestation Fiscal Year 2017-18

STATE OF WISCONSIN



Legislative Audit Bureau ■

UW-Extension Student Financial Aid Attestation Fiscal Year 2017-18

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Appendices

- Appendix 1—Servicer Information Sheet for UW Colleges
- Appendix 2—Servicer Information Sheet for UW-Milwaukee



STATE OF WISCONSIN | Legislative Audit Bureau

22 East Mifflin St., Suite 500 ■ Madison, WI 53703 ■ (608) 266-2818 ■ Hotline: 1-877-FRAUD-17 ■ www.legis.wisconsin.gov/lab

Joe Chrisman
State Auditor

November 16, 2018

Senator Robert Cowles, and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

At the request of the University of Wisconsin (UW)-Extension, we have completed an examination of UW-Extension's compliance with applicable requirements related to certain administrative services it provides for federal student financial aid. For fiscal year (FY) 2017-18, UW-Extension entered into contracts with UW-Milwaukee and UW Colleges to administer federal student financial aid for students participating in the UW Flexible Option program, which is administered by UW-Extension. The UW Flexible Option program allows enrolled students to earn a degree or certificate through a self-paced, competency-based education format.

During FY 2017-18, UW Flexible Option degrees and certificates were offered at UW Colleges, UW-Extension, UW-Madison, UW-Milwaukee, and UW-Parkside. However, federal student financial aid was only available for degrees offered at UW Colleges and UW-Milwaukee. During FY 2017-18, UW-Extension disbursed nearly \$1.4 million in federal student financial aid to 41 students from UW Colleges and 269 students from UW-Milwaukee who participated in the UW Flexible Option program.

As a third-party servicer, which is an organization that administers any portion of a federal student financial aid program on behalf of an eligible institution, UW-Extension is required to have an examination of its administration of federal student financial aid. Our examination included obtaining assertions from UW-Extension related to its compliance with applicable requirements, testing internal controls, and determining whether UW-Extension complied with applicable requirements. Our unmodified opinion on compliance, our report on internal control and compliance, and a Schedule of Findings and Questioned Costs are presented in this report. In addition, Appendix 1 is the required servicer information sheet for UW Colleges and Appendix 2 is the required servicer information sheet for UW-Milwaukee.

We appreciate the courtesy and cooperation extended to us by UW-Extension staff during our examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joe Chrisman'.

Joe Chrisman
State Auditor

JC/ES/ss

Accountant's Report ■



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Joe Chrisman
State Auditor

Senator Cowles and
Representative Kerkman, Co-chairpersons
Joint Legislative Audit Committee

Aaron Brower, Ph.D., Executive Director
Continuing Education, Outreach, and E-Learning
University of Wisconsin-Extension

Independent Accountant's Report

We have examined the University of Wisconsin (UW)-Extension's assertion that it complied with the requirements regarding Servicer Eligibility, Servicer's Systems and Internal Control, Reporting, Student Eligibility, Disbursements, Return of Title IV Funds, and Administrative Requirements described in Chapter 4 of the 2016 edition of the U.S. Department of Education's *Guide for Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs* (Guide) for the year ended June 30, 2018.

Management's Responsibility

UW-Extension's management is responsible for its assertion, as described in the first paragraph.

Accountant's Responsibility

Our responsibility is to express an opinion on UW-Extension's compliance with the requirements referred to above, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestations contained in *Government Auditing Standards*, which is issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the examination to obtain reasonable assurance about whether UW-Extension complied with the requirements referred to in the first paragraph. An examination involves performing procedures, on a test basis, to obtain evidence about UW-Extension's compliance with the requirements referred to in the first paragraph. The nature, timing, and extent of the procedures selected depends on our judgment, including an assessment of the risk of material noncompliance, whether due to error or fraud and performing such other procedures as we considered necessary in the circumstances. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on UW-Extension's compliance with the requirements referred to in the first paragraph.

Opinion

In our opinion, UW-Extension complied, in all material respects, with the requirements referred to in the first paragraph, for the year ended June 30, 2018.

