

**INFORMATION**  
**February 18, 2005**

**HIGHER EDUCATIONAL AIDS BOARD**

**BOARD REPORT #05-16**

**RETURN OF FUNDS POLICY AND PROCEDURES**

**HIGHER EDUCATIONAL AIDS BOARD  
BOARD REPORT #05-16  
RETURN OF FUNDS**

**HEAB POLICIES AND PROCEDURES MANUAL**

**CHAPTER 10  
Return of Funds**

The timely identification and processing of refunds is essential. Processing of refunds should be given the same priority as the processing of checks when they are initially received. Refunding money in a timely manner helps ensure that Wisconsin students will have money available to them when needed.

**Policy**

Each institution shall have a fair and equitable refund policy that addresses the return of state funds when a student withdraws from the institution prior to the end of the institutionally determined refund period. State aid programs will have priority for any credit balance remaining from an institutional refund after the federal Return of Title IV Funds requirements are satisfied. The amount of state grants refunded shall not exceed the "unearned" percentage of grant, consistent with the "unearned" percentage of federal funds.

**Process**

1. Unclaimed or refunded money should be returned to HEAB by check.
2. If a student officially (or unofficially) withdraws, state funds must be returned to HEAB within 30 days of the last date of attendance; or the date the student officially notifies school officials of withdrawal; or the date the school officially designates as the withdrawal date.
3. If a check is unclaimed by the student within 21 days of the date the check is received by the institution, the state funds must be returned to HEAB promptly after the 21st day.
4. The information accompanying the check must include:
  - a. Student's first and last name.
  - b. Student's social security number.
  - c. The correct disbursement code.
  - d. Your 3 digit HEAB school code.
  - e. The HEAB voucher number (if you do not know the voucher number include the academic year and semester of the award being returned).
  - f. Amount of each individual award being refunded.
  - g. The check number and date of check being returned. This should not be the number and date of the original award check if different.
5. Please do not submit refund lists via e-mail. Refund lists must be mailed with their accompanying check(s).
6. If you are using the Refund Template ([Appendix #19](#)) and submitting your refund lists on diskette, save the refund list as an Excel spreadsheet. Do not save the list as a PRN document.



STATE OF WISCONSIN

## Legislative Audit Bureau

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February 8, 2005

Janice Mueller  
State Auditor

Ms. Sherrie Nelson, Administrative Policy Advisor  
Higher Educational Aids Board  
131 West Wilson Street, Suite 902  
Madison, Wisconsin 53707-7885

Dear Ms. Nelson:

The Legislative Audit Bureau conducts an annual compliance audit of the State of Wisconsin to meet the audit requirements of the federal Single Audit Act of 1984 and the provisions of federal Office of Management and Budget Circular A-133. As part of this audit, we review compliance with regulations related to federal student financial aid programs within the University of Wisconsin (UW) System. However, as state auditors, we are alert to issues that may affect state-funded programs, as well.

During the single audit, we noted potential concerns at several UW campuses related to financial aid returns, in which funds are returned to the aid programs when a student withdraws from school and is no longer eligible for the full amount of aid that he or she was originally awarded. Both the school and the student may be responsible for returning money to the programs. Our concerns can be categorized into two groups.

First, during our fiscal year (FY) 2003-04 audit, we found that terminology used by the Higher Educational Aids Board (HEAB) may have had unintended consequences. HEAB's policies and procedures manual states, "each institution shall have a fair and equitable *refund* policy that addresses the return of state funds when a student withdraws from the institution prior to the end of the institutionally determined refund period" [emphasis added].

Because HEAB's policy refers to refunds, UW-Madison and UW Colleges staff associate this policy only with their policy for refunding tuition to students. They apply the same time limitations and do not return any funds to HEAB when students withdraw after the fourth week of school. However, the student tuition refunds are separate calculations from the returns computed for the federal student financial aid programs. According to federal regulations, a return must be computed until 60 percent of the semester has been completed, which is typically reached during the tenth week of school.

During our audit, we randomly selected 10 returns at UW-Madison for testing. We identified one student who received \$4,086 from various federal financial aid programs

Ms. Sherrie Nelson, Administrative Policy Advisor

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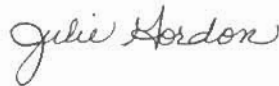
and \$377 from the Wisconsin Higher Education Grant (WHEG) program, but did not attend any classes. As a result, the full amount of \$4,086 was later returned by UW-Madison to the federal programs. However, because this student was not identified until the end of the semester and no tuition refund was generated, no funds were returned to HEAB. While campus staff provided email correspondence with former HEAB staff implying that this practice was acceptable, it does not appear to be consistent with the intent of the HEAB policy and is inconsistent with the treatment of federal student financial aid.

Second, because student financial aid programs may be funded by the State, the U.S. Department of Education, or the U.S. Department of Health and Human Services, separate return calculations for each funding source should be completed in accordance with the granting agency's guidelines. However, we identified several campuses that include all types of financial aid, including state-funded aid, in the federal return calculation. As a result, the federal programs often receive more than they should. For example, in accordance with a prior-audit recommendation, UW-Oshkosh recently reviewed returns for all students who withdrew in FY 2001-02 and FY 2002-03. Because state funds were included in the federal return calculation, UW-Oshkosh staff determined that the WHEG program was underpaid \$11,610 during this time period.

We provided written recommendations to campuses in our single audit reports to correct this second concern. However, as HEAB reviews its guidelines related to returns, additional guidance and clarification to ensure campus compliance with the intent of the guidelines would be helpful.

If you have any questions regarding this issue or the Audit Bureau's annual single audit at UW System, please feel free to contact me at 259-9811.

Sincerely,



Julie Gordon  
Financial Audit Director

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