Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

ALLOPATHIC MEDICINE HEALTH PROFESSIONS STUDENT LOANS PROGRAM AT INDIANA UNIVERSITY-PURDUE UNIVERSITY BLOOMINGTON, INDIANA

JUNE GIBBS BROWN
Inspector General

JULY 1998
A-05-98-00015

DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V
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CHICAGO. ILLINOIS 60603-620 1

OFFICE OF
INSPECTOR GENERAL

Common Identification No. A-05-98-00015

July 31, 1998

Linda Canada,
Director of Student Accounts
Student Information & Fiscal Services
Indiana University
400 East Seventh Street, Room 607
Bloomington, IN 47405

Dear Ms. Canada:

This letter report provides the results of our audit of the Allopathic Medicine Health Professions Student Loans (HPSL) Program at Indiana University - Purdue University (IU-PU). The HPSL program was implemented through the Public Health Service Act. The Health Resources Services Administration has overall management responsibilities for the program at the Federal level.

We determined that the University was appropriately using HPSL funds to provide loans to eligible medical students and was appropriately administering the HPSL funds. However, we are recommending that the University develop a means to identify loans that are about to exceed the ten-year repayment period.

In a letter dated July 23, 1998, Indiana University concurred with our recommendation and has begun implementing procedures to identify, at least semi-annually, uncollectible loans. The full text of the University's comments is attached as an appendix to this report.

INTRODUCTION

Background

In response to an anticipated national shortage of doctors, nurses and health professionals, the Congress established HPSL through Public Law 88- 129 in 1963. The legislation authorized funds for use by educational institutions in making long-term, low-interest loans to eligible students. To be eligible for the programs, students must have a need for financial assistance and be taking courses to become a physician, osteopath, dentist, optometrist, pharmacist, podiatrist or veterinarian.

In 1992 the Health Professions Education Extension Amendments (Public Law 102-408) established new requirements for the use of Health Professions Student Loans funds for allopathic and osteopathic medical schools. Effective July 1993, new medical and osteopathic students who receive HPSL funds are required to practice primary health care.

The Allopathic Medicine program at IU-PU has received more than $4.25 million in Federal funding. The program has provided HPSL loans to more than 3,000 students and primary care loans to an additional 92 students. The total dollar amount of loans provided to students exceeds $17 million, The amount of the loan pool continues to increase due to the addition of interest income earned on student loans.

Scope of Audit and Methodology

Our audit was performed in accordance with generally accepted government auditing standards. Our objectives were to determine that (i) interest income earned on HPSL invested balances was properly credited to the HPSL loan pool, (ii) excess cash from the HPSL account was not being maintained, (iii) the amounts and use of primary care loans were appropriate, (iv) the recipients of primary care loans were complying with their primary care service obligation, and (v) the university was not carrying uncollectible loans in its accounting records. To achieve our audit objectives, we interviewed university officials, researched applicable laws and program regulations, reviewed accounting data and student tiles, and performed other auditing procedures as considered necessary.

We reviewed accounting records and bank receipts to document the amount reported as Investment Income on the Fiscal Year (FY) 1997 Annual Operating Report. Accounting records, bank receipts and a review of prior loan activities were used to assess the validity of data reported in the Excess Cash Work Sheet section of the FY 1997 Annual Operating Report.

A sample of 30 primary care loan borrowers was randomly selected to review for the dollar amount of the loan, use of the loan, and compliance with the primary care service obligation. A separate random sample of 100 HPSL borrowers was drawn to review for uncollectible accounts. We performed additional reviews of five loans that were past due for more than 210 days, and of all 11 loans written off under Public Law 100-607.

The period covered by our audit for investment income and excess cash was limited to the 1997 Fiscal Year corresponding to the Annual Operating Report. The period for our review of primary care loans was July 1, 1993 through December 31, 1997. The period for determining the extent of uncollectible loans was August 1, 1985 through December 31, 1997.

We conducted our field work at the Student Information and Fiscal Services offices at Indiana University in Bloomington, Indiana and at the Scholarships and Financial Aid offices in Indianapolis, Indiana. Field work was performed during January 1998.

RESULTS OF AUDIT

Based on the results of our audit, the Allopathic Medicine HPSL Program at IU-PU was generally in compliance with program regulations.