Report on Internal Control over Compliance

UW-Extension is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to in the first paragraph. In planning and performing our examination, we considered UW-Extension's internal control over compliance for these requirements. This consideration was solely to determine the procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide. This consideration was not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UW-Extension's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement. This deficiency is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, the report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU



Joe Chrisman
State Auditor

November 13, 2018

Schedule of Findings and Questioned Costs ■

The 2016 edition of the U.S. Department of Education’s *Guide for Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs* requires the attestation report to include a Schedule of Findings and Questioned Costs that presents information about the population and sample and findings of noncompliance.

Part A—Information about Population and Sample

Number of Schools Serviced during FY 2017-18 ¹	2
Students Who Enrolled and Received Title IV Aid during FY 2017-18 ²	
Population Size	309
Sample Size	40
Students Who Received Title IV Aid and Withdrew during FY 2017-18 ³	
Population Size	187
Sample Size	20

¹ Includes UW Colleges and UW-Milwaukee.

² Includes students who were enrolled in the UW Flexible Option program at UW Colleges or UW-Milwaukee who received a Pell Grant, a Direct Loan, or both.

³ Includes students who withdrew, dropped out, enrolled but never began attendance, or were terminated from the UW Flexible Option program at UW Colleges or UW-Milwaukee who received a Pell Grant, a Direct Loan, or both.

Part B—Attestation Findings

No attestation findings were identified.



Follow-up on Resolution of Prior Findings of Noncompliance ■

The 2016 edition of the U.S. Department of Education’s *Guide for Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs* (Guide) requires the attestation report to include management’s comments on the resolution of prior attestation findings. There are no immediate prior compliance attestation engagements per the Guide or prior attestation engagements issued during or after the attestation period but before the date of our report. Therefore, there are no prior attestation findings to include in this section.

■ ■ ■ ■

Appendices ■

Servicer Information Sheet for UW Colleges

SERVICER INFORMATION SHEET

University of Wisconsin (UW)-Extension

Continuing Education, Outreach, and E-Learning

5602 Research Park Boulevard

Madison, Wisconsin 53719

Servicer Information

Executive Director	Aaron Brower, Ph.D.
Contract Person	Melissa Haberman
Title	Financial Aid Director
Email Address	Melissa.Haberman@uwex.edu
Telephone Number	(608) 261-1118

Servicer Practitioner Information

Organization Name	Wisconsin Legislative Audit Bureau
Contact Person	Erin Scharlau
Address	22 E. Mifflin Street, Suite 500
City, State	Madison, Wisconsin
Email Address	Erin.Scharlau@legis.wisconsin.gov
Telephone Number	(608) 266-2818
Last Compliance Attestation	N/A
Engagement Period	July 1, 2017 through June 30, 2018
Date of Field Work	April 14, 2018 through November 13, 2018

The below table identifies the division of duties for compliance requirements. The information included in the table relates only to duties associated with administration of federal student financial aid for students in the UW Flexible Option program. Compliance requirements that do not apply have been left blank.

Compliance Requirement	Performed by UW Colleges	Performed by UW-Extension	Explanation of Divided Performance
1. Institutional Eligibility and Participation			
A. Participation agreement/ECAR	X		
B. Legal authorization	X		
C. Approved locations	X		
D. Eligible programs	X		
E. Accreditation	X		
F. Bonuses, commissions and other incentives payments	X		
G. Student recruiting and admissions	X		
H. Zone alternative	X		
I. TEACH grant eligibility and administration			
J. Calculation of 90/10 ratio	X		
K. Calculation of other institutional eligibility ratios	X		

Compliance Requirement	Performed by UW Colleges	Performed by UW-Extension	Explanation of Divided Performance
2. Reporting			
A. Enrollment reporting roster file:			
i. Completion	X		
ii. Changes in enrollment status		X	
B. FISAP			
C. Gainful Employment Reporting			
3. Student Eligibility			
A. Determining eligibility		X	
B. Regular student		X	
C. Enrolled in eligible program		X	
D. Citizenship		X	
E. Social security number		X	
F. Not in overpayment or default status		X	
G. Selective service		X	
H. Academic credentials		X	
I. SAR/ISIR	X		
J. Verification	X		
K. Prior degrees		X	
L. Incarcerated students		X	
M. Maintaining satisfactory academic progress	X	X	UW Colleges evaluates satisfactory academic progress upon entry. UW-Extension evaluates satisfactory academic progress thereafter.
N. Professional judgment decisions	X	X	UW-Extension performs cost of attendance decisions. UW Colleges performs all others.
O. Dependency overrides	X		
P. Financial need		X	
Q. Calculating the Pell		X	
R. Calculating loan amounts		X	
S. Master promissory note confirmation process		X	
T. PLUS loan amounts and confirmation process		X	
U. TEACH grant			
V. IASG			
W. Attendance in distance education program		X	
X. Student Confirmations		X	
4. Disbursements			
A. Confirming student eligible for each disbursement		X	
B. Valid ISIR/SAR on file		X	
C. Determining payment period		X	
D. Entering COD data		X	
E. Early disbursements		X	
F. Verification is complete		X	

Compliance Requirement	Performed by UW Colleges	Performed by UW-Extension	Explanation of Divided Performance
G. Notices		X	
H. Transfer students		X	
I. FWS			
J. Initial counseling		X	
K. Exit counseling		X	
L. Delivering credit balances and authorizations	X		
M. If applicable, maintaining subsidiary ledger for students with credit balance	X		
5. Return of Title IV Funds			
A. Policy		X	
B. Determining date of withdrawal		X	
C. Post-withdrawal disbursements		X	
D. Return calculations		X	
E. Overpayment calculations		X	
F. Allocation of return of Title VI funds		X	
G. Timing of return of Title IV funds	X	X	UW Colleges returns the Title IV funds. UW-Extension performs the return calculation.
H. Notifying borrowers of returns of loan proceeds		X	
6. G5 and Cash Management			
A. Forecasting cash needs	X		
B. Withdrawing Federal funds	X		
C. Disbursing funds			
i. Posting credits to student accounts	X		
ii. Making the funds available to the student	X		
D. Returning excess funds	X		
E. Accounting for and returning interest earnings	X		
F. Performing monthly Direct Loan reconciliations	X		
7. Perkins Loan Program			
A. Approving and maintaining deferment, loan cancellation, and discharge for death or disability documentation			
B. Perkins master promissory notes			
C. Loan status and loan balances in NSLDS			
D. Deferment of loan payments			
E. Billing and collections			
F. Liquidation			
8. Administrative Requirements			
A. Written procedures		X	
B. Direct Loan quality assurance system		X	
C. Satisfactory academic progress measurements	X		
D. Reporting change in ownership		X	

Compliance Requirement	Performed by UW Colleges	Performed by UW-Extension	Explanation of Divided Performance
E. Reporting possible illegal conduct	X	X	Both UW Colleges and UW-Extension are responsible.
F. Perkins Loan and grant overpayments		X	
G. Annual security and fire safety reports			
H. Completion, graduation, and transfer-out rates	X		
I. Prospective student disclosures for gainful employment programs			
J. Student Warnings for gainful employment program eligibility			
9. Close Out Audit (If Applicable)			
A. Retaining and storing of records			
B. Collection of outstanding Perkins Loans			
C. Continuing to comply with withdrawal calculations during "teach-out," if applicable			
D. Returning unexpended Title IV funds to ED			
E. Returning to Direct loan proceeds received but not delivered or credited to student accounts			
F. Disbursements after participation ends			

Servicer Information Sheet for UW-Milwaukee

SERVICER INFORMATION SHEET

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Madison, Wisconsin 53719

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Contact Person Melissa Haberman

Title Financial Aid Director

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Last Compliance Attestation N/A

Engagement Period July 1, 2017 through June 30, 2018

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The below table identifies the division of duties for compliance requirements. The information included in the table relates only to duties associated with administration of federal student financial aid for students in the UW Flexible Option program. Compliance requirements that do not apply have been left blank.