We determined that the University is currently crediting the HPSL loan pool for interest income earned on HPSL invested funds and is not retaining excess cash from the HPSL program. Prior audit work performed by our office identified investment income on idle HPSL program funds that was not credited to the HPSL and Nursing Student Loan (NSL) fund accounts. The Health Resources Services Administration (HRSA) hired a contractor in 1988 to review the records of all schools which had received cumulative HPSL/NSL awards in excess of $500,000. The result of the review was a calculation of the amounts of interest earned, but not credited, to the funds for the years beginning FY 1965. As a result of the HRSA initiative, IU-PU has refunded $156,000 of investment income to the HPSL program.

We determined that primary care loan amounts were appropriate and that the recipients were complying with their primary care service obligations. We also determined that the University did not have any loans in their accounting records that should be classified as uncollectible. However, there was no mechanism to identify loans which were about to exceed the ten-year repayment period.

Investment Income

Interest earned from HPSL invested funds is currently being reinvested into the HPSL program During FY 1997, $388 was recorded as investment income on the Annual Operating Report.

Excess Cash

The University was not retaining excess cash from the HPSL program. In fact, according to the documentation used to prepare the FY 1997 Annual Operating Report, the University reported a negative amount of excess cash.

Primary Care Loans--Loan Amounts

The loan amounts made to primary care loan borrowers were less than or equal to the amount allowable for tuition and miscellaneous expenses.

Primary Care Loans--Compliance

Medical students who received primary care loans and maintained them through graduation were complying with their primary care service obligations,

Uncollectible Loans

The University did not have any uncollectible loans. Our review of HPSL borrower accounts revealed that none of the accounts had exceeded the ten-year repayment period. We determined that all 11 loans written off under Public Law 100-607 were eligible for retirement.

HPSL regulations require that a loan must be considered uncollectible when the ten-year repayment period has expired. The regulations also state that the school must request permission to write off an uncollectible loan within 30 days of the determination that it is uncollectible or reimburse the fund in the full amount of the loan. Review of specific loan accounts are only required on an annual basis and collection efforts need only be performed on a semi-annual basis once a loan has been in default more than three years. The infrequent monitoring requirement dictates the need for a system that will alert university officials, in a timely manner, of the approaching repayment expiration date. We noted that the University did not have a mechanism in place to identify loans which were about to become uncollectible through the expiration of the ten-year repayment period.

Recommendation

We are recommending that the university establish a means to identify loans that are about to exceed the ten-year repayment period.

University Comments

In a letter dated July 23, 1998, Indiana University concurred with our recommendation and has begun implementing procedures to identify, at least semi-annually, uncollectible loans. The full text of the University's comments is attached as an appendix to this report

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Final determination as to action taken on all matters reported will be made by the HHS action official named below. **We request that you respond to the HHS action official within 30 days from the date of this report.** Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG/OAS reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therin is not subject to exemptions in the Act with the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-05-98-000 15 in all correspondence related to this report.

Paul Swanson

Paul Swanson
Regional Inspector General
for Audit Services

APPENDIX

Direct Your reply to:
Mike Barton, Senior Auditor
U.S. Department of Health and Human Services
Office of Inspector General
Office of Audit Services
280 North High Street, Room 710
Columbus, Ohio 432 15

INDIANA UNIVERSITY

STUDENT
INFORMATION
AND FISCAL SERVICES

July 23, 1998

Att: Ross Anderson
DHHS/OIG/OAS
105 W. Adams St.
23rd Floor
Chicago, IL 60603

Re: A-05-98-00015

Dear Mr. Anderson:

We are pleased to have received such a favorable audit report pertaining to the administration of the Allopathic Medicine Health Professions Student Loan program at Indiana University. Compliance with the requirements of borrower eligibility, collections and cash management is truly a cooperative effort among several departments within the institution.

Although not required, we submit this response to the recommendation that we establish a means to identify loans that are about to exceed the ten-year repayment period. As a result of this audit, we have developed a plan to run a report, at least semi-annually, to identify uncollectible loans that must be submitted for write-off or repaid by the institution. Additionally, we have requested that our software vendor modify the programs so that loans that are between 60-90 days of the final due date will be flagged automatically. Implementation of these changes should facilitate our efforts to comply with the ten-year repayment regulation.

We would also like to acknowledge the efficient and professional manner in which Mr. Barton conducted this audit. Because of his efforts it was possible for us to provide the requested documentation and information without unnecessary burden.

Thank you for the opportunity to respond to this recommendation prior to submission of the final report.

Sincerely,

Susan L. Jones

Susan L. Jones
Director
Compliance and Financial Aid

ljc

cc: Att: Mike Barton

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