Compliance Requirement	Performed by UW-Milwaukee	Performed by UW-Extension	Explanation of Divided Performance
1. Institutional Eligibility and Participation			
A. Participation agreement/ECAR	X		
B. Legal authorization	X		
C. Approved locations	X		
D. Eligible programs	X		
E. Accreditation	X		
F. Bonuses, commissions and other incentives payments	X		
G. Student recruiting and admissions	X		
H. Zone alternative	X		
I. TEACH grant eligibility and administration			
J. Calculation of 90/10 ratio	X		
K. Calculation of other institutional eligibility ratios	X		

Compliance Requirement	Performed by UW-Milwaukee	Performed by UW-Extension	Explanation of Divided Performance
2. Reporting			
A. Enrollment reporting roster file:			
i. Completion	X		
ii. Changes in enrollment status		X	
B. FISAP			
C. Gainful Employment Reporting			
3. Student Eligibility			
A. Determining eligibility		X	
B. Regular student		X	
C. Enrolled in eligible program		X	
D. Citizenship		X	
E. Social security number		X	
F. Not in overpayment or default status		X	
G. Selective service		X	
H. Academic credentials		X	
I. SAR/ISIR		X	
J. Verification		X	
K. Prior degrees		X	
L. Incarcerated students		X	
M. Maintaining satisfactory academic progress		X	
N. Professional judgment decisions		X	
O. Dependency overrides		X	
P. Financial need		X	
Q. Calculating the Pell		X	
R. Calculating loan amounts		X	
S. Master promissory note confirmation process		X	
T. PLUS loan amounts and confirmation process		X	
U. TEACH grant			
V. IASG			
W. Attendance in distance education program		X	
X. Student Confirmations		X	
4. Disbursements			
A. Confirming student eligible for each disbursement		X	
B. Valid ISIR/SAR on file		X	
C. Determining payment period		X	
D. Entering COD data		X	
E. Early disbursements		X	
F. Verification is complete		X	

Compliance Requirement	Performed by UW-Milwaukee	Performed by UW-Extension	Explanation of Divided Performance
G. Notices		X	
H. Transfer students		X	
I. FWS			
J. Initial counseling		X	
K. Exit counseling		X	
L. Delivering credit balances and authorizations	X		
M. If applicable, maintaining subsidiary ledger for students with credit balance	X		
5. Return of Title IV Funds			
A. Policy		X	
B. Determining date of withdrawal		X	
C. Post-withdrawal disbursements		X	
D. Return calculations		X	
E. Overpayment calculations		X	
F. Allocation of return of Title VI funds		X	
G. Timing of return of Title IV funds	X	X	UW-Milwaukee returns the Title IV funds. UW-Extension performs the return calculation.
H. Notifying borrowers of returns of loan proceeds		X	
6. G5 and Cash Management			
A. Forecasting cash needs	X		
B. Withdrawing Federal funds	X		
C. Disbursing funds			
i. Posting credits to student accounts	X		
ii. Making the funds available to the student	X		
D. Returning excess funds	X		
E. Accounting for and returning interest earnings	X		
F. Performing monthly Direct Loan reconciliations	X		
7. Perkins Loan Program			
A. Approving and maintaining deferment, loan cancellation, and discharge for death or disability documentation			
B. Perkins master promissory notes			
C. Loan status and loan balances in NSLDS			
D. Deferment of loan payments			
E. Billing and collections			
F. Liquidation			
8. Administrative Requirements			
A. Written procedures		X	
B. Direct Loan quality assurance system		X	
C. Satisfactory academic progress measurements	X		
D. Reporting change in ownership		X	

Compliance Requirement	Performed by UW Colleges	Performed by UW-Extension	Explanation of Divided Performance
E. Reporting possible illegal conduct	X	X	Both UW Colleges and UW-Extension are responsible.
F. Perkins Loan and grant overpayments		X	
G. Annual security and fire safety reports			
H. Completion, graduation, and transfer-out rates	X		
I. Prospective student disclosures for gainful employment programs			
J. Student Warnings for gainful employment program eligibility			
9. Close Out Audit (If Applicable)			
A. Retaining and storing of records			
B. Collection of outstanding Perkins Loans			
C. Continuing to comply with withdrawal calculations during "teach-out," if applicable			
D. Returning unexpended Title IV funds to ED			
E. Returning to Direct loan proceeds received but not delivered or credited to student accounts			
F. Disbursements after participation ends